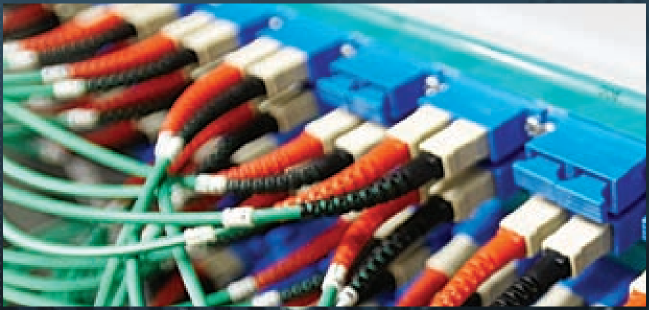
Cohort plc

Annual Report and Accounts 2011



Cohort plc is an AIM quoted independent high technology business operating in defence and related markets

In this report

For more on Cohort visit:
www.cohortplc.com

Cohort is the parent company of three well established, wholly owned subsidiaries providing a wide range of services and products for UK and international customers.

Find out more about the markets we operate in on page 2.

MASS

MASS designs, manufactures and supports electronic systems and software, and provides specialist services and training.

To read more on MASS, visit our website at **www.mass.co.uk**

SCS

SCS specialises in providing advice and support based on sound technical knowledge coupled with experience of its practical application.

To read more on SCS, visit our website at **www.scs-ltd.co.uk**

SEA

SEA delivers systems engineering, software and electronic engineering services and solutions, including specialist design and manufacture.

To read more on SEA, visit our website at **www.sea.co.uk**

Overview
Highlights

Financial and operational

- Adjusted operating profit* up 22% to £5.0m (2010: £4.1m).
- Adjusted earnings per share* up 39% at 10.69 pence (2010: 7.67 pence).
- Revenue down 17% at £65.1m (2010: £78.1m).
- Proposed final dividend up 14% at 1.60 pence per share (2010: 1.40 pence).
- Record profit at MASS.
- Return to profitability at SCS after major restructuring.
- Major restructuring and new Managing Director appointed at SEA.

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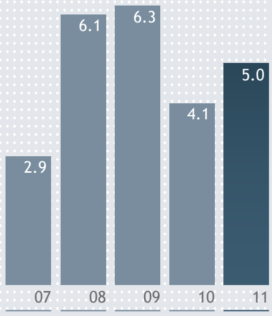
* Excludes exceptional items and amortisation of other intangible assets.

Adjusted operating profit* (£m)

£5.0m

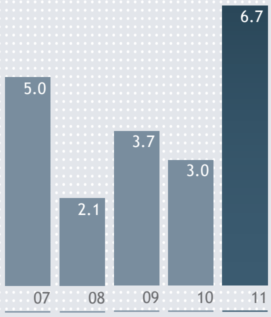
+22%



Net funds (£m)

£6.7m

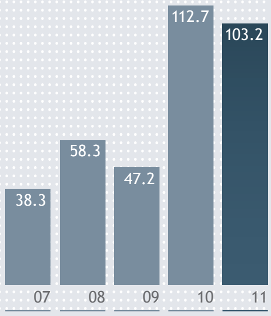
+121%



Order book at 30 April (£m)

£103.2m

-8%



Delivering value by pursuing innovation and growth within a framework of corporate governance and control

How we operate

Cohort plc aims to add real value to its subsidiaries through the experience and contacts of its senior team while providing a light-touch but effective governance framework. Its objective is to deliver value to shareholders through its three operating subsidiaries: MASS, SCS and SEA.

Defence

© MOD

All of our businesses operate to a large extent in the defence market, including security. Customers include UK MOD, NATO, EDA and a range of other national customers in Europe and the rest of the world.

Revenue

£51.4m

2010: £64.7m

Percentage of revenue

79%

2010: 83%

Space

© ESA

SEA has a strong capability in satellite sensors and operating systems, from research and development through to product design, delivery and support.

Revenue

£7.8m

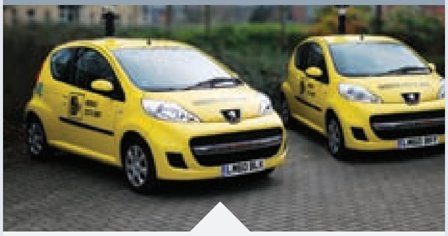
2010: £8.2m

Percentage of revenue

12%

2010: 10%

Transport



SEA provides information system solutions to both rail and road infrastructure customers and develops, supplies and supports camera enforcement systems.

Revenue

£2.1m

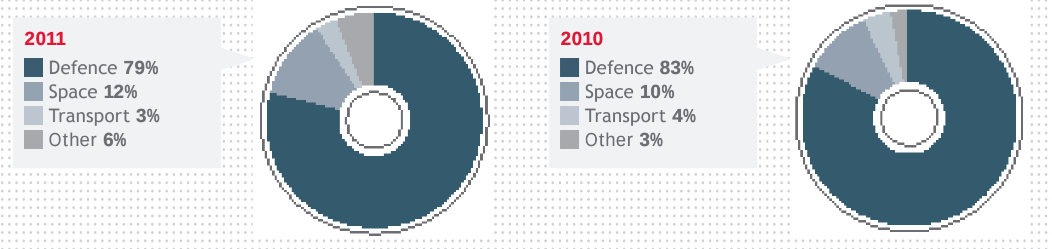
2010: £3.3m

Percentage of revenue

3%

2010: 4%

Revenue analysis by market sectors



Our strategy

Cohort was founded on the principle that SME-size businesses can prosper by being part of a larger group, where they can benefit from financial oversight, management support and the exchange of information and practices.

Cohort aims to achieve this while preserving the high-growth potential of innovative independent businesses.

Other

Includes education information systems and support provided by MASS, as well as other technical solutions and support to various commercial customers by all of our businesses.

Revenue

£3.8m

2010: £1.9m

Percentage of revenue

6%

2010: 3%

MASS

MASS has achieved another strong year of growth.

Priorities

- Win further orders for THURBON™, our EW data management system
- Build on our success in the UK education market
- Develop opportunities in Cyber

SCS

SCS has progressed well after major restructuring and is now back on a profitable footing.

Priorities

- Continue to win longer-term contracts
- A focused business development strategy for high value sustainable opportunities
- Increase business in non-UK MOD markets

SEA

SEA has just completed a major restructuring exercise and appointed a new Managing Director. The new financial year will see improved performance.

Priorities

- Pursue opportunities in the training and simulation market
- Develop export opportunities for the Common Simulation Framework system
- Build on the success of the External Communications System on the Astute programme

Cohort's businesses have strong market positions and the Group has a healthy cash position

> "The closing order book of £103.2m and pipeline of prospects provide a good platform for the coming year."

Nick Prest CBE
Chairman

In summary

- The Board is recommending a final dividend of 1.6 pence per ordinary share (2010: 1.4 pence).
- MASS traded strongly in the year and posted record figures for sales, profits and cash generation.
- MASS's recently secured SHEPHERD order underlines MASS's central role in the UK's Electronic Warfare capability.
- SCS has returned to profitability and has settled into its new premises under the leadership of Bill Bird.
- SEA continued to experience programme difficulties in the first half of 2010/11 and management changes in respect of organisation and processes have continued under Steve Hill.
- SEA ended the year with an order book of £23.4m (2010: £24.7m), which underpins a good proportion of the coming year's revenue.

Cohort has had an improved year overall, though falling short of the Board's expectations at the beginning of the year. MASS had another strong performance, growing revenue and profitability to record levels. Following management actions taken in early 2010, SCS has returned to profitability. SEA continued to experience programme difficulties during the year and further management and process changes were made to address these problems in the second half of the year. The SEA trading result for the year ended 30 April 2011 reflected a cautious stance on programme status and performance. The positive impact of these changes will be seen in the current financial year.

Key financials

In the year ended 30 April 2011, Cohort posted revenue of £65.1m (2010: £78.1m). This included revenue of £18.4m (2010: £26.4m) from Systems Consultants Services Limited (SCS), £23.5m (2010: £21.5m) from MASS Consultants Limited (MASS) and £23.2m (2010: £30.2m) from SEA (Group) Limited (SEA). MASS grew its revenue by nearly 10%. As previously reported, SCS's revenue was down on 2010 after withdrawing from a number of unprofitable revenue streams as well as experiencing a tougher domestic market, particularly in military manpower substitution. SEA's revenue was down on 2010 due to delays in programmes combined with weaker demand in some of its markets, especially defence research and transport.

The Group's adjusted operating profit was £5.0m (2010: £4.1m). This included adjusted operating profit from SCS of £1.0m (2010: £0.1m), from MASS of £4.2m (2010: £3.5m) and from SEA of £0.9m (2010: £1.6m). Cohort Group overheads were £1.1m (2010: £1.1m).

© BAE Systems

Cohort has strong business positions on the UK Astute Submarine programme and with the UK's Defence Electronic Warfare Centre.

The Group operating profit of £2.8m (2010: £2.9m) was after charging £0.7m (2010: £0.6m) in respect of restructuring costs at SCS and SEA.

Profit before tax was £2.7m (2010: £2.7m) and profit after tax was £2.8m (2010: £2.3m).

Basic earnings per share were 6.79 pence (2010: 5.63 pence). Adjusted earnings per share were 10.69 pence (2010: 7.67 pence). The adjusted earnings per share were based upon profit after tax, excluding amortisation of other intangible assets and exceptional items, both net of tax.

Order intake for the year was £55.6m (2010: £143.6m). The prior year included renewals of some long-term managed service contracts deliverable over a decade.

The net funds at the year-end were £6.7m (2010: £3.0m) after the purchase by MASS of Abacus EW for initial cash consideration of £0.9m in May 2010.

Dividends

The Board is recommending a final dividend of 1.6 pence per ordinary share (2010: 1.4 pence), making the full year dividend in respect of the year ended 30 April 2011 2.4 pence per ordinary share (2010: 2.05 pence), a 17% increase. This will be payable on 7 September 2011 to shareholders on the register at 5 August 2011 subject to approval at the Annual General Meeting on 1 September 2011.

MASS

MASS traded strongly in the year and posted record figures for sales, profit and cash generation. The company moved into its new premises in September 2010 and is well placed to strengthen further its good position. Abacus EW, which was acquired earlier in the year for an initial consideration of £0.9m, has been successfully integrated by MASS and has fulfilled our expectations in both operating performance and strategic fit. Abacus EW delivered a strong first year performance of over £0.7m adjusted operating profit on £1.6m of revenue. MASS's order book of £69.8m gives it a good starting point for the coming year and the recently secured SHEPHERD order underlines MASS's central role in the UK's Electronic Warfare capability, as well as providing MASS with a firm base from which to pursue further export opportunities.

SCS

Following a difficult year in 2009/10, SCS has returned to profitability, albeit on a lower level of revenue. SCS has settled into its new premises and under the leadership of Bill Bird, who was appointed as Managing Director in September 2010, has continued to progress well.

SCS confirmed its strong capabilities in defence by retaining its simulation support contract to the UK MOD's Permanent Joint Headquarters which it won against competition in March 2011. After shedding around £2.0m of annual running cost last year, SCS further aligned its cost base with its revenue streams during 2010/11 removing a further £0.8m of annual operating cost. SCS has now consolidated itself in terms of size and offering and is in a position to grow again and improve its margin.

SEA

After a disappointing 2009/10 SEA continued to experience programme difficulties in the first half of 2010/11. As a result, management changes were made in late 2010, led by Andy Thomis as acting Managing Director of SEA. These changes were extensive in respect of organisation and processes and the changes have continued under Steve Hill, who was appointed Managing Director in March 2011. We expect SEA's performance to improve in the coming year, though some further alignment of costs to revenue may be required. SEA ended the year with an order book of £23.4m (2010: £24.7m), which underpins a good proportion of the coming year's revenue.

Management

As part of the executive team's response to performance problems, Andy Thomis acted as Managing Director of both SCS and SEA, in addition to his role as Chief Executive, for short periods until succeeded by the new appointees. On behalf of the Board I welcome both Bill and Steve to the Group and I would like to thank all our employees for their hard work and dedication during a tough period for Cohort.

Outlook

The closing order book of £103.2m (2010: £112.7m) and pipeline of prospects provide a good platform for the coming year, despite continuing uncertainty in the UK defence market, and we will maintain the drive for improved operational performance, particularly at SEA. The Group will continue to push the expansion of its business outside the UK as well as its non-defence business.

Cohort's businesses have strong market positions and the Group has a healthy cash position. There is a gap between the market capitalisation of Cohort and the Board's view of the aggregate value of Cohort's underlying businesses and the Board's priority is to close this gap.

Nick Prest CBE
Chairman

Our businesses are leaner and better equipped for the challenges ahead

> "The combination of a strong order book and good short-term opportunities give me confidence that the Group can continue to improve its performance."

Andrew Thomis
Chief Executive

In summary

- MASS secured the contract to deliver key aspects of the new information management system for the UK's Defence EW Centre.
- MASS successfully delivered on the first of the schools for North Lincolnshire under the Building Schools for the Future (BSF) programme.
- SCS underwent considerable restructuring which achieved our initial goal of returning SCS to a stable, profitable business.
- SCS continued to win some key strategic work in the UK including the renewal of the Permanent Joint Headquarters training simulation.
- SEA has been awarded further research work in programmes including Future Dismounted Close Combat as well as making further progress with its Common Simulation Framework system.
- SEA has been selected for another key Network Rail software programme.

Overall this has been an improved year for Cohort. MASS again performed well, producing record revenue, operating profit and cash while successfully integrating Abacus EW following its acquisition in May 2010. MASS's continuing success was underlined by securing the SHEPHERD contract to deliver key aspects of the information management upgrade for the UK MOD's Electronic Warfare (EW) Centre, keeping MASS at the heart of the UK's EW operational support. This success underpins MASS's offering to overseas customers keen to develop their own EW capabilities. At SCS, following the problems reported in 2009/10 I am pleased to report an improvement in profitability, despite a tough market background in the UK defence sector. SEA had a disappointing year following on from its below-expectation performance in 2009/10. Action we took in 2009/10 to address the programme issues identified at the time did not result in sufficient performance improvement. As a result, more extensive action was taken during the year with major changes to management, organisation and processes, initially under my direction and then Steve Hill's, to whom I handed over as SEA Managing Director in March 2011.

Group overview

The Group's revenue for the year as compared to 2009/10 is summarised on pages 8 and 9.

The tables show the fall in Group revenue from 2010 to 2011 of £13.0m (17%). The most significant element of the reduction was in revenue received directly from the UK MOD at SCS and SEA. Military manpower substitution and advisory services were both affected at SCS and at SEA, there was a reduction in technology solutions work, particularly on research programmes.

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Cohort remains focused on delivering value in its core defence markets, but also continues to grow successfully in adjacent markets.

“Overall this has been an improved year for Cohort.”

This reflects the MOD’s introduction of an expenditure control regime as it has sought to implement the Government’s Strategic Defence and Security Review (SDSR).

More positively the Group maintained the level of revenue received indirectly from the MOD, including support to the UK’s deployed operations.

The Group continues to position itself to increase its non-UK MOD defence revenue, particularly its export defence revenue.

Trading subsidiaries

MASS

MASS had another record year, growing revenue by nearly 10% to £23.5m and adjusted operating profit by nearly 20% to £4.2m. It occupied its new operating premises near St Neots in September 2010 and these provide MASS with the capacity to continue to grow into the future.

I am delighted to report a strong maiden contribution from Abacus EW which generated £0.7m of adjusted operating profit and £0.6m cash on £1.6m of revenue after integration with MASS’s EW Operational Support business.

As already mentioned, in June 2011 MASS secured the contract to deliver key aspects of the new information management system for the UK’s Defence EW Centre. This will be based upon MASS’s own internally developed product, THURBON™. This provides MASS with a strong lever to secure export opportunities based upon THURBON™, both inside and outside of NATO.

MASS successfully delivered on the first of the schools for North Lincolnshire under the Building Schools for the Future (BSF) programme. The coalition Government has replaced BSF with a new scheme enabling individual schools to contract under approved framework agreements, on which MASS is accredited. This new market has a different competitive landscape to the BSF programme and MASS has so far secured one project under this arrangement.

SCS

As I reported last year, SCS underwent considerable restructuring during 2009/10 and this was further refined during the current year. This achieved our initial goal of returning SCS to a stable, profitable business. In the last 18 months the business has shed around £2.8m of annual employment cost. SCS achieved an adjusted operating profit of £1.0m (2010: £0.1m) on £18.4m (2010: £26.4m) of revenue. Despite the improvement, the operating margin of just over 5% remains too low and our objective is to move SCS’s performance closer to the double-digit margins achieved in past years. We previously signalled a fall in revenue due to SCS exiting low profitability business but this was compounded by a drop-off in military manpower substitution by the UK MOD as well as a reduction in some training exercise work.

Despite the tough market, SCS continued to win some key strategic work in the UK including the renewal of the Permanent Joint Headquarters training simulation for at least the next two years. SCS has also continued to develop in related markets outside UK defence, securing a framework agreement for NATO, providing training in Africa and support to the security arrangements for the London Olympics. SCS continues actively to seek further overseas opportunities but the timing of these is always uncertain. Despite the tight and sometimes unpredictable market conditions, I am confident that SCS’s capabilities and

Business review
Chief Executive's review continued

Trading subsidiaries
SCS continued

business model position it well against its competitors and there are reasonable grounds to think that it will continue to grow from the firm base established this year.

SEA

The trading performance of SEA in the first half of this year revealed that further restructuring was required. This was begun in October 2010 and so far it has reduced the SEA cost base by £1.3m. More importantly it changed the management structure, organisation and processes, particularly around project management and 2011/12 is now set to see an improvement.

Despite the difficult defence market, SEA has continued to secure some valuable and important orders. In defence, it has been awarded further research work in programmes including Future Dismounted Close Combat as well as making further progress with its Common Simulation Framework system. SEA has continued to deliver to customer requirements on the External Communications System (ECS) for the latest Astute Class Submarine and is well positioned to deliver retrofits to existing platforms as well as new installations onto future builds of this submarine class and elsewhere.

In transport, SEA has been selected for another key Network Rail software programme and in space it continues to secure positions on a number of research and flight programmes, although profitable delivery in the space division has been one of the weaker elements of SEA's performance.

The underlying SEA result, when the impact of marking forward exchange contracts to market is removed was £0.3m (2010: £1.8m)

	2011				
	MASS £m	SCS £m	SEA £m	Group £m	%
By market sector					
Defence (including security)					
Direct to UK MOD	9.6	12.5	5.7	27.8	
Indirect to UK MOD, where the Group acts as a sub-contractor or partner	5.1	4.5	6.9	16.5	
Total to UK MOD	14.7	17.0	12.6	44.3	68
Export defence	6.5	0.6	—	7.1	11
Total defence	21.2	17.6	12.6	51.4	79
Transport	—	—	2.1	2.1	
Space	—	—	7.8	7.8	
Other commercial	2.3	0.8	0.7	3.8	
Total non-defence	2.3	0.8	10.6	13.7	21
	23.5	18.4	23.2	65.1	100
By type of work					
Technology solutions	10.1	—	20.3	30.4	47
Advisory services	2.6	11.3	0.4	14.3	22
Managed services	8.6	—	0.9	9.5	15
Manpower provision	—	7.1	0.1	7.2	11
Product	2.2	—	1.5	3.7	5
	23.5	18.4	23.2	65.1	100


© MOD

Cohort's products and services continue to provide a real edge to our customers' capabilities.

on revenue of £23.2m (2010: £30.2m). This result reflects the programme issues encountered in the business during the year and on which management has now taken a cautious view.

Outlook

Action has been taken at SEA to address the programme and organisational issues. These will take some time to work through the system but the results of this should be evident in SEA's trading performance in the coming year. I am pleased at the turnaround at SCS and its continuing positive performance, although its visibility of forward revenue in a tight UK MOD market remains limited and it must proceed with caution. MASS remains a strong business and I expect it to consolidate its recent impressive growth in the year ahead. The combination of a strong order book and good short-term opportunities gives me confidence that despite the tight domestic defence market, the Group can continue to improve its performance.

Andrew Thomis
Chief Executive

	2010				
	MASS £m	SCS £m	SEA £m	Group £m	%
By market sector					
Defence (including security)					
Direct to UK MOD	10.2	20.3	9.8	40.3	
Indirect to UK MOD, where the Group acts as a sub-contractor or partner	4.6	4.4	7.8	16.8	
Total to UK MOD	14.8	24.7	17.6	57.1	73
Export defence	6.1	1.5	–	7.6	10
Total defence	20.9	26.2	17.6	64.7	83
Transport	–	–	3.3	3.3	
Space	–	–	8.2	8.2	
Other commercial	0.6	0.2	1.1	1.9	
Total non-defence	0.6	0.2	12.6	13.4	17
	21.5	26.4	30.2	78.1	100
By type of work					
Technology solutions	7.1	–	27.4	34.5	44
Advisory services	1.6	14.9	0.5	17.0	22
Managed services	9.0	–	0.8	9.8	13
Manpower provision	–	11.5	0.1	11.6	15
Product	3.8	–	1.4	5.2	6
	21.5	26.4	30.2	78.1	100

Finance Director's review

Simon Walther
Finance Director

In summary

- The current year included further cost reduction at both SCS and SEA.
- SCS reduced its annual operating costs by £0.8m, on top of the £2.0m annual reduction achieved in 2009/10.
- SEA reduced its annual operating cost by £1.3m.
- MASS's operating costs now reflect its move to its new freehold property in St Neots.

This review details the significant financial issues arising during the year ended 30 April 2011.

Aspects of the income statement warranting further explanation

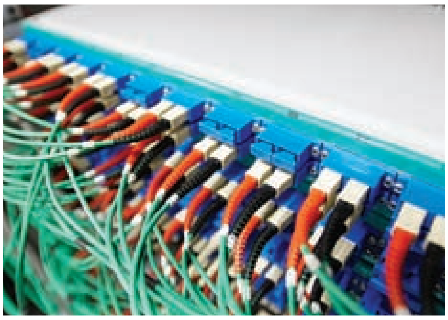
Adjusted operating profit

The adjusted operating profit is presented to reflect the trading profit of the Group and excludes amortisation of other intangible assets and exceptional items. This enables the Group to present its trading performance in a consistent manner year on year.

The adjusted operating profit is stated after charging the cost of share-based payments of £317,000 (2010: £259,000) which is allocated to each business in proportion to its employee participation in the Group's share option schemes. The segmental analysis (see note 1) is disclosed for each business after deducting the cost of share-based payments.

The adjusted operating profit of SEA (and the Group) is after a net credit of £595,000 (2010: charge of £231,000) in respect of marking forward foreign exchange contracts to market at 30 April 2011. The underlying adjusted operating profit of SEA excluding this exchange adjustment was £289,000 for the year ended 30 April 2011 (2010: £1,791,000).

The current year included further cost reduction at both SCS and SEA, with SCS reducing its annual operating costs in the second half by a further £0.8m, on top of the £2.0m annual reduction achieved in 2009/10. SEA also undertook restructuring in the second half of the year, reducing its annual operating cost by £1.3m. MASS's operating costs now reflect its move to its new freehold property in St Neots.



Cohort offers niche capabilities into complex customer solutions.

Exceptional items (see note 3)

The key items charged as exceptional items were as follows:

- Restructuring cost at SCS of £0.2m. A further 19 posts were removed at SCS, mostly in direct fee-earning staff, reducing the cost base by approximately £0.8m per year.
- The restructuring cost at SEA of £0.5m was in respect of 26 posts and reflected the restructuring of the business from its previous four market-facing, fully integrated operating divisions delivering divisional trading profit (after overheads) to capability-focused divisions responsible for delivering gross margin on projects and ensuring resources to deliver those projects is available. This restructuring required a reduction in management, divisional overheads and direct costs and equates to approximately £1.3m of annual cost saving.

Tax

The Group's tax credit for the year ended 30 April 2011 of £65,000 (2010: charge of £457,000) was at an effective credit rate of 2.4% (2010: charge of 16.6%) of profit before tax. This includes a current year corporation tax charge of £459,000 (2010: £961,000), a rate of 17.0% (2010: 35.0%) of profit before tax, a prior year tax credit of £1,124,000 (2010: charge of £135,000) and a deferred tax charge of £600,000 (2010: credit of £639,000), consisting of £14,000 (2010: £639,000 credit) for the current year and £586,000 (2010: £Nil) for prior years.

The reported current tax rate is lower than the standard rate (calculated at 27.83%) due to recognition of Research & Development (R&D) tax credits. The effective current tax rate, after taking account of appropriate deferred tax items in respect of the current year is 17.5%.

The Group's overall tax rate was below the standard corporation tax rate of 27.83% (2010: 28.00%). The majority of the reduction in the effective rate of tax was due to the recognition of R&D tax credits at MASS and SEA for the year ended 30 April 2011 and a prior year current tax credit reflecting the release of a tax provision in respect of earlier years R&D tax credits following closure of the respective tax years.

The Group's businesses are only allowed to claim the lower R&D tax credit allowance available to larger companies, currently 30%.

Looking forward, the Group's effective current tax rate for 2011/12 and 2012/13 is estimated at 18% and 17% respectively, taking account of the reduction in headline tax rates and assuming the R&D tax credit regime remains unchanged from its current level and scope.

The Group maintains a cautious approach to previous R&D tax credit claims for tax periods that are still open.

Capital structure of the Group and funding

The Group's access to capital comprises the following:

Share capital

The Group has in issue 40.8m ordinary shares of 10 pence each. Of these shares just under 0.4m are owned by the Cohort plc Employee Benefit Trust and waive their rights to dividends.

In addition the Group has issued options over ordinary shares through Key Employee Share Option and SAYE schemes to the level of 3.0m at 30 April 2011.

The Group's current share price does not support the use of equity as an attractive means of raising capital, being too dilutive of the existing shareholdings.

The Group maintains a progressive dividend policy with dividends having increased by around 17% to 20% over the last three years and dividend cover being maintained in the current year at over four times based upon the adjusted earnings per share.

Treasury

At 30 April 2011 the Group had facilities with its banking provider, RBS, as follows:

	£m	Term at commencement of facility
Overdraft facility for working capital requirements	5.0	364 days
Structured debt facility for acquisitions	7.5	364 days with three year term out

Capital structure of the Group and funding continued

Treasury continued

Of the structured debt facility of £7.5m, £3.0m was drawn to part finance the acquisition of SEA and remains drawn at 30 April 2011. The £5.0m overdraft facility was not drawn at 30 April 2011 (2010: £Nil drawn). In addition, the Group has £0.4m of mortgage debt with RBS which was acquired with SEA.

The Group's facilities are due for renewal in October 2011 and the Board expects these to be renewed on broadly similar terms.

The Group's bank facilities were changed at 1 October 2010 when £2.5m was switched from the structured acquisition facility to the overdraft facility to provide the Group with greater capacity to manage its working capital requirements. The overdraft facility is renewable each year. The structured debt facility has an option to fix for up to three years at any point.

The Group's foreign exchange exposure is mainly at SEA and primarily relates to receivables from the European Space Agency; this exposure is hedged using forward contracts.

At 30 April 2011, the Group had in place forward foreign exchange contracts as follows:

	Sell	Buy
Euro to GBP	€12.1m	£10.3m
GBP to USD	£0.5m	US$0.9m
Euro to USD	€1.7m	US$2.4m

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 suppliers respectively. These forward exchange contracts are entered into when customer contracts are considered highly probable. The Group does not enter into speculative foreign exchange dealing.

As mentioned above, the marking of forward contracts to market at the spot rate on 30 April 2011 resulted in the recognition of a derivative financial asset of £542,000 (2010: liability of £53,000) and a credit to the income statement of £595,000 (2010: charge of £231,000). In both years, the change in the derivative financial instrument was recognised as part of the adjusted operating profit of SEA. This is the only financial asset (outside of cash) that the Group possesses.

The Group's bank covenants were all satisfied at 30 April 2011. Based upon its latest internal forecasts, the Group does not anticipate any breaches. The covenants are assessed quarterly with a measured and reported 12 month look back and an assessment of the next 12 months.

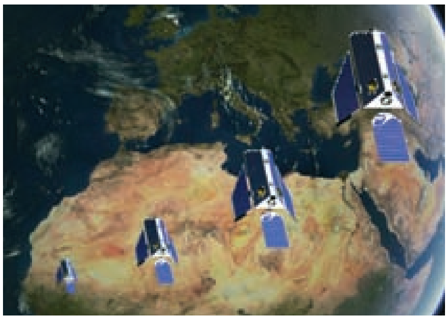
The Group takes a prudent approach to treasury policy with its overriding objective being protection of capital. In implementing this policy, deposits are held with at least A rated institutions and deposits are generally held on short (less than three months) duration to maturity on commencement.

This matches the Group's cash resources with its internal 13 week cash forecasts, retaining flexibility whilst trying to ensure an acceptable return on its cash. All of the Group's cash is managed through a set-off arrangement enabling the most efficient use of the Group's cash from day to day, under the supervision of the Group's finance function.

Deposit rates during 2010/11 have been low, typically below 0.5% (2010: 0.4%) compared with the Group's weighted interest rate on its borrowings of 3.10% (2010: 3.17%). The Group has retained its debt during the period despite the unfavourable comparative interest rates to ensure it has had facilities available to support its working capital demands and to allow the Group to make small, cash-only acquisitions, such as it did in the case of Abacus EW during the year.

The Group has an interest swap over £0.4m of its mortgage debt (acquired with SEA) fixing the interest rate on this loan at 6.38%.

The Group's liquidity remains good with profit conversion to cash remaining well above 100% (see KPIs on page 15). The Group has historically had low levels of working capital with many of its contracts being less than one year in duration and the reliability of its customer base making debt risk low. During 2011, working capital levels have fallen, as described opposite. The Group's reliance on its own cash and facility resources requires it to take a proactive approach with its bank, with whom it maintains a regular relationship.



Our capabilities in both space and transport are examples of success in diversified markets.

Working capital

The working capital of the Group, defined as inventory plus trade and other receivables less trade and other payables, has fallen from £8.2m net assets to £5.5m net assets, a decrease of £2.7m (33%). The decrease in working capital was partly due to a fall in revenue (17% down) but also reflected a good improvement in working capital at SCS following its improvement in processes, and an increase in advance payments at SEA by £1.5m.

The year-end debtor days in sales have increased from 50 days in 2010 to 63 days in 2011. This calculation is based upon dividing the revenue by month, working backwards from April into the trade debtors balance (excluding unbilled income and work in progress) at the year-end, a more appropriate measure than calculating based upon the annual revenue as it takes into account the heavy weighting of the Group's revenue in the last quarter of each year. The increase in debtor days is due in part to a slowing of UK MOD payments at the end of April 2011 due to the extended holiday period.

The Group has a working capital facility of £5.0m with RBS which was not utilised during the year. The Group had cash at 30 April 2011 of just under £10.2m (2010: £6.6m). Advance receipts on contracts at the year-end were £3.2m (2010: £1.7m).

The Group generated £6.5m of cash from operating activities (operating profit was £4.3m before amortisation of intangible assets) which was offset by an investment of £1.8m in total on fixed assets, own shares and acquired businesses and £0.9m of dividends paid.

Areas of judgement

Revenue recognition on fixed-price contracts

The Group's accounting policy on revenue recognition explains this in detail (see page 73) as does the accounting judgement note (see page 74). The judgement applied in recognising revenue on a fixed-price contract is made by reference to the cost incurred, including contingency for risk and the demonstrable progress made on delivering key stages (often referred to as milestones) of the contract. The Group uses best estimates in applying this judgement and where uncertainty of progress on a stage exists, revenue is not recognised for that stage.

Cost contingency on fixed-price contracts

In addition to the judgement applied to revenue recognition, the cost of delivering a contract to a particular stage represents the actual costs incurred and committed plus an estimate of cost contingency for risk still present in the contract at that stage. This cost contingency takes account of the stage that the contract has reached and any judgement and uncertainty remaining to deliver the remainder of the contract. It is usual for these cost contingencies to reduce as the contract progresses and risk and uncertainty reduces.

Revenue

£65.1m

2010: £78.1

Adjusted earnings per share

10.69p

2010: 7.67p

Finance Director's review continued

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Cohort is a trusted partner in all domains of the UK armed forces.

Goodwill and other intangible assets

The Group has recognised goodwill and other intangible assets in respect of the acquisition of MASS (including Abacus EW) and SEA. The other intangible assets are in respect of contracts acquired, intellectual property rights and specific opportunities and in each case are amortised over the expected life of the earnings associated with the other intangible asset 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, reputation, customer relations, contacts and market synergies with existing Group members. The goodwill relating to the acquisitions of MASS (including Abacus EW) and SEA has been tested for impairment as at 30 April 2011. MASS (including Abacus EW) goodwill is not impaired, even after increasing the Group's weighted average cost of capital (WACC) from 12.3% to 15.5%. The impairment test for the goodwill in respect of SEA is more sensitive with no impairment at the Group's WACC of 12.3% but impaired by £5.0m if the Group's WACC increases to 15.5%. The factors affecting the Group's WACC are discussed further in the Group's accounting policies (see pages (68 to 76). The Group's WACC at 30 April 2011 of 12.3% is higher than 2010 of 11.5%. This increase reflects the increase in the Group's equity risk.

Provisions

The Group makes estimates of provisions for existing commitments arising from past events. In estimating these provisions, the Group makes judgements as to the quantity and likelihood of the liability arising. Certain provisions require more judgement than others, in particular warranty provisions and contract loss provisions, which have to take account of future outcomes arising from past deliveries of products and services.

In estimating these provisions, the Group makes use of management experience, precedents and specific contract and customer issues.

Accounting policies

There were no significant changes in accounting policies applying to the Group for the year ended 30 April 2011.

The indicators shown on the page opposite 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. The adjusted profit trend provides an indication of whether additional revenue is being gained without profit margins being compromised and whether any acquisitions are value enhancing. Order book visibility, based upon expected revenue during the year to come, provides a measure of confidence in the likelihood of achievement of future forecasts. Change 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 into cash.

The Group's KPIs demonstrate clearly the reduction in revenue at SCS and SEA but the improvement in the Group's adjusted operating profit, driven by the continued strong performance at MASS and the significant restructuring at SCS in 2009/10, now producing an improved return. The Group enters 2011/12 with good coverage of its forecast revenue on order.

As mentioned already, the Group has had another strong cash performance in 2010/11 with the operating cash conversion better than in 2009/10.

The significant increases in revenue, adjusted operating profit and adjusted earnings per share for 2007 and 2008 were as a result of the acquisitions of MASS and SEA respectively.

Simon Walther
Finance Director

Adjusted operating profit

£5.0m

2010: £4.1m

Net funds

£6.7m

2010: £3.0m

Key performance indicators

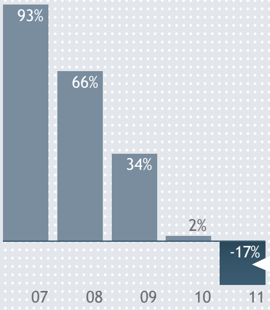
Measuring our progress

We measure our progress and performance with the use of five key performance indicators.

These key performance indicators shown below have been identified by the Directors as giving the best overall indication of the Group's long-term success.

Change in revenue

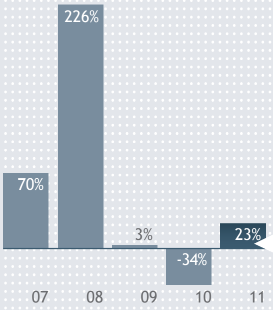
(17%)



Description
Change in total Group revenue compared to the prior year.

Change in adjusted operating profit

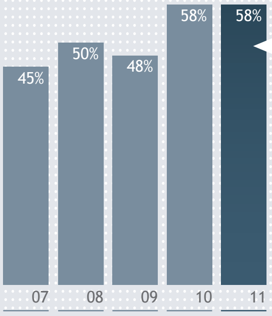
23%



Description
Change in Group profit before tax, amortisation of other intangible assets, share of result of joint ventures and exceptional items.

Order book visibility

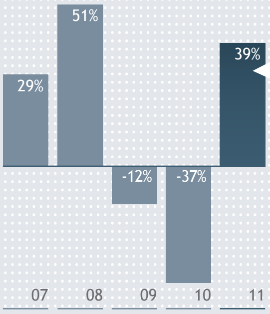
58%



Description
Orders for next financial year expected to be delivered as revenue, presented as a percentage of consensus market revenue forecasts for the year.

Change in adjusted earnings per share

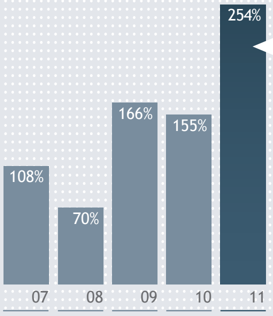
39%



Description
Annual change in earnings per share, before amortisation of other intangible assets, share of joint result of joint ventures and exceptional items.

Operating cash conversion

254%



Description
Net cash generated from operations before tax as compared to the profit before tax.

Operations review: MASS

© MOD

MASS wins multi-million pound Electronic Warfare contract

MASS has been awarded a multi-million pound contract as part of the Logica-led Team Excalibur for certain key aspects of the UK MOD's Project SHEPHERD. Project delivery will take place within a three year period. This contract follows the announcement made in October 2010 when Team Excalibur was selected as the preferred bidder for the UK MOD's Project SHEPHERD.

Project SHEPHERD will provide a significant information management upgrade for the UK's Defence Electronic Warfare Centre. At the heart of this system will be THURBON™, the MASS advanced electronic warfare data management system.

MASS Consultants Limited (MASS) has concluded another highly successful year with trading profit exceeding £4m for the first time. All three of MASS's divisions (Managed Services, Systems Development and Electronic Warfare (EW) Operational Support) performed well.

The acquisition of Abacus EW consultancy early in the year has been a success. The complementary strengths of both businesses have been integrated to provide our customers with full coverage for EW training and support across land, air and sea in both the UK and export markets.

During the year we relocated to our new development laboratories and offices in St Neots without disruption to our projects or customers. The new facility provides sufficient space for the next few years and flexible options for the future.

Sales revenue of £23.5m was an increase of nearly 10% from last year, which is creditable given the climate of UK public sector spend reduction. Trading profit improved by nearly 20% over the same period, although some of this relates to one-off events. An increased proportion of sales (nearly 28%) is now coming from export contracts either directly or via defence prime contractors.

The Managed Services division operates across the defence, security and educational information technology markets. In defence, we have retained or renewed all of our in-service support contracts which provide important capabilities for UK defence. In education, we provide transformational information technology solutions to schools and colleges. This market has undergone significant change since the new Government came into office. Despite cancellation of the Building Schools for the Future (BSF)

> “We enter 2011/12 with an order book of £70m and continue to see the potential for growth across all three divisions.”

MASS has concluded another highly successful year with trading profit exceeding £4m for the first time.

Ashley Lane Managing Director, MASS

programme, our collaboration to equip schools in North Lincolnshire with transformational technology continues well. There is a strong desire from councils to save money, which puts pressure onto projects like this, and we are playing our part to help maximise value for money. After a rigorous qualification process, we were successfully appointed to the prestigious Becta ICT framework, being used as the procurement route for Academy and Free School ICT procurement. Competition remains strong in this market, but we signed our first contract via the new framework in May 2011 with Kensington & Chelsea College in London.

In our Systems Development division, pressure on defence spending and competing priorities have had an adverse impact on some programmes with delays and cancellations. At the same time, worldwide events have given rise to new opportunities. We have focused on this area of the business during the year to accommodate these changes and to strengthen future opportunities. We have undertaken valuable work in new wireless technologies, secure wireless communications for unmanned platforms, delivering avionics and communication support equipment for the Air Tanker programme and also in support of the Chinook Mk6 programme. We have invested in research and technology development with the launch of a wireless data node and an Electronic Warfare (EW) mission support tool. We continued investment in our world-leading EW data management system THURBON™. The EW Operational Support division has continued to deliver advanced training and support to Asia and the Middle East during the year. Our market lead in independent EW operational support and training has continued with some of this expertise being recognised as unique outside of Government organisations. Our independence enables us to provide impartial support, training and tools, building strategic partnerships, including with BAE Systems for the Typhoon and Saab for the Gripen combat aircraft. Our unique expertise is increasingly important as a differentiator for their equipment and platform sales. We have a strong set of opportunities, with around three-quarters of these relating to export markets, although by their nature, the timing of these can be hard to predict. We continue to develop new techniques and technology for the future, using our expert capability, as capacity constraints permit.

We are proud of the excellent reputation that MASS retains with our customers and partners. We continue to receive excellent customer references across all our activities, reflecting the high calibre of our people and capability alike.

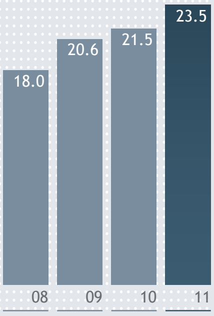
Looking forward, we are working with the UK MOD to upgrade its EW information management database and make other improvements to its Defence EW Centre. This important programme reinforces the strong pedigree of our THURBON™ EW data management system and positions it as a world-leading next-generation system with substantial export potential. Cyber attack and defence is becoming increasingly visible, a capability provided by MASS for over 15 years. We are building on our secure IT and information assurance pedigree, combined with our EW expertise, to develop this opportunity.

We enter 2011/12 with an order book of £70m and, despite a degree of uncertainty and tightening of Government spending, continue to see the potential for cautious growth across all three divisions. Combined with our new facilities, excellent customer relationships and strong prospects, the outlook for the coming years is good.

MASS revenue (£m)

£23.5m

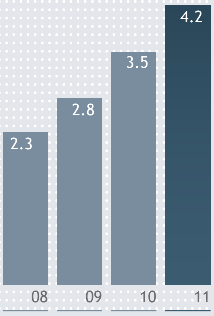
+9%



MASS adjusted operating profit (£m)

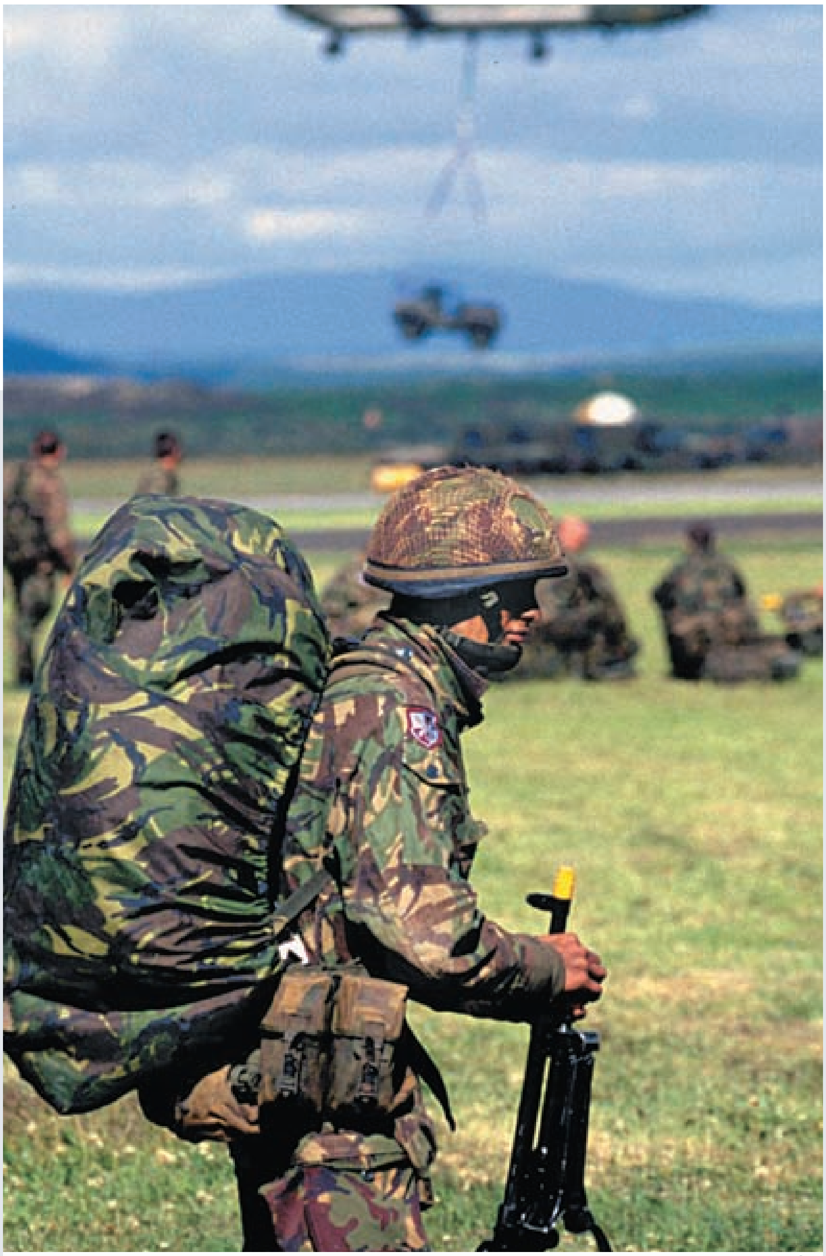
£4.2m

+20%



Business review

Operations review: SCS



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SCS wins £5.8m training services contract

SCS has been awarded a contract to provide training services to the MOD's Permanent Joint Headquarters (PJHQ) at Northwood.

SCS will provide the services for an initial two year period commencing April 2011, with the option of an extension for a third year. The value will be up to £5.8m if this option is exercised. The contract, which was won in competition, continues the arrangements under which SCS has been providing services to PJHQ since 1998.

Under the contract SCS will support the programme of major joint operational exercises run by PJHQ, involving the MOD, Cabinet Office and other Government departments. A permanent team of SCS staff will be based at Northwood to support exercise design and the underpinning technology.

SCS has had a good year despite a tightening of its traditional defence markets in the UK. This tightening, along with SCS's exit from low profitability business, accounted for the 30% drop in revenue. Despite this, the cost reductions made in 2010 and continued into 2011, along with associated organisational changes, increased the adjusted operating profit to just over £1.0m for 2011, an eleven-fold increase on 2010. The improved business organisation was accompanied by a focus on processes and project management enabling SCS to improve and maintain its cash performance.

Having taken over the role of Managing Director from Andy Thomis in September 2010, I continued the rationalisation and restructuring activity already underway. The imperatives in this were: to optimise profitability; to invest appropriately in business development; and to ensure that the company had a clear strategy that would be fully supported by its stakeholders and employees.

The most recent restructuring activity was completed in April 2011. This resulted in a further small reduction in the number of core employees, to 95, with our eight business areas consolidated to four. Capacity was reduced in low revenue streams and support services were aligned with the new structure. The overall result is a more coherent management team focused on business development in its

> “After a difficult year in 2010/11, I am pleased to report SCS has returned to better levels of profitability in a smaller but more focused business.”

SCS won an extension to its long-running training support activity at the MOD’s Permanent Joint Headquarters, valued at up to £5.8m over three years.

Bill Bird Managing Director, SCS

key areas of capability. Clear direction and leadership have, in turn, fostered significant improvements in morale, which is most welcome after a period of uncertainty and turbulence, in both the company and its traditional markets.

92% (2010: 94%) of SCS’s revenue was derived from the UK MOD, either directly or through other prime contractors. Against a background of MOD cash constraints resulting in a more onerous procurement process and tougher competition, SCS held or improved its market share in most of its chosen sectors of the UK MOD, with a strong bid success rate of over 60%. A notable exception was military manpower substitution, where embargoes and restrictions significantly reduced the opportunities available to SCS, although even here we were able to defend our position in some important areas. In March, SCS demonstrated its key capability strengths by winning the competitive re-tendering of exercise support to the MOD’s Permanent Joint Headquarters. This is worth £4m to SCS, over a period of two years with a third year under option. SCS also secured a sole-source framework contract with the NATO Consultation, Command and Control Agency. This was a good start to a modest diversification agenda, aimed at reducing dependency (but not focus) on the UK MOD. Early indications are that this framework will generate annual revenues in excess of £1m.

The company is now on a firm footing for the future. It has the right balance between capacity and costs, with a market-focused organisation and much improved operating processes.

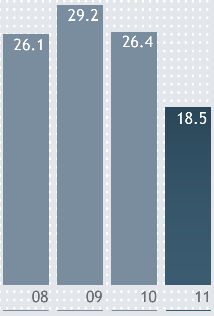
The home markets for defence and security remain challenging. SCS will maintain its focus with its traditional customers but is developing its capability strengths into other sectors and markets including Cyber and Information Assurance and NATO, as well as the Middle East, where SCS’s training capabilities are in demand. Like the other Group companies, SCS will generally seek to access export markets through major prime contractors.

SCS has, after a period of some difficulty, returned to profitability and the prospects for growth in the coming year are good; although the short order-to-delivery cycle typical of SCS’s work means that firm revenue visibility remains limited.

SCS revenue (£m)

£18.5m

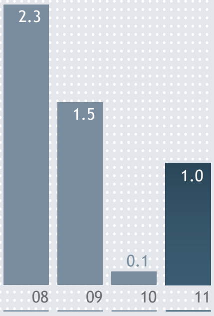
-30%



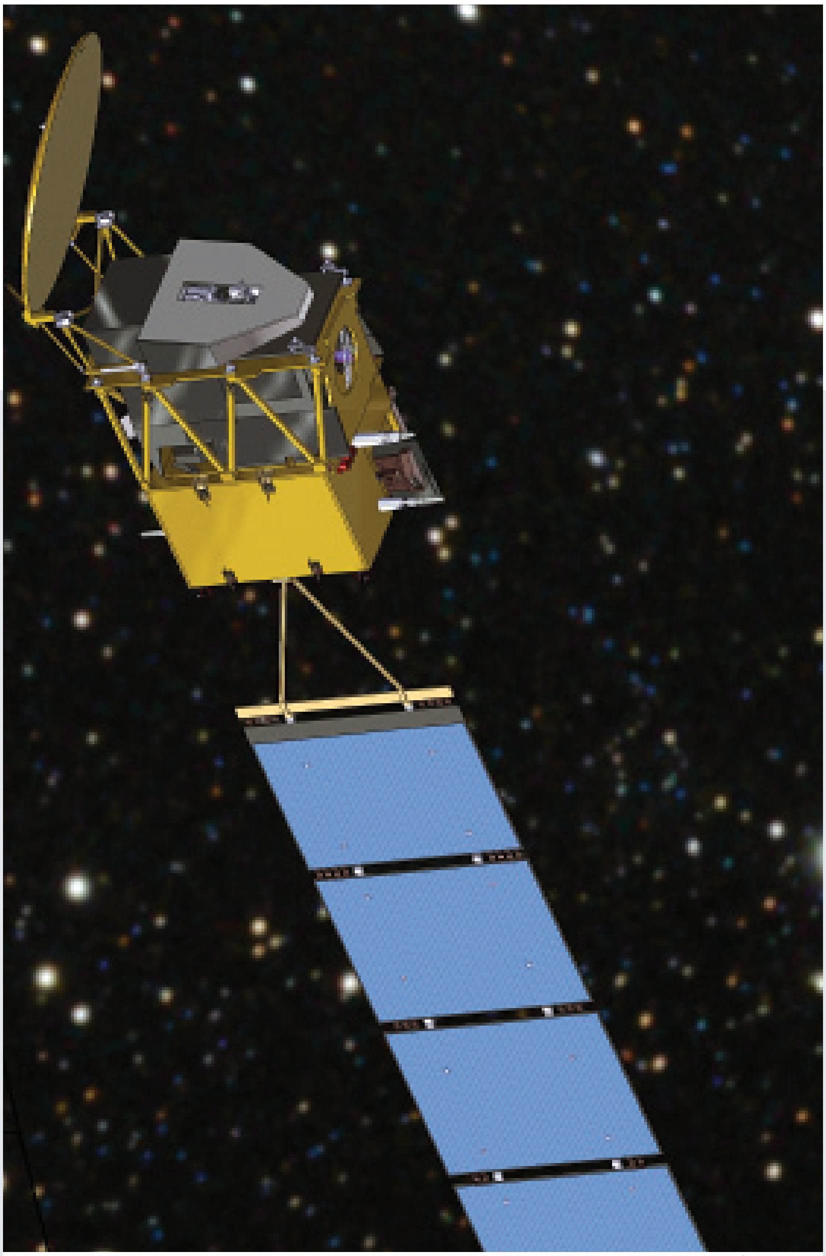
SCS adjusted operating profit (£m)

£1.0m

+1038%



Operations review: SEA



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SEA wins €5m EarthCARE satellite system contract

SEA has secured a €5m contract to design and build the Atmospheric Lidar (ATLID) Command and Data Management unit, part of the ATLID instrument to be flown on the EarthCARE spacecraft in 2013.

The ATLID instrument measures the reflected signals from an ultraviolet laser to determine the chemical constituents of the atmosphere. SEA's customer is the instrument prime contractor, EADS Astrium SAS in Toulouse. The EarthCARE satellite is funded by the European Space Agency (ESA) and is the third ESA Earth Explorer core mission.

SEA has had an exceedingly challenging year due to a variety of issues which included poor contract performance and excessive overhead cost, combined with a tighter defence market.

As a result of the poor performance in the first half of the financial year, a detailed strategic review of the company was initiated by Andy Thomis. This focused on identifying the performance issues within SEA, conducting an audit of its capabilities and reviewing the markets it served. This exercise identified a number of areas in which the business needed to improve and all of these have been built into a plan which was launched in March 2011 and will run for the majority of the new financial year. Some of the more significant areas for improvement, which it is believed will start to deliver immediate benefit, include:

Strategy and organisation: The review identified that the business was marketing too diverse a capability to too wide a market. We have therefore refocused the business on six capability areas, aligned closely to its core strengths. This has provided a much more focused business with a simpler and more integrated organisation.

Financial controls: The need for improvement in a number of the company's financial processes and controls has been identified and implemented. This included taking greater account of the delivery stage reached by a contract, rather than just costs incurred. This will result in a clearer focus on project delivery and is consistent with industry best practice.

> “SEA has had a difficult year but after considerable restructuring, the business is now ready to move forward.”
>
> SEA enters 2011/12 with an order book of over £23m, giving it a good base for achieving a return to a much better level of performance.
>
> **Stephen Hill** Managing Director, SEA

Project delivery: Significant improvements are being made to the project management and control processes within SEA. These include the use of simpler metric-based reporting, along with robust monthly reviews led by me. All of the activities are being supported by additional training, development and mentoring of the company’s project management team.

Overhead cost: The organisational changes that have already been made, along with a focus on controlling expenditure, have resulted in overheads for the financial year being £1.2m below budget. This focus will continue, with the aim of reducing overheads further in the coming year, despite the additional training and support costs.

While the strategic review focused on the areas for improvement, we also gathered information on the strengths of the business. A consistent message received from existing and potential customers was that SEA has an excellent reputation for the quality of what it delivers and for the capability of its people.

Our training, simulation and information systems capability represents a significant opportunity for the future. In particular we see this as one of the few potential areas of good growth within the UK MOD expenditure. We are well placed in this domain, providing both systems that support training as well as high-fidelity simulations that are used for operational evaluation. A key success has been the Common Simulation Framework (CSF) which was delivered to the UK MOD at the end of last year. This system enables different simulations to interact with each other in real time, enabling integrated simulated exercises to be conducted. We are working with our customer to build on the initial capability and we also see opportunities for this in the export market.

The project to provide an external communications systems for the Astute boat 4 is progressing well with integration of the system components underway. Discussions with our customer, BAE Systems, in respect of the deployment of this system on further platforms, are progressing. We also see the potential to provide this system more widely within the UK and are talking to a number of overseas suppliers about export opportunities.

Within the space sector, we are continuing to progress the key satellite programmes we won during the last financial year, with several programmes moving into their initial build phase. We have also continued to win important strategic programmes, including activities that will place us firmly in the supply chain for power generation on future missions.

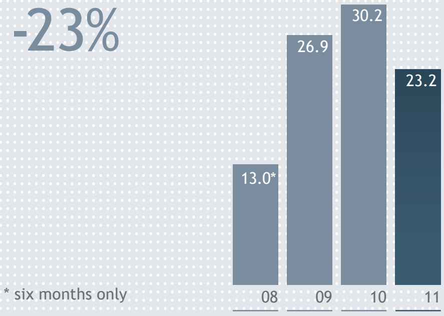
The reorganisation has enabled us to bring together all of our research activities into a single group and to ensure we make the most of this critical capability. During the last year we have continued to be an important partner to the UK MOD, providing critical research in both the land and maritime arenas.

While the changes that have been put in place will take some time to deliver their full benefit, the refocused business is already on a much firmer footing. This, combined with SEA’s reputation for technical excellence, positions the business well for the future.

SEA revenue (£m)

£23.2m

-23%

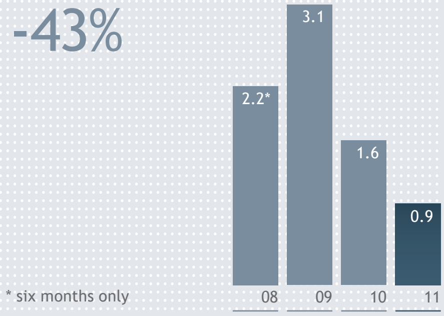


* six months only

SEA adjusted operating profit (£m)

£0.9m

-43%



* six months only

Minimising risk and uncertainty

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

Type of risk

External (or market)

Internal (or financial or operational)

Issue	Risk	Mitigation
Customers	The Group has a number of key customers, mostly in the Government sector. These customers are served either directly, e.g. £27.7m of revenue in 2011 directly to the UK MOD (2010: £40.3m), 42% (2010: 52%) of total Group revenue, or indirectly via other contractors. In the case of the UK MOD, £16.5m (2010: £16.8m) of Group revenue (25%; 2010: 22%) was via other contractors. The Group continues to be reliant on its ultimate primary customer, the UK MOD, in total 68% of Group revenue in 2011 (2010: 73%).	The Group is reducing this reliance by expanding its overseas defence offering as well as other non-defence sectors, including space and transport. The Group ensures it engages at all levels of the UK MOD and remains responsive to its primary customer's needs.
Suppliers	As is typical in the defence and space sectors, the Group is reliant on certain key suppliers for its technical and product offerings. In the defence sector in particular, the reliance on suppliers is long term, with product duration in this sector often being tens of years.	This risk is managed through close liaison with suppliers, good project management and having contingency plans to go to alternative suppliers or bring work in-house. The Group has no significant reliance on any one individual supplier. The long-term life of many defence products requires a regular review of product life and capability and the Group supports the customer in this respect through funded ongoing product support and re-life tasks.
Partners	The Group, especially in the defence sector, often secures business through teaming and partnering with other suppliers and this is often a requirement of securing work with the UK MOD in order to ensure the end customer receives the best solution.	The Group takes an active part in these arrangements and, through regular (usually monthly) project review meetings and other correspondence, ensures that the team (including our partners) delivers as a whole to the customer and to the needs of the individual team members. In addition, the Group's Executive Management team maintains regular and co-ordinated relationships with partners and ensure the Group's approach is consistent and avoids unnecessary overlap or omissions.

Issue | Risk | Mitigation

Revenue

Risk

The Group has risk in respect of:

i. milestone and acceptance failure on projects; and
ii. unrecoverable trade debts.

The recognition of revenue is discussed at length in the Accounting Policies (page 73) and Critical Accounting Judgements (page 74) and as such may from time to time have a degree of risk.

The 2011 bad debt charge was £43,000 (2010: £104,000) on Group revenue of £65.1m (2010: £78.1m).

Financial assets exposed to credit risk at 30 April:

	2011 **£m**	2010 £m
Trade receivables	**13.2**	15.4
Other receivables	**7.1**	7.4
Cash and bank deposits	**10.2**	6.6

Of the trade receivables, £3.5m was with the UK MOD at 30 April 2011 (2010: £4.2m).

Mitigation

The Group takes a prudent approach to revenue and credit risk, and any work done at risk is minimal, authorised at the appropriate level and reviewed on a monthly basis.

The Group uses project control processes and regularly reviews the project progress to ensure recognition of revenue takes account of external milestones and customer acceptance as well as the internal costs incurred.

The calibre of the Group’s customers and the control processes in respect of revenue capture and invoicing ensures minimal bad debts.

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.

Significant debt receivable in foreign currency is hedged using forward exchange contracts which are entered into when contracts are deemed effective.

The risk to the major debtor of the Group, as a Government department, is very low.

Treasury

Risk

Cash and bank deposits are all with the Group’s bank, RBS. In addition, gross indebtedness to the bank was £3.4m at 30 April 2011 (2010: £3.6m).

The Group’s facilities with RBS are renewed annually.

During the year, the Group renewed its working capital facility with RBS for £5.0m (previously £2.5m). This facility is available to all of the Group’s entities through an offset arrangement. The current facility expires in October 2011 when it is expected to be renewed.

The Group did not utilise this working capital facility during the year ended 30 April 2011 having an average cash balance of £6.7m, cash balances ranging from a low of £3.2m to a high of £10.2m.

Mitigation

The Group takes a very prudent approach to the management of its financial instruments which are described in note 18. The Group’s cash is held with at least A rated institutions and on deposits not exceeding three months. This ensures a very low risk to capital and a reasonable balance of liquidity against interest earned on cash deposits.

The Group’s bank rating requirement has been reduced from AA to A in the light of the downgrading of the Group’s bank rating. This is not considered a risk.

The Group has regular (at least quarterly) meetings with its bank to discuss operational and other business issues and keeps the bank informed of progress.

The Group satisfied all of its bank covenants for the year ended 30 April 2011.

Business review
Principal risks continued

Issue	Risk	Mitigation
Currency risk	The Group has contracts with overseas customers and suppliers requiring payment or receipt in currencies other than £ sterling. The Group's exposure to credit risk at 30 April 2011 in respect of financial derivatives (forward foreign exchange contracts) was £10.3m of receivable and £2.0m of payable (2010: £11.4m of receivable only). The financial derivatives at 30 April 2011 were all held with RBS. These are disclosed in detail in note 21 to the financial statements.	The Group manages its exposure to currency risk by using forward foreign currency exchange contracts. The level of forward cover is determined contract by contract taking into account the net currency exposure to receipts and purchases. Forward contracts are only put in place when customer contracts are deemed highly probable. The Group does not enter into speculative forward exchange contracts.
Interest rate risk	The Group has exposure to interest rates in respect of loans and deposits. The loan risk is in respect of the following: i. revolving credit facility (RCF); and ii. mortgages. The deposit risk is in respect of cash held in current accounts and on deposit. At 30 April 2011, the Group had in place one interest rate swap against a mortgage secured on its freehold property in Beckington, fixing the interest rate at 6.88%.	The Group considers interest rate risk loan by loan and, where appropriate, the Group enters interest rate swaps to fix its interest rate exposure. The RCF loan interest is not hedged. The RCF loan is rolled on periods of one to six months with the interest for that period fixed at that point by reference to market rates. Deposit interest is determined by reference to the market.
Acquisitions	The buying (and selling) of businesses is a risk in respect of value, distraction, integration and ongoing obligations and undertakings.	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.

Issue	Risk	Mitigation
Operations	The Group's operational risk is primarily through its three subsidiaries. The subsidiary trading and business risks are similar in the cases of MASS and SEA. **MASS and SEA primary risks are:**	
	i. Bid risk – the businesses bid on contracts where the scope of work may not be well or fully defined by the customer.	This is typical in defence and space and is managed through bid/no bid reviews at the appropriate level using experienced personnel, including the Cohort Executive and Board.
	ii. Fixed-price contracts – these are often of a long-term nature (greater than 12 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. Revenue and cost is recognised taking account of risk and estimated cost at completion, taking into account any contractual contingency.
	iii. Due to the nature of their 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, 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. SCS revenue visibility is short with typical contract duration of three to six months. This carries risk to forward utilisation. The business maintains a comprehensive prospects schedule. This risk is also an opportunity, with SCS often securing and delivering work in a very short time frame.	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. The forward utilisation of core staff is monitored on a weekly basis looking forward up to two months.
	SCS has a small number of fixed-price contracts.	These projects are managed by dedicated project management, monthly review by the subsidiary board and regular interaction with the customer and key suppliers. Revenue and cost is recognised taking account of risk and estimated cost at completion, including any contractual contingency.
	The Group (through all three 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 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.

Business review

Board of Directors and Executive Management

Nick Prest CBE*+

Chairman

Nick Prest became Chairman of Cohort on flotation in March 2006. After graduating from Oxford in 1974 Nick joined the MOD. 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 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.

Stanley Carter*+

Co-Chairman

Stanley Carter became Co-Chairman of Cohort in 2009 having previously been its Chief Executive, a post which he had held since Cohort's formation in 2006. Prior to that he was Managing Director of SCS, which he founded in 1992 on leaving the Regular Army, which was acquired by Cohort at the time of its flotation. During his military service as a Royal Artillery officer 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.

Andrew Thomis*

Chief Executive

Andrew Thomis graduated from Imperial College, London in 1987. 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 of Cohort plc, acting as Finance Director during the flotation and subsequently Corporate Development Director. Following two years as Managing Director of MASS Consultants Limited he returned to Cohort as Chief Executive in May 2009.

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.

* Member of the Cohort plc Board

\+ Member of Remuneration & Appointments and Audit Committees

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 served on the British Energy Board from 2003 until 2009. He continues on the board of the General Dynamics Corporation and Ultra Electronic Holdings as well as being a senior adviser at Morgan Stanley International and Chairman of the Major Projects Association.

Ashley Lane

Managing Director of MASS

Ashley Lane graduated from Surrey University with a Masters Degree (Distinction) in Electronic and Electrical Engineering in 1991. On graduation he joined Thorn EMI Electronics as a Systems Engineer working on countermeasures and electronic surveillance systems. He spent four years in technology development and licensing, building the successful wireless technology company UbiNetics. Ashley has held key technical roles on a number of electronics, IT and real-time system projects. He has held positions as Business Manager, Consultancy Division Head, Programme Manager and, for five years, Systems Development and Technical Director for MASS. Ashley was appointed as Managing Director of MASS in May 2009.

Bill Bird

Managing Director of SCS

Following an aircrew career in the Royal Air Force, when he was awarded an MBE for his work in the Intelligence community, Bill spent 10 years in general management. He was the General Manager of Rockwell's UK Defence business and spent three years as Managing Director of Boeing's UK subsidiary, BDUK, which he set up in 1996. Bill joined KPMG in 2000 and left to develop Hedra's defence and aerospace practice in October 2003. Whilst at Hedra, he led the acquisition of CSC's Systems Engineering Services. During his consulting career, Bill has had extensive experience of MOD procurement and support and directed the Defence Logistics Organisation's Procurement Reform programme. Bill was appointed as Managing Director of SCS in September 2010.

Stephen Hill

Managing Director of SEA

Stephen has over ten years' senior managerial experience, predominately in the international aerospace and defence sector. He began his career in 1983 at GEC Marconi as an electronics engineer, eventually becoming Business Director with responsibility for the land systems electro-optics business at Basildon. In 2000, he moved to Thales, where his roles included Managing Director of the Air Operations business at Wells, and Vice President with responsibility for the UK Air Systems Division. Most recently he was Chief Executive of CircleBath, a new venture capital backed private hospital in Bath. Stephen has a first class honours degree in Electrical and Electronic Engineering and a Masters in Engineering Project Management. Stephen was appointed as Managing Director of SEA in March 2011.

Corporate governance

Directors' report

The Directors present their report and the audited financial statements (pages 29 to 76) of Cohort plc for the year ended 30 April 2011. Cohort plc is a company incorporated in and operating from England. Its registered address is Arlington House, 1025 Arlington Business Park, Theale, Reading RG7 4SA. The Corporate governance report set out on pages 32 to 33 forms part of this report.

Principal activities

The principal activity of the Company is that of a holding company. The principal activities of the Group are described in the "Who we are" section on the inside front cover and the Overview on pages 2 to 5.

Business review

The Company is required by the Companies Act 2006 to include a business review in this report. The information that fulfils the requirements of the business review can be found in the following sections, which are incorporated in this report by reference:

	Pages
▸ Chairman's statement	4 to 5
▸ Chief Executive's review	6 to 9
▸ Finance Director's review	10 to 15
▸ Operations reviews	16 to 21

Information about the use of financial instruments by the Company and its subsidiaries is given in note 21 to the financial statements and in pages 10 to 15 of the Finance Director's review.

There are no significant events since the balance sheet date.

Dividends

The Directors recommend a final dividend of 1.60 pence (2010: 1.40 pence) per 10 pence ordinary share to be paid on 7 September 2011 to ordinary shareholders on the register on 5 August 2011 which, together with the interim dividend of 0.80 pence paid on 2 March 2011, makes a total of 2.40 pence for the year (2010: 2.05 pence).

Research and development

During the year ended 30 April 2011 the Group expenditure on research and development, both on behalf of customers and the Group's own private venture expenditure was £10.2m (2010: £8.5m).

Going concern

The Group's financial statements have been prepared on the going concern basis. The reasons for this are set out on page 68 of the Accounting Policies.

Capital structure

Details of issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 22. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 23. Shares held by the Cohort plc Employee Benefit Trust abstain from voting and do not receive any dividend.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Main Board Terms of Reference, copies of which are available on request, and the Corporate governance report on pages 32 to 33.

Under its Articles of Association, the Company has authority to issue up to a third of its issued shares as new ordinary shares. This approximates to 13.6m shares at 30 April 2011.

There are also a number of other agreements that take effect, alter or terminate upon a change of control of the Company, such as: commercial contracts; bank loan agreements; property lease arrangements; and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid, other than those disclosed in the Remuneration & Appointments Committee report on page 34 to 36.

Corporate governance
Directors' report continued

International Financial Reporting Standards (IFRS)

The Group and parent company reported results for the year ended 30 April 2011 in accordance with IFRS.

Directors

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.

Details of the following information in respect of the Directors of the Company is provided as follows:

Disclosure	Report	Pages
Directors who served throughout the year	Remuneration & Appointments Committee report	34 to 36
Directors retiring by rotation	Remuneration & Appointments Committee report	34 to 36
Directors' biographies	Board of Directors and Executive Management	26 to 27
Directors' interests	Remuneration & Appointments Committee report	34 to 36
Directors' share options	Remuneration & Appointments Committee report	34 to 36

Supplier 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 and the Group does not follow any particular code of practice or standard in its payment policy.

At 30 April 2011, the trade creditors of the Group represented 53 days (2010: 26 days) of purchases.

Fixed assets

There is no material difference between the book value and current open market value of the Group's interests in land and buildings.

Employee consultation

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 employees

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 2011 the Group made charitable donations of £9,341 (2010: £6,347), mainly in respect of military and local charities. The Group made no political donations during the year (2010: £Nil).

Substantial shareholdings

The Company has been notified as at 23 June 2011, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company:

	Percentage of voting rights and issued share capital %	Number of ordinary shares	Nature of holding
A E S Carter	26.15	10,665,718	Direct
Schroder Investment Management	9.48	3,867,648	Direct
Hargreave Hale	5.45	2,223,000	Direct
N M Prest	5.11	2,084,580	Direct
H Dale-Staples	5.06	2,063,089	Direct

Acquisition of the Company's own shares

During the year the Company's Employee Benefit Trust (The Cohort plc Employee Benefit Trust) acquired 361,446 shares in the Company as described in note 24 to the financial statements.

A resolution to reappoint KPMG Audit Plc as auditor will be proposed at the Annual General Meeting (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 27 June 2011 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 on Corporate Governance that was issued in 2008 by the Financial Reporting Council (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 the Chairman, two Executive Directors and two Non-executive Directors, Stanley Carter (Co-Chairman) and Sir Robert Walmsley. Nick Prest and Stanley Carter are 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 monthly 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 once every three years.

Board committees

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

Audit Committee

The Audit Committee comprises the Company Chairman and the Non-executive Directors 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 any non-audit work on behalf of the Group and the safeguards in place to ensure its independence and objectivity; any in-year proposals for non-audit work are subject to prior approval by the Audit Committee.

The Company has formal arrangements in place to facilitate "whistle-blowing" by employees through a contract with a third-party service provider. If any call is made to this third party, either the Chief Executive or the Chairman of the Audit Committee is notified promptly of the fact and the content of the call, so that appropriate action can be taken.

Remuneration & Appointments Committee

The Remuneration & Appointments Committee comprises the Company Chairman and the Non-executive Directors and is scheduled to meet at least once a year. It is the Remuneration & Appointments 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 & Appointments Committees.

The attendance of the Directors at Board and Committee meetings for the year ended 30 April 2011 was as follows:

	Board (10 meetings)	Audit (4 meetings)	Remuneration & Appointments (3 meetings)
N Prest (Chairman)	10	4	3
S Carter (Co-Chairman)	10	4	3
Sir Robert Walmsley (Non-executive Director)	9	4	3
A Thomis (Chief Executive)	10	–	–
S Walther (Finance Director and Company Secretary)	10	–	–

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 & Appointments 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 the senior management of each subsidiary. Cohort Executive Directors attend subsidiary executive management meetings on a regular basis.

Shareholder relations

The Company meets with its institutional shareholders and analysts as appropriate and uses the AGM to encourage communication with private shareholders. In addition, the Company uses the Annual Report and Accounts, Interim Report 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 forecast, are reported to the Board on a monthly basis and discussed in detail at each meeting of the Board.

As reported on last year, the Board (through the Chairman of the Audit Committee) undertook a review of the oversight and control of the Group and its subsidiaries. The significant recommendations of this report, which was independently reviewed, have now been implemented including the key recommendations of:

- closer oversight of the subsidiaries by the Cohort Executive; and
- review and implementation of business processes at SCS.

In the case of the latter recommendation, further assurance was obtained at the interim review last December when the Group's auditor, KPMG, carried out a review of SCS's business processes which confirmed the progress made.

Corporate governance
Remuneration & Appointments Committee report

Introduction
The Remuneration & Appointments Committee of the Board is responsible for considering Directors' remuneration packages and makes its recommendations to the Board.

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 of the Executive Directors who served in the year
Andrew Thomis and Simon Walther have service agreements with the Company which can be cancelled by either party giving six months' notice at any time or 12 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.

Pensions
The Group makes contributions to a stakeholder pension scheme (a defined contribution scheme) at a rate of 10% of the Executive Director's contribution.

Director's interest in the equity of Cohort plc
The Directors in office during the year under review and their interests in the equity of the Company were:

	At 30 April 2011 number of 10p ordinary shares	At 30 April 2010 number of 10p ordinary shares
S Carter	**10,665,718**	10,665,718
N Prest	**2,084,580**	2,084,580
A Thomis	**35,230**	35,230
Sir Robert Walmsley	**25,035**	25,035
S Walther	**25,601**	25,601

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

A bonus of £22,500 was payable to the Executive Directors for the year ended 30 April 2011 (2010: £Nil).

The bonus paid to Simon Walther for the year ended 30 April 2009 has been repaid in full (£18,750 was outstanding at 30 April 2010).

For the year ending 30 April 2012, the bonus payable to the Executive Directors of Cohort plc in respect of that year will be based upon performance compared to budget for adjusted operating profit, profit before interest and tax, cash and order intake and will be payable up to a maximum of 35% of salary.

Performance incentives continued

Ordinary shares under option granted during the year ended 30 April 2011 and outstanding at 30 April 2011 were as follows:

	At 1 May 2010 or date of appointment Number	Granted Number	Exercised Number	Lapsed/ forfeited Number	**At 30 April 2011 Number**	Date of grant	Date from which option can be exercised	Exercise period Years
A Thomis								
Cohort plc 2006 share option scheme under the Enterprise Management Incentive (EMI) scheme								
- Option price of £1.23 per share	40,650	–	–	–	**40,650**	8 Mar 2006	9 Mar 2009	7
- Option price of £1.66 per share	9,036	–	–	–	**9,036**	21 Aug 2007	22 Aug 2010	7
- Option price of £1.89 per share	10,582	–	–	–	**10,582**	11 Jul 2008	12 Jul 2011	7
Cohort plc 2006 share option scheme (unapproved)								
- Option price of £1.66 per share	14,056	–	–	–	**14,056**	21 Aug 2007	22 Aug 2010	7
- Option price of £1.89 per share	15,873	–	–	–	**15,873**	11 Jul 2008	12 Jul 2011	7
- Option price of £1.715 per share	39,650	–	–	–	**39,650**	5 Aug 2009	6 Aug 2012	7
- Option price of £0.835 per share	–	66,995	–	–	**66,995**	23 Jul 2010	24 Jul 2013	7
Save as you earn (SAYE) scheme								
- Option price of £1.33 per share	866	–	–	(866)	**–**	12 Feb 2008	1 Apr 2011	
- Option price of £1.38 per share	2,630	–	–	(2,630)	**–**	18 Aug 2009	1 Sep 2012	
- Option price of £0.97 per share	–	3,711	–	–	**3,711**	27 Jul 2010	1 Sep 2013	
	133,343	70,706	–	(3,496)	**200,553**			
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
- Option price of £1.89 per share	13,227	–	–	–	**13,227**	11 Jul 2008	12 Jul 2011	7
Cohort plc 2006 share option scheme (unapproved)								
- Option price of £1.89 per share	13,228	–	–	–	**13,228**	11 Jul 2008	12 Jul 2011	7
- Option price of £1.715 per share	32,653	–	–	–	**32,653**	5 Aug 2009	6 Aug 2012	7
- Option price of £0.835 per share	–	55,172	–	–	**55,172**	23 Jul 2010	24 Jul 2013	7
Save as you earn (SAYE) scheme								
- Option price of £1.38 per share	6,576	–	–	(6,576)	**–**	18 Aug 2009	1 Sep 2012	
- Option price of £0.97 per share	–	9,278	–	–	**9,278**	27 Jul 2010	1 Sep 2013	
	129,322	64,450	–	(6,576)	**187,196**			

There are no performance conditions applying to any of the share option schemes above. The price paid for all share options in the above schemes was Nil pence.

The mid-market price of Cohort plc 10 pence ordinary shares at 30 April 2011 was 63.5 pence (2010: 106.5 pence); the lowest and highest market prices in the year were 58.5 pence and 111.0 pence respectively.

Corporate governance
Remuneration & Appointments Committee report continued

Performance incentives continued

The maximum bonus payable for the year ended 30 April 2012 as a percentage of salary is as follows:

	Group performance %	Total %
A Thomis	35	35
S Walther	35	35

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

Bonus schemes for senior management of the subsidiary companies have been established for the year ending 30 April 2012, with a similar framework to that of the Cohort plc Executive Directors, with varying levels of percentage of salary, none exceeding 35%.

Chairman and Non-executive Directors

Both Nick Prest and Sir Robert Walmsley were appointed in February 2006. Stanley Carter was appointed Non-executive Co-Chairman of Cohort plc on 25 May 2009. These appointments can be terminated upon three months' notice being given by either party. They received an annual fee of £54,000 (Chairman), £40,500 (Co-Chairman) and £27,000 (Non-executive) respectively, having agreed to reduce their fees by 10% for the year ended 30 April 2011.

From 9 December 2009 to 31 May 2010, Stanley Carter was the acting Managing Director of SCS. Whilst in this role, Stanley Carter was paid a pro rata remuneration of £120,000 per annum and received no fees in respect of his Non-executive role.

As from 1 May 2011, the 10% reduction has been reversed and the annual fees payable to the Chairman and Non-executive Directors are as follows:

Chairman	-	£60,000
Co-Chairman	-	£45,000
Non-executive Director	-	£30,000

Directors' remuneration

Details of Directors' remuneration are set out below:

	Salary 2011 £	**Bonus 2011 £**	**Benefits in kind 2011 £**	**Emoluments 2011 £**	**Pension contributions 2011 £**	**Total 2011 £**	Total 2010 £
Executive Directors							
A Thomis	**170,000**	**12,500**	**598**	**183,098**	**1,814**	**184,912**	173,414
S Walther	**140,000**	**10,000**	**598**	**150,598**	**100**	**150,698**	142,058
Non-executive Directors							
N Prest	**54,000**	**—**	**—**	**54,000**	**—**	**54,000**	60,000
S Carter	**55,190**	**—**	**—**	**55,190**	**—**	**55,190**	95,962
Sir Robert Walmsley	**27,000**	**—**	**—**	**27,000**	**—**	**27,000**	30,000
Total	**446,190**	**22,500**	**1,196**	**469,886**	**1,914**	**471,800**	501,434

Salaries for Andrew Thomis and Simon Walther have been increased to £175,100 and £144,200 per annum respectively for the year ended 30 April 2012.

Corporate governance

Statement of Directors' responsibilities

in respect of the Annual Report and financial statements

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

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board on 27 June 2011

Andrew Thomis
Chief Executive

Simon Walther
Finance Director

Financial statements

Independent auditor's report

to the members of Cohort plc

We have audited the financial statements of Cohort plc for the year ended 30 April 2011 set out on pages 40 to 76. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Matt Lewis (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc
Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale RG7 4SD
27 June 2011

Financial statements
Consolidated income statement
for the year ended 30 April 2011

	Notes	**2011** **£'000**	2010 £'000
Revenue	1	**65,135**	78,129
Cost of sales		**(45,217)**	(56,931)
Gross profit		**19,918**	21,198
Administrative expenses (including amortisation of other intangible assets and exceptional items)		**(17,079)**	(18,308)
Operating profit	1	**2,839**	2,890
Comprising:			
Adjusted operating profit	1	**5,034**	4,109
Amortisation of other intangible assets	12	**(1,477)**	(595)
Exceptional items	3	**(718)**	(624)
		2,839	2,890
Finance income	6	**27**	38
Finance costs	7	**(170)**	(180)
Profit before tax		**2,696**	2,748
Income tax credit/(expense)	8	**65**	(457)
Profit for the year attributable to the equity shareholders of the parent	4	**2,761**	2,291
Earnings per share		**Pence**	Pence
Basic	10	6.79	5.63
Diluted	10	6.79	5.62

All profit for the year is attributable to equity shareholders of the parent and is derived from continuing operations.

Consolidated statement of comprehensive income
for the year ended 30 April 2011

	2011 **£'000**	2010 £'000
Profit for the year attributable to the equity shareholders of the parent	**2,761**	2,291
Cash flow hedges – income taken to equity	**13**	60
Total comprehensive income for the year attributable to the equity shareholders of the parent	**2,774**	2,351

Financial statements
Consolidated statement of changes in equity
for the year ended 30 April 2011

Group	Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Hedge reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2009, as previously stated	4,059	29,297	—	266	(49)	12,012	45,585
Prior year adjustment at SCS (see note 11)	—	—	—	—	—	(1,323)	(1,323)
At 1 May 2009 (restated)	4,059	29,297	—	266	(49)	10,689	44,262
Profit for the year	—	—	—	—	—	2,291	2,291
Other comprehensive income for the year	—	—	—	—	60	—	60
Total comprehensive income for the year	—	—	—	—	60	2,291	2,351
Share options exercised	20	222	—	—	—	—	242
Equity dividends	—	—	—	—	—	(754)	(754)
Share-based payments	—	—	—	259	—	—	259
Transfer of share option reserve on vesting of options	—	—	—	(146)	—	146	—
At 30 April 2010	4,079	29,519	—	379	11	12,372	46,360
Profit for the year	—	—	—	—	—	2,761	2,761
Other comprehensive income for the year	—	—	—	—	13	—	13
Total comprehensive income for the year	—	—	—	—	13	2,761	2,774
Own shares acquired	—	—	(302)	—	—	—	(302)
Equity dividends	—	—	—	—	—	(894)	(894)
Share-based payments	—	—	—	317	—	—	317
Transfer of share option reserve on vesting of options	—	—	—	(141)	—	141	—
At 30 April 2011	**4,079**	**29,519**	**(302)**	**555**	**24**	**14,380**	**48,255**

The profit for the year ended 30 April 2009 has been restated for the overstatement at SCS, profit for the year being reduced from £5,082,000 to £3,759,000 by a reduction of profit before tax (£1,837,000) less a reduction in the tax charge in respect of this adjustment (£514,000).

Financial statements
Company statement of changes in equity
for the year ended 30 April 2011

Company	Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2009	4,059	29,297	–	17	21	33,394
Restatement of share option reserve	–	–	–	249	–	249
At 1 May 2009 (restated)	4,059	29,297	–	266	21	33,643
Profit for the year	–	–	–	–	3,209	3,209
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	3,209	3,209
Share options exercised	20	222	–	–	–	242
Equity dividends	–	–	–	–	(754)	(754)
Share-based payments	–	–	–	259	–	259
Transfer of share option reserve on vesting of options	–	–	–	(146)	9	(137)
At 1 May 2010	4,079	29,519	–	379	2,485	36,462
Profit for the year	–	–	–	–	2,609	2,609
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	2,609	2,609
Own shares acquired	–	–	(302)	–	–	(302)
Equity dividends	–	–	–	–	(894)	(894)
Share-based payments	–	–	–	317	–	317
Transfer of share option reserve on vesting of options	–	–	–	(141)	11	(130)
At 30 April 2011	**4,079**	**29,519**	**(302)**	**555**	**4,211**	**38,062**

The reserves of the Group and the Company are described in note 25.

The Company reserves at 1 May 2009 have been restated to align the Company's share option reserve to the Group's share option reserve. The corresponding adjustment has been made to the investment in subsidiaries in accordance with their respective proportion of the share option cost (see note 14). The Company statement of financial position has also been restated accordingly for years ended 30 April 2010 and 30 April 2009.

Financial statements
Consolidated and Company statements of financial position
as at 30 April 2011

		Group			Company		
	Notes	**2011 £'000**	2010 £'000	2009 (restated) £'000	**2011 £'000**	2010 (restated) £'000	2009 (restated) £'000
Assets							
Non-current assets							
Goodwill	12	**31,395**	31,043	31,043	**—**	–	–
Other intangible assets	12	**2,155**	632	1,227	**—**	–	–
Property, plant and equipment	13	**7,820**	7,930	4,727	**20**	17	22
Investment in subsidiaries	14	**—**	–	–	**42,718**	42,554	42,452
Deferred tax asset	20	**118**	1,015	266	**6**	5	–
		41,488	40,620	37,263	**42,744**	42,576	42,474
Current assets							
Inventories	15	**356**	440	359	**—**	–	–
Trade and other receivables	16	**20,339**	22,837	22,438	**414**	319	2,067
Derivative financial instruments	21	**575**	15	178	**—**	–	–
Cash and cash equivalents		**10,177**	6,656	7,511	**—**	–	6,200
		31,447	29,948	30,486	**414**	319	8,267
Total assets		**72,935**	70,568	67,749	**43,158**	42,895	50,741
Liabilities							
Current liabilities							
Trade and other payables	17	**(15,220)**	(15,117)	(16,164)	**(402)**	(341)	(619)
Current tax liabilities		**(973)**	(1,804)	(993)	**—**	–	–
Other loans		**—**	–	(32)	**—**	–	–
Derivative financial instruments	21	**—**	(53)	(68)	**—**	–	–
Bank borrowings	18	**(3,131)**	(3,171)	(3,167)	**(4,694)**	(6,091)	(16,199)
Provisions	19	**(3,339)**	(2,411)	(1,528)	**—**	–	(280)
		(22,663)	(22,556)	(21,952)	**(5,096)**	(6,432)	(17,098)
Non-current liabilities							
Bank borrowings	18	**(313)**	(444)	(615)	**—**	–	–
Deferred tax liability	20	**(1,601)**	(1,053)	(920)	**—**	(1)	–
Provisions	19	**(103)**	(155)	–	**—**	–	–
		(2,017)	(1,652)	(1,535)	**—**	(1)	–
Total liabilities		**(24,680)**	(24,208)	(23,487)	**(5,096)**	(6,433)	(17,098)
Net assets		**48,255**	46,360	44,262	**38,062**	36,462	33,643
Equity							
Share capital	22	**4,079**	4,079	4,059	**4,079**	4,079	4,059
Share premium account		**29,519**	29,519	29,297	**29,519**	29,519	29,297
Own shares	24	**(302)**	–	–	**(302)**	–	–
Hedge reserve	21	**24**	11	(49)	**—**	–	–
Share option reserve	23	**555**	379	266	**555**	379	266
Retained earnings		**14,380**	12,372	10,689	**4,211**	2,485	21
Total equity attributable to the equity shareholders of the parent		**48,255**	46,360	44,262	**38,062**	36,462	33,643

The financial statements on pages 40 to 76 were approved by the Board of Directors and authorised for issue on 27 June 2011 and are signed on its behalf by:

Andrew Thomis
Chief Executive

Simon Walther
Finance Director

Company number
05684823

Financial statements
Consolidated and Company cash flow statements
for the year ended 30 April 2011

	Notes	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Net cash from operating activities	26	**6,512**	3,961	**2,580**	4,685
Cash flow from investing activities					
Interest received		**27**	38	**27**	16
Proceeds on disposals of property, plant and equipment		**—**	35	**—**	—
Purchases of property, plant and equipment	13	**(599)**	(3,795)	**(14)**	(1)
Purchase of own shares	24	**(302)**	—	**(302)**	—
Acquisition of subsidiaries, net of cash acquired	32	**(918)**	(280)	**—**	(280)
Net cash used in investing activities		**(1,792)**	(4,002)	**(289)**	(265)
Cash flow from financing activities					
Dividends paid	9	**(894)**	(754)	**(894)**	(754)
Repayment of borrowings		**(171)**	(199)	**—**	—
Proceeds on issue of shares		**—**	242	**—**	242
Net cash used in financing activities		**(1,065)**	(711)	**(894)**	(512)
Net increase/(decrease) in cash and cash equivalents		**3,655**	(752)	**1,397**	3,908

Financial statements

Notes to the financial statements

for the year ended 30 April 2011

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 business segment information in accordance with IFRS 8.

The principal activities of the subsidiaries are described in the Overview (pages 1 to 5) and in the Business review (pages 6 to 25).

Business segment information about these subsidiaries is presented below:

2011	MASS £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue					
External revenue	23,526	18,450	23,159	—	65,135
Inter-segment revenue	8	34	—	(42)	—
	23,534	18,484	23,159	(42)	65,135
Net profit	4,231	1,025	884	—	6,140
Unallocated corporate expenses					(1,106)
Adjusted operating profit	4,231	1,025	884	—	5,034
Amortisation of other intangible assets	(1,187)	—	(290)	—	(1,477)
Exceptional items	(13)	(167)	(538)	—	(718)
Operating profit	3,031	858	56	—	2,839
Finance cost (net of income)	—	—	(35)	—	(143)
Profit before tax	3,031	858	21	—	2,696
Income tax credit					65
Profit after tax					2,761

All are UK operations and all are continuing. The SEA adjusted operating profit of £884,000 (2010: £1,560,000) is after crediting £595,000 in respect of marking forward exchange contracts to market (2010: charge of £231,000).

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

Unallocated corporate expenses are the costs of the Cohort head office including the remuneration of the Cohort plc Board.

Other information	MASS £'000	SCS £'000	SEA £'000	Central £'000	Group £'000
Capital additions	374	7	204	14	599
Depreciation	187	83	426	11	707

Balance sheet				Eliminations	
Assets					
Segment assets	8,579	4,519	17,810	(1,700)	29,208
Goodwill	12,500	—	18,895		31,395
Other intangible assets	2,010	—	145		2,155
Cash					10,177
Consolidated total assets	23,089	4,519	36,850		72,935
Liabilities					
Segment liabilities	(9,799)	(4,068)	(7,958)	1,562	(20,263)
Bank borrowings	—	—	(444)		(3,444)
Current tax liabilities					(973)
Consolidated total liabilities	(9,799)	(4,068)	(8,402)		(24,680)

Financial statements

Notes to the financial statements continued

for the year ended 30 April 2011

1. Segmental analysis continued

2010	MASS £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue					
External revenue	21,484	26,398	30,247	—	78,129
Inter-segment revenue	—	28	—	(28)	—
	21,484	26,426	30,247	(28)	78,129
Net profit	3,549	90	1,560	—	5,199
Unallocated corporate expenses					(1,090)
Adjusted operating profit	3,549	90	1,560	—	4,109
Amortisation of other intangible assets	(305)	—	(290)	—	(595)
Exceptional items	(223)	(310)	(291)	—	(624)
Operating profit/(loss)	3,021	(220)	979	—	2,890
Finance cost (net of income)	—	14	(35)	—	(142)
Profit/(loss) before tax	3,021	(206)	944	—	2,748
Income tax expense					(457)
Profit after tax					2,291

All are UK operations and all are continuing.

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

Unallocated corporate expenses are the costs of the Cohort head office including the remuneration of the Cohort plc Board.

Other information	MASS £'000	SCS £'000	SEA £'000	Central £'000	Group £'000
Capital additions	2,987	332	475	1	3,795
Depreciation	57	105	389	6	557

Balance sheet				Eliminations	
Assets					
Segment assets	7,872	5,470	19,208	(313)	32,237
Goodwill	12,148	—	18,895		31,043
Other intangible assets	197	—	435		632
Cash					6,656
Consolidated total assets	20,217	5,470	38,538		70,568
Liabilities					
Segment liabilities	(5,709)	(4,763)	(9,484)	1,167	(18,789)
Bank borrowings	—	—	(615)		(3,615)
Current tax liabilities					(1,804)
Consolidated total liabilities	(5,709)	(4,763)	(10,099)		(24,208)

For the purposes of monitoring segment performance and allocating resource between segments, the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments with the exception of central cash and bank borrowings, and current tax liabilities.

Goodwill and other intangible assets are allocated to reportable segments as analysed in note 12.

1. Segmental analysis continued

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 location of the customer:

	2011 **£'000**	2010 £'000
UK	**52,432**	64,033
Other EC countries	**6,336**	8,236
Asia Pacific	**6,104**	5,692
USA	**263**	168
	65,135	78,129

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

Market segments

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

	2011 **£'000**	2010 £'000
Defence	**51,379**	64,624
Space	**7,791**	8,188
Transport	**2,138**	3,365
Other commercial	**3,827**	1,952
	65,135	78,129

Major customers

Revenue from major customers included in the Group's business segments for the year ended 30 April 2011 are as follows:

	2011 **UK MOD** **£'000**	**2011** **Customer A** **£'000**	**2011** **Customer B** **£'000**	2010 UK MOD £'000	2010 Customer A £'000	2010 Customer B £'000
MASS	**9,601**	**3,892**	**—**	10,197	4,336	—
SCS	**12,494**	**612**	**—**	20,318	1,669	—
SEA	**5,644**	**4,137**	**5,858**	9,752	4,475	5,776
	27,739	**8,641**	**5,858**	40,267	10,480	5,776

2. Employee benefit expense (including Directors)

	2011 **£'000**	2010 £'000
Wages and salaries	**26,622**	28,941
Social security costs	**2,912**	3,248
Defined contribution pension plan costs	**1,791**	1,585
Share-based payments	**317**	259
	31,642	34,033

Average number of employees (including Directors)

	2011 **Number**	2010 Number
Other operational	**379**	485
Managed services	**68**	56
Total operational	**447**	541
Administration and support	**129**	120
	576	661

The above disclosures include Directors. Directors' emoluments and share option details are disclosed separately in the Remuneration & Appointments Committee report on pages 34 to 36.

3. Exceptional items

The net exceptional charge comprises:

	2011 **£'000**	2010 £'000
Restructuring at SCS	**177**	310
Restructuring at SEA	**538**	291
Relocation of MASS's operations	**—**	148
Cost of acquisition of Abacus EW	**13**	75
Profit on sale of AGS	**(10)**	(200)
	718	624

All exceptional items are in respect of continuing operations.

The tax credit in respect of exceptional items is £200,000 (2010: £210,000) and is in respect of the continuing items.

4. Profit for the year

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

	Notes	**2011** **£'000**	2010 £'000
Net foreign exchange (gains)/losses	21	**(555)**	162
Research and development costs		**10,241**	8,546
Depreciation of property, plant and equipment	13	**707**	557
Amortisation of other intangible assets	12	**1,477**	595
Cost of inventories recognised as expenses		**18,193**	18,709
Staff costs (excluding share-based payments)	2	**31,325**	33,774
Share-based payments	23	**317**	259

All of the above charges are in respect of continuing operations.

5. Auditor's remuneration

The analysis of the auditor's, KPMG Audit Plc (2010: KPMG Audit Plc), remuneration is as follows:

	2011 **£'000**	2010 £'000
Fees payable to the Company's auditor for the audit of the Company's and consolidated accounts	**10**	10
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**60**	60
Total audit fees	**70**	70
Tax services	**—**	—
Other services pursuant to legislation	**26**	—
Corporate finance services	**—**	8
Total non-audit fees	**26**	8
Total fees paid to the auditor and its associates	**96**	78
Charged to profit for the year	**96**	78

Other services pursuant to legislation includes £8,000 in respect of a review of SCS's internal controls and processes, £5,000 in respect of a review of the Group's interim statement for the six months ended 31 October 2010 and £12,500 for general accounting advice.

The corporate finance services for the year ended 30 April 2010 were in respect of the acquisition of Abacus EW.

Fees payable to KPMG Audit Plc 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.

6. Finance income

	2011 **£'000**	2010 £'000
Interest on bank deposits	**27**	16
Other interest receivable	**—**	22
	27	38

All finance income is in respect of continuing operations.

7. Finance costs

	2011 **£'000**	2010 £'000
Interest on loans wholly repayable in more than five years	**—**	10
Bank and short-term interest	**170**	170
	170	180

All finance costs are in respect of continuing operations.

8. Income tax (credit)/expense

	2011 **£'000**	2010 £'000
Corporation tax: in respect of this year	**459**	961
Corporation tax: in respect of prior years	**(1,124)**	135
	(665)	1,096
Deferred tax: in respect of this year	**14**	(639)
Deferred tax: in respect of prior years	**586**	—
	600	(639)
	(65)	457

The corporation tax is calculated at 27.83% (2010: 28.00%) of the estimated assessable profit for the year, as disclosed below.

The current tax in respect of the year ended 30 April 2011 includes £200,000 credit (2010: £210,000) in respect of exceptional items. The deferred tax includes a credit of £414,000 in respect of amortisation of other intangible assets (2010: £177,000 credit). The deferred tax is further explained in note 20.

The tax charge for the year is reconciled to the profit per the consolidated income statement for the year ended 30 April 2011 as follows:

	2011 **£'000**	2010 £'000
Profit before tax on continuing operations	**2,696**	2,748
Tax at the UK corporation tax rate of 27.83% (2010: 28.00%)	**750**	769
Tax effect of expenses that are not deductible in determining taxable profit	**126**	231
Tax effect of R&D tax credits	**(716)**	(508)
Tax effect of exceptional items that are not recognised in determining taxable profit	**1**	(35)
Tax effect of change in tax rate from 28% to 26%	**(155)**	—
Tax effect of de-recognising brought forward tax losses	**467**	—
Tax effect of prior year R&D tax credits	**(538)**	—
Tax (credit)/expense for the year	**(65)**	457

The UK corporation tax rate for the year ended 30 April is calculated at 27.83%, based upon eleven months at 28.00% and one month at 26.00%.

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised for the year ended 30 April 2011 directly in other comprehensive income:

	2011 **£'000**	2010 £'000
Deferred tax charge arising on income and expenses recognised in other comprehensive income: revaluations of financial instruments treated as cash flow hedges	**5**	23

9. Dividends

	2011 **£'000**	2010 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend in respect of the year ended 30 April 2010 at 1.40 pence per ordinary share (2009: 1.20 pence per ordinary share)	**571**	489
Interim dividend in respect of the year ended 30 April 2011 at 0.80 pence per ordinary share (2010: 0.65 pence per ordinary share)	**323**	265
	894	754
Proposed final dividend for the year ended 30 April 2011 at 1.60 pence per ordinary share (2010: 1.40 pence per ordinary share)	**647**	571

The proposed final dividend is subject to approval by shareholders at the AGM to be held on 1 September 2011 and has not been included as a liability in these financial statements.

If approved, this dividend will be paid on 7 September 2011 to shareholders on the register as at 5 August 2011.

The Cohort plc Employee Benefit Trust, which holds ordinary shares in Cohort plc, representing 0.9% of the Company's called up share capital, has agreed to waive all dividends due to it in accordance with an arrangement dated 20 November 2009.

10. Earnings per share

The earnings per share are calculated as follows:

	2011			2010		
	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)	**40,633,523**	**2,761**	**6.79**	40,727,969	2,291	5.63
Share options	**1,143**	**—**	**—**	55,361	—	—
Diluted earnings	**40,634,666**	**2,761**	**6.79**	40,783,330	2,291	5.62

The basic earnings per share are calculated by dividing the profit attributable to equity holders of the parent company (Cohort plc) by the weighted average number of ordinary shares in issue during the year. The diluted earnings per share are calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of shares in issue during the year as adjusted for the effects of potentially dilutive share options.

The weighted average number of shares for the year ended 30 April 2011 is after deducting the own shares purchased during the year.

In addition, the adjusted earnings per share of the Group are calculated in a similar manner to the basic earnings per share with the adjustments to the basic earnings as shown below:

		2011			2010		
	Notes	**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		**40,633,523**	**2,761**	**6.79**	40,727,969	2,291	5.63
Exceptional items (net of income tax of £200,000; 2010: £210,000)	3	**—**	**518**	**—**	—	414	—
Amortisation of other intangible assets (net of income tax of £414,000; 2010: £177,000)	12	**—**	**1,063**	**—**	—	418	—
Adjusted earnings		**40,633,523**	**4,342**	**10.69**	40,727,969	3,123	7.67
Share options		**1,143**	**—**	**—**	55,361	—	—
Diluted adjusted earnings		**40,634,666**	**4,342**	**10.69**	40,783,330	3,123	7.66

The adjusted earnings are in respect of continuing operations.

The adjustment for the exceptional items (net of income tax) is analysed in note 3.

11. Prior year restatement

The Group's opening reserves at 1 May 2009 were reduced by £1,323,000 in respect of an overstatement of traded and other receivables of £1,837,000 less tax of £514,000.

12. 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 2009	18,895	12,148	31,043	1,160	1,340	2,500
At 1 May 2010	18,895	12,148	31,043	1,160	1,340	2,500
Acquisition of Abacus EW	—	352	352	—	3,000	3,000
At 30 April 2011	**18,895**	**12,500**	**31,395**	**1,160**	**4,340**	**5,500**
Amortisation						
At 1 May 2009	—	—	—	435	838	1,273
Charge for the year ended 30 April 2010	—	—	—	290	305	595
At 1 May 2010	—	—	—	725	1,143	1,868
Charge for the year ended 30 April 2011	—	—	—	290	1,187	1,477
At 30 April 2011	**—**	**—**	**—**	**1,015**	**2,330**	**3,345**
Net book value						
At 30 April 2011	**18,895**	**12,500**	**31,395**	**145**	**2,010**	**2,155**
At 30 April 2010	18,895	12,148	31,043	435	197	632

Goodwill arises on the acquisition of subsidiaries. These subsidiaries are the cash-generating units to which goodwill has been allocated.

Abacus EW was acquired 14 May 2010 (see note 32). The goodwill and other intangible assets arising on this acquisition have been included as part of MASS (the acquiring entity), the separable and identifiable cash-generating unit.

The amortisation charge is disclosed as "Amortisation of other intangible assets" in the income statement.

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 long-term growth rate of 2.25% (2010: 2.25%). The cash flow forecasts are prepared on a consistent basis based upon each subsidiary's budget. To this has been applied the Group's estimated weighted average cost of capital (WACC) of 12.3% (2010: 11.5%).

The Group's WACC is an estimate based upon the Company's current equity risk, market interest rates, Company debt interest rates and market equity risk. The same rate of WACC and long-term growth rate have been applied to the assessment of the carrying value of goodwill for both MASS and SEA, since the businesses have similar market experience and exposures.

On the basis of these tests, no impairment of goodwill has arisen in the year ended 30 April 2011 in respect of MASS (including Abacus EW).

The impairment test for the goodwill in respect of SEA is more sensitive with no impairment at the Group's WACC of 12.3% but is impaired by £5.0m if the Group's WACC increases to 15.5%.

12. Goodwill and other intangible assets continued

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

The other intangible assets are amortised over the estimated lives of the specific other intangible asset, as follows:

	Other intangible assets £'000	Estimated life Years	Remaining period of amortisation at 30 April 2011 Years
MASS			
On acquisition of MASS:			
Contracts acquired	1,060	4	—
Contracts to be secured	280	7	2.25
	1,340		
On acquisition of Abacus EW:			
Contracts acquired	1,446	3	2.10
Future orders and prospects	1,074	2	1.10
Intellectual property rights	480	3	2.10
	3,000		
	4,340		
SEA			
Contracts acquired	1,160	4	0.50

13. Property, plant and equipment

Group	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 May 2009	4,309	3,264	7,573
Additions	2,393	1,402	3,795
Disposals	—	(567)	(567)
At 1 May 2010	6,702	4,099	10,801
Additions	13	586	599
On acquisition of Abacus EW	—	4	4
Disposals	(1)	(35)	(36)
At 30 April 2011	**6,714**	**4,654**	**11,368**
Depreciation			
At 1 May 2009	428	2,418	2,846
Charge in the year	82	475	557
Eliminated on disposal	—	(532)	(532)
At 1 May 2010	510	2,361	2,871
Charge in the year	106	601	707
Eliminated on disposal	—	(30)	(30)
At 30 April 2011	**616**	**2,932**	**3,548**
Net book value			
At 30 April 2011	**6,098**	**1,722**	**7,820**
At 30 April 2010	6,192	1,738	7,930

The Company's property, plant and equipment was £20,000 at 30 April 2011 (2010: £17,000).

The depreciation charge is disclosed within "administrative expenses" in the consolidated income statement.

The property, plant and equipment have been pledged to secure the Group's banking facilities.

The valuation (in accordance with International Valuation Standards) of the Group's land and buildings at 30 April 2011 supports the above net book value.

The Group's land and buildings as disclosed above are the cost of purchase plus refurbishment and the valuation on acquisition. As such the Group has no revaluation reserve at this time.

14. Investment in subsidiaries and joint ventures

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Subsidiary undertakings	**—**	—	**42,718**	42,554
Joint ventures	**—**	—	**—**	—
	—	—	**42,718**	42,554

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

Name of company	Country of registration	Type of shares	Proportion of shareholding and voting rights held	Nature of business
Directly owned				
Systems Consultants Services Limited (SCS)	England	Ordinary	100%	Technical consultancy
MASS Limited	England	Ordinary	100%	Holding company of MASS Consultants Limited
SEA (Group) Limited (SEA)	England	Ordinary	100%	Holding company of Systems Engineering and Assessment Limited, Beckington Castle Limited 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 and transport
Beckington Castle Limited	England	Ordinary	100%	Property company holding freehold of Beckington Castle
Abacus EW Consultancy Limited	England	Ordinary	100%	Electronic warfare training services and software applications
Advanced Geospatial Solutions Limited (AGS)	England	Ordinary	50%	Formerly 3D mapping technology (business of AGS sold 1 August 2009)
Digital Millennium Map LLP (DMM)	England	Ordinary	25%	2D digital mapping – in administration

DMM and AGS, which are both retained as investments of the Group, are not accounted for under the equity method of accounting as the Group ceased to have an active participation from 1 November 2006 and 30 April 2009 respectively.

All shares held in subsidiaries and joint ventures are the same class and carry equal weighting to any shares held by other shareholders.

For information, the performance of DMM for the year ended 30 April 2011 was as follows:

	Year ended 30 April 2011 £'000	**Cumulative to 30 April 2011 £'000**
Unrecognised share of profit	**29**	**40**
Revenues	**121**	**2,825**
Expenses	**(5)**	**(3,624)**
Profit/(loss)	**116**	**(799)**

	2011 £'000	2010 £'000
Total assets	**14**	121
Total liabilities	**(4)**	(33)

The Group has received and continues to receive a return on its original investment in DMM. This income is disclosed in "administrative expenses" within the consolidated income statement.

14. Investment in subsidiaries and joint ventures continued

For information, the performance of AGS for the year ended 30 April 2011 was as follows:

	Year ended 30 April 2011 £'000	**Cumulative to 30 April 2011 £'000**
Unrecognised share of profit	**5**	**20**
Revenues	**12**	**901**
Expenses	**(1)**	**(2,070)**
Profit/(loss)	**11**	**(1,169)**

	2011 £'000	2010 £'000
Total assets	**7**	5
Total liabilities	**(1,135)**	(1,144)

AGS sold its business on 1 August 2009. The Group retains its investment in AGS and received further consideration in respect of the business disposal of £10,000 in the year ended 30 April 2011, which is disclosed as an exceptional item (see note 3).

Company

The Company's investments in subsidiaries are as follows:

	MASS £'000	SCS £'000	SEA £'000	Total £'000
At 1 May 2009	14,328	1,584	26,291	42,203
Restated for share-based payments	121	83	45	249
At 1 May 2009 (restated)	14,449	1,667	26,336	42,452
Share-based payments	92	71	105	268
Vested in year	(104)	(33)	(29)	(166)
At 1 May 2010	14,437	1,705	26,412	42,554
Share-based payments	105	84	105	294
Vested in year	(27)	(66)	(37)	(130)
At 30 April 2011	**14,515**	**1,723**	**26,480**	**42,718**

15. Inventories

	2011 £'000	2010 £'000
Finished goods	**356**	440

The inventory at 30 April 2011 is after a stock provision of £164,000 (2010: £227,000).

The inventory has been pledged to secure the Group's banking facilities.

16. Trade and other receivables

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Trade receivables	**13,329**	15,522	**—**	—
Allowance for doubtful debts	**(108)**	(104)	**—**	—
	13,221	15,418		
Amounts recoverable on contracts	**5,822**	6,171	**—**	—
Prepayments and accrued income	**1,296**	1,248	**29**	73
Amounts due from subsidiary undertakings	**—**	—	**385**	246
	20,339	22,837	**414**	319

The average credit period taken on sales of goods is 63 days (2010: 50 days). Of the trade receivables balance, £3.3m was considered overdue at 30 April 2011 (2010: £3.3m). Overdue is defined as trade receivables still due 30 days or more after invoice date. The allowance for doubtful debt is determined by management's best estimate, by reference to the particular receivables over which doubt may exist. None of the other receivables was past due.

16. Trade and other receivables continued

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values. The largest trade receivable to which the Group is exposed at 30 April 2011 is the UK MOD, with a balance outstanding of £3.5m (2010: £4.2m). Other customers who represent more than 5% of the total balance of trade receivables include:

	2011 **£m**	2010 £m
Customer A	**1.6**	2.3
Customer B	**1.1**	3.4
Customer C	**1.0**	0.1

Trade receivables include £1.7m (2010: £4.1m) denominated in foreign currency.

The majority of the Group’s customers are UK or overseas government organisations and larger prime contractors in the defence and space sectors.

The Group assesses all new customers for credit worthiness before extending credit. In the case of overseas customers, the Group utilises various payment protection mechanisms including but not limited to export credit guarantees, letters of credit and advance payments.

Trade receivables disclosed above include amounts which are part due at the reporting date but against which the Group has not recognised an allowance for doubtful debts because the credit quality of the customer is not considered to have changed and the amount due is considered fully recoverable.

Ageing of past due but not impaired receivables	**2011** **£’000**	2010 £’000
30 – 60 days	**2,795**	2,198
60 – 90 days	**153**	25
> 90 days	**323**	1,032
	3,271	3,255

Movement for the allowance in doubtful debts	**2011** **£’000**	2010 £’000
Balance at 1 May	**104**	—
Impairment losses recognised	**43**	104
Amounts written off as uncollectable in year	**(9)**	—
Amounts recovered during year	**(30)**	—
Impairment losses reversed	**—**	—
Balance at 30 April	**108**	104

The trade receivables which are impaired and provided for by the allowance in doubtful debts are all greater than 90 days old.

17. Trade and other payables

	Group		Company	
	2011 **£’000**	2010 £’000	**2011** **£’000**	2010 £’000
Advance receipts	**3,185**	1,680	**—**	—
Trade payables and accruals	**5,407**	8,372	**36**	50
Other payables	**22**	24	**22**	24
Social security and other taxes	**2,593**	2,123	**52**	44
Accruals	**4,013**	2,918	**284**	223
Amounts due from subsidiary undertakings	**—**	—	**8**	—
	15,220	15,117	**402**	341

Trade payables 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 53 days (2010: 26 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Trade payables and accruals, other payables and taxes are all due for settlement within 12 months of the year-end, the majority within three months. The advance receipts will unwind over the next 12 months.

Social security and other taxes include employment taxes and VAT.

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

Total payable includes £1.3m (2010: £1.5m) denominated in foreign currency.

18. Bank borrowings

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Bank overdrafts	**—**	—	**1,694**	3,091
Bank loans	**3,444**	3,615	**3,000**	3,000
	3,444	3,615	**4,694**	6,091

All borrowings are secured over all the fixed and floating assets of the Group.

Analysis of Group bank borrowings by currency:

	Sterling £'000	Euros £'000	US$ £'000	Total £'000
At 30 April 2011:				
Bank overdrafts	—	—	—	—
Bank loans	3,444	—	—	3,444
	3,444	**—**	**—**	**3,444**
At 30 April 2010:				
Bank overdrafts	—	—	—	—
Bank loans	3,615	—	—	3,615
	3,615	—	—	3,615

These borrowings are repayable as follows:

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
On demand or within one year	**3,131**	3,171	**4,694**	6,091
In the second year	**84**	130	**—**	—
In the third to fifth years inclusive	**229**	258	**—**	—
After five years	**—**	56	**—**	—
	3,444	3,615	**4,694**	6,091
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(3,131)**	(3,171)	**(4,694)**	(6,091)
Amount due for settlement after 12 months	**313**	444	**—**	—

The weighted average interest rates paid were as follows:

	2011 %	2010 %
Bank overdrafts	**—**	—
Bank loans	**3.10**	3.17

The other principal features of the Group's borrowings are as follows:

a. The bank overdrafts are repayable on demand. The Group operates a sterling current account offset facility. The interest rate applicable to the overdraft facility when drawn is at 2.25% (2010: 2.25%) above the Bank of England base rate. Overdrafts in currency other than sterling are not part of the sterling current account offset facility and are disclosed as part of bank borrowings above.

b. The bank loans of the Group are as follows:

   i. £3.0m structured debt facility of 364 days with an option to term the loan out (fix the repayment period of the borrowing) for up to three years during the 364 day period, at a floating rate of 2.00% to 2.75% above LIBOR, fixed in advance on one to six month terms; and

   ii. £0.4m in mortgages repayable over 15 years with completion dates of 26 February 2012 and 8 July 2017 for £49,000 and £395,000 respectively.

The interest rates on these mortgages are floating at 1.5% above LIBOR with £395,000 hedged using an interest rate swap, fixing the interest rate at 6.38%.

The weighted average period until maturity of the fixed interest loan was five years and for the variable rate loans was one year.

18. Bank borrowings continued

At 30 April 2011, the Group had available £5.0m of undrawn overdraft facility and £4.5m of undrawn committed structured debt facility. During the year ended 30 April 2011, the Group switched £2.5m of undrawn facility from its committed structured debt facility to its overdraft facility. All facilities are in sterling. The Directors consider the carrying amount of bank borrowings approximate to their fair value.

The Group's net funds at 30 April 2011 of £6.7m (2010: £3.0m) are all with RBS.

19. Provisions

Group	Abacus EW earn out £'000	MASS earn out £'000	Withdrawal from AGS £'000	Restructuring £'000	Onerous lease commitment £'000	Warranty £'000	Other contract related provisions £'000	Total £'000
At 1 May 2009	—	280	210	—	—	143	895	1,528
Charged/(credited) to the income statement	—	—	(66)	105	215	247	1,243	1,744
Utilised	—	—	(122)	—	—	(85)	(320)	(527)
Reclassification from trade and other payables	—	—	—	—	—	—	101	101
Earn out payment	—	(280)	—	—	—	—	—	(280)
At 1 May 2010	—	—	22	105	215	305	1,919	2,566
Charged/(credited) to the income statement	—	—	—	538	—	82	(21)	599
Utilised	—	—	—	(581)	(45)	(98)	(510)	(1,234)
Acquisition of Abacus EW	1,400	—	—	—	—	—	111	1,511
At 30 April 2011	**1,400**	**—**	**22**	**62**	**170**	**289**	**1,499**	**3,442**
Provisions due less than one year	1,400	—	22	62	67	289	1,499	3,339
Provisions due greater than one year	—	—	—	—	103	—	—	103
At 30 April 2011	**1,400**	**—**	**22**	**62**	**170**	**289**	**1,499**	**3,442**
Provisions due less than one year	—	—	22	105	60	305	1,919	2,411
Provisions due greater than one year	—	—	—	—	155	—	—	155
At 30 April 2010	—	—	22	105	215	305	1,919	2,566

The earn out provision in respect of the acquisition of Abacus EW was recognised at 14 May 2010. The earn out payable of up to £1.4m is disclosed above on acquisition and is potentially payable over the next two years. However, the full amount is potentially payable within 12 months and the provision is disclosed as due in less than one year for that reason. Any reduction in the net earn out payable in respect of Abacus EW over the next two years will be recognised in the consolidated income statement as an exceptional item.

The MASS earn out was 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. On 5 June 2009, agreement was reached to pay the vendors of MASS £280,000 (after costs) in full settlement of the earn out. The earn out was paid on 11 June 2009.

The provision in respect of the withdrawal from AGS is to cover existing commitments related to the period prior to the sale of the AGS business in August 2009.

The restructuring provision at 30 April 2011 is in respect of the Group's subsidiaries: £54,000 in respect of SEA and £8,000 in respect of SCS (2010: £105,000 in respect of SCS). All provisions are expected to be utilised in the next 12 months.

The onerous lease commitment is in respect of MASS's continuing lease obligations on its former operating property in St Neots which it vacated in August 2010 to enter its new freehold property, Enterprise House. This obligation will expire in May 2013.

The warranty provisions are management's best estimates of the Group's liability under warranties granted on software and other products supplied and are based upon past experience. The timing of such expenditure is uncertain although warranties generally have a time limit of no more than 12 months, unless a longer warranty period is purchased by the customer.

Warranty provisions are reviewed at the half year and year-end in the light of actual spend and the remaining obligations to be fulfilled.

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 and include contract loss provisions. The timing of these is uncertain but expected to be resolved within 12 months of the balance sheet date. These arise where a service or product has been previously delivered to the customer and the Group receives a claim or an adverse indication in respect of the work done. Where the amount required is uncertain or the Group disputes the amount of the claim, provisions is made for the best estimate of the amount that will be required to settle the issue.

19. Provisions continued

Contract loss provisions are in respect of contracts where the estimated cost at completion exceeds the total expected revenue of the contract. The contract loss provision is recognised as a provision in full immediately it arises. The contract loss provisions are held in respect of contracts which are expected to complete in the next 12 months.

Other contract related provisions also includes property dilapidation provisions and other trade related issues which may not be related to a trading contract. These balances are immaterial.

Company	MASS earn out £'000	Total £'000
At 1 May 2009	280	280
Adjustment to other intangible assets	—	—
Earn out payment	(280)	(280)
At 1 May 2010 and 30 April 2011	**—**	**—**
At 30 April 2011:		
Provisions due less than one year	**—**	**—**
Provisions due greater than one year	**—**	**—**
	—	**—**
At 30 April 2010:		
Provisions due less than one year	—	—
Provisions due greater than one year	—	—
	—	—

20. Deferred tax

	Accelerated tax depreciation £'000	Other intangible assets £'000	Revaluation of building £'000	Other short term timing differences £'000	Tax losses £'000	Derivatives £'000	Group £'000
At 1 May 2009	(240)	—	(649)	266	—	(31)	(654)
(Charge)/credit to the income statement	13	(177)	—	271	467	65	639
Debit to equity	—	—	—	—	—	(23)	(23)
At 1 May 2010	(227)	(177)	(649)	537	467	11	(38)
(Charge)/credit to the income statement	(178)	414	52	(409)	(467)	(167)	(755)
On acquisition of Abacus EW (see note 32)	—	(840)	—	—	—	—	(840)
Debit to equity	—	—	—	—	—	(5)	(5)
Effect of change in tax rate							
- income statement	68	43	43	(10)	—	11	155
- equity	—	—	—	—	—	—	—
At 30 April 2011	**(337)**	**(560)**	**(554)**	**118**	**—**	**(150)**	**(1,483)**

The deferred tax charge of £600,000 is a combination of the charge to the income statement (£755,000) and the effect of the change in tax rate from 28% to 26% on those items recognised in the income statement (£155,000 credit).

The charge is disclosed as £14,000 (2010: £639,000 credit) in respect of the current year and £586,000 (2010: £Nil) in respect of prior years. The prior years' charge mainly arises from general provisions being recognised as specific provisions in the corporation tax for prior years.

Certain deferred tax assets and liabilities have been offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2011 £'000	2010 £'000
Deferred tax assets	**118**	1,015
Deferred tax liabilities	**(1,601)**	(1,053)
	(1,483)	(38)

At the balance sheet date the Group had unused trading tax losses within its subsidiaries of £1.9m (2010: £1.6m) available for offset against future profits. This was not recognised as a deferred tax asset at 30 April 2011 (2010: £467,000 asset) as the losses are not considered recoverable in the foreseeable future. These tax losses can all be carried forward indefinitely.

20. Deferred tax continued

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

The deferred tax asset in respect of the share-based payments has not been recognised as the Group's share options in issue remain below the average market price and the realisation of any deferred tax asset is considered remote.

The Company's deferred tax balance at 30 April 2011 was an asset of £6,000 (2010: £4,000) being £5,000 (2010: £4,000) in respect of other short-term timing differences and accelerated tax depreciation of £1,000 (2010: £Nil).

On 23 March 2011, the Chancellor announced the reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the deferred tax liability which has been included in the figures above.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reductions from 26% to 23%, if these applied to the deferred tax balance at 30 April 2011, would be to further reduce the net tax liability by £171,000.

21. Derivative financial instruments

The Group has derivative financial instruments as follows:

	2011 **£'000**	2010 £'000
Assets		
Foreign currency forward contracts	**542**	—
Interest rate swap	**33**	15
	575	15
Liabilities		
Foreign currency forward contracts	**—**	(53)
Interest rate swap	**—**	—
	—	(53)

i. The changes in marking the outstanding foreign currency forward contracts to fair value are charged or credited to the consolidated income statement as part of cost of sales. They are in respect of trading contracts undertaken by the Group and are all in respect of the SEA subsidiary and are disclosed within the SEA's adjusted operating profit in the segmental analysis (see note 1). The (credit)/charge to the consolidated income statement for the year ended 30 April 2011 was as follows:

	2011 **£'000**	2010 £'000
Foreign currency forward contracts	**(595)**	231

ii. The interest rate swap and its related deferred tax is shown as part of the hedge reserve as it is designated an effective cash flow hedge.

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.

The changes in total outstanding committed foreign currency forward contracts of the Group were as follows:

2011	**Buy** **£'000**	**Sell** **€'000**	**Sell** **£'000**	**Buy** **US$'000**	**Sell** **€'000**	**Buy** **US$'000**
At forward exchange rates						
At 1 May 2010	**11,370**	**13,029**	**—**	**—**	**—**	**—**
Transferred to the income statement in respect of matured contracts	**(9,286)**	**(10,629)**	**—**	**—**	**—**	**—**
New contracts	**8,257**	**9,707**	**(543)**	**(873)**	**(1,699)**	**(2,380)**
At 30 April 2011	**10,341**	**12,107**	**(543)**	**(873)**	**(1,699)**	**(2,380)**
Fair value adjustment	**440**		**19**		**93**	
At 30 April 2011 at closing spot rate	**10,781**		**(524)**		**(1,606)**	

21. Derivative financial instruments continued

The €93,000 fair value adjustment in respect of euros to US$ forward contracts equates to a sterling adjustment of £83,000. The total fair value adjustment is £542,000 debit (2010: £53,000 credit) and the change in the forward exchange fair values for the year ended 30 April 2011 is £595,000 which is included in the adjusted operating profit of the Group as income.

2010	Buy £'000	Sell €'000
At forward exchange rates		
At 1 May 2009	3,493	4,100
Transferred to the income statement in respect of matured contracts	(2,894)	(3,350)
New contracts	10,771	12,279
At 30 April 2010	11,370	13,029
Fair value adjustment	(53)	
At 30 April 2010 at closing spot rate	11,317	

The maturity of the outstanding contracts was as follows:

At 30 April 2011	**Buy £'000**	**Sell €'000**	**Sell £'000**	**Buy US$'000**	**Sell €'000**	**Buy US$'000**
Within one year	**6,210**	**7,339**	**(543)**	**(873)**	**(1,699)**	**(2,380)**
One to two years	**2,924**	**3,368**	**—**	**—**	**—**	**—**
Greater than two years	**1,207**	**1,400**	**—**	**—**	**—**	**—**
At 30 April 2011 at closing spot rate	**10,341**	**12,107**	**(543)**	**(873)**	**(1,699)**	**(2,380)**

At 30 April 2010	Buy £'000	Sell €'000
Within one year	9,286	10,629
One to two years	1,437	1,650
Greater than two years	647	750
	11,370	13,029

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 £395,000 (2010: £476,000) has fixed interest payments at a rate of 6.38% for periods up until August 2016.

The fair value of the swap entered into at 30 April 2011 is estimated at £428,000 (2010: £491,000). These amounts are based on market values of equivalent instruments at 30 April 2011.

This interest rate swap is designated and effective as a cash flow hedge. The derivative financial instrument in respect of the interest rate swap is valued as follows:

	2011 £'000	2010 £'000
Nominal value of swap	**(395)**	(476)
Fair value of swap	**428**	491
Derivative financial asset	**33**	15

The movement in the hedge reserve was as follows:

	£'000
At 1 May 2009	(49)
Gain recognised on cash flow hedge in respect of interest rate swap	83
Deferred tax relating to gain on cash flow hedge	(23)
At 30 April 2010	11
Gain recognised on cash flow hedge in respect of interest rate swap	18
Deferred tax relating to gain on cash flow hedge	(5)
At 30 April 2011	**24**

22. Share capital

	2011 Number	2010 Number
Allotted, called up and fully paid 10 pence ordinary shares	**40,786,788**	40,786,788

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

	Number
At 1 May 2009	40,590,943
Share options exercised	195,845
At 30 April 2010	40,786,788
Share options exercised	—
At 30 April 2011	**40,786,788**

The Company has one class of ordinary shares which carry no right to fixed income.

23. Share options

The Group grants share options under the Cohort plc 2006 share option scheme to senior management and key employees. In addition, the Group operates a Save As You Earn (SAYE) scheme which is available to all employees.

The details of the share option schemes are contained in the Remuneration & Appointments Committee report on pages 34 to 36.

The following options were outstanding at 30 April 2011:

				30 April 2011			30 April 2010		
Scheme and grant date	Exercise price £	Vesting date	Expiry date	Vested	Not vested	Total	Vested	Not vested	Total
Cohort plc 2006 share option scheme									
8 Mar 2006	1.230	8 Mar 2009	8 Mar 2016	**111,788**	**—**	**111,788**	136,178	—	136,178
9 Jul 2006	1.410	10 Jul 2009	9 Jul 2016	**42,554**	**—**	**42,554**	42,554	—	42,554
24 Jan 2007	1.810	26 Jan 2010	24 Jan 2017	**—**	**—**	**—**	19,337	—	19,337
19 Feb 2007	1.770	20 Feb 2010	19 Feb 2017	**215,475**	**—**	**215,475**	215,475	—	215,475
21 Aug 2007	1.660	22 Aug 2010	21 Aug 2017	**44,176**	**—**	**44,176**	—	76,525	76,525
11 Jul 2008	1.890	12 Jul 2011	11 Jul 2018	**12,333**	**309,028**	**321,361**	—	423,199	423,199
5 Aug 2009	1.715	6 Aug 2012	5 Aug 2019	**14,431**	**418,003**	**432,434**	—	517,199	517,199
23 Jul 2010	0.835	24 Jul 2013	23 Jul 2020	**46,299**	**840,796**	**887,095**	—	—	—
27 Oct 2010	0.770	28 Oct 2013	27 Oct 2020	**—**	**64,935**	**64,935**	—	—	—
				487,056	**1,632,762**	**2,119,818**	413,544	1,016,923	1,430,467
Save as you earn (SAYE) scheme									
5 May 2006	1.230			**—**	**45,547**	**45,547**	—	71,724	71,724
26 Jan 2006	1.450			**—**	**47,428**	**47,428**	90,703	56,461	147,164
12 Feb 2008	1.330			**156,490**	**118,978**	**275,468**	—	349,914	349,914
18 Aug 2009	1.380			**—**	**166,667**	**166,667**	—	310,237	310,237
27 July 2010	0.970			**—**	**360,085**	**360,085**	—	—	—
				156,490	**738,705**	**895,195**	90,703	788,336	879,039
				643,546	**2,371,467**	**3,015,013**	504,247	1,805,259	2,309,506

The SAYE options have maturity periods of three or five years from grant date.

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.

23. Share options continued

The movement in share options during the year is as follows:

	2011		2010	
	Options	**Weighted average exercise price £**	Options	Weighted average exercise price £
Outstanding at 1 May	**2,309,506**	**1.58**	2,010,783	1.56
Granted during the year	**1,429,109**	**0.87**	980,700	1.59
Forfeited during the year	**(632,899)**	**1.42**	(481,032)	1.67
Exercised during the year	**—**	**—**	(195,845)	1.23
Expired during the year	**(90,703)**	**1.45**	(5,100)	1.23
Outstanding at 30 April	**3,015,013**	**1.28**	2,309,506	1.58
Exercisable at 30 April	**643,546**	**1.47**	504,247	1.54

The weighted average share price at the date of exercise for share options exercised during the year was £Nil (2010: £1.72). The options outstanding at 30 April 2011 had a weighted average exercise price of £1.28 (2010: £1.58) and a weighted average remaining contractual life of six years (2010: six years).

In the year ended 30 April 2011, options were granted as follows: 966,947 on 23 July 2010, 397,227 on 27 July 2010 and 64,935 on 27 October 2010. The fair values of the options granted on those dates were £0.835, £0.970 and £0.770 respectively. In the year ended 30 April 2010 options were granted as follows: 617,777 on 5 August 2010 and 362,923 on 18 August 2010. The fair values of the options granted on those dates were £1.715 and £1.380 respectively.

Share options granted during the current and previous years were valued using the Quoted Companies Alliance Model, a Black Scholes based binomial model. The inputs to this model for the current and previous year were as follows:

	2011	2010
Weighted average share price	**£0.78**	£1.43
Weighted average exercise price	**£1.28**	£1.58
Expected volatility	**20% – 45%**	20% – 38%
Risk free rate	**2.45% – 5.75%**	2.91% – 5.75%
Leaver rate (per annum)	**6.5% – 10.0%**	6.5% – 10.0%
Dividend yield	**0.26% – 1.96%**	0.26% – 0.62%

Expected volatility was determined by calculating the historical volatility of the Group’s share price over the previous three 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 £317,000 (2010: £259,000) relating to share-based payment transactions which are all equity settled, an equivalent amount being transferred to the share option reserve.

The cost of share-based payments is included in “administrative costs” within the consolidated income statement.

24. Own shares

	£’000
Balance at 1 May 2009 and 30 April 2010	—
Acquired in the year	302
Balance at 30 April 2011	**302**

The own shares reserve represents the cost of shares in Cohort plc purchased in the market and held by the Cohort plc Employee Benefit Trust to satisfy options under the Group’s share option schemes (see note 23).

The number of ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2011 was 361,446 (2010: Nil).

24. Own shares continued

The ordinary shares in Cohort plc were acquired by the Employee Benefit Trust as follows:

	Number	Cost £'000
19 November 2010	61,446	51
29 November 2010	300,000	251
	361,446	**302**

The market valuation of the ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2011 was £229,518 (2010: £Nil).

The cost of operating the Employee Benefit Trust during the year ended 30 April 2011 was £3,863 (2010: £Nil) and this cost is included within the "administrative expenses" of the consolidated income statement.

25. Reserves

The Group (consolidated) and Company statements of changes in equity are disclosed as primary statements on pages 41 and 42. Below is a description of the nature and purpose of the individual reserves:

- Share capital represents the nominal value of shared issued, including those issued to the Employee Benefit Trust (see also note 22).
- Share premium includes the amounts over the nominal value in respect of share issues. In addition, costs in respect of share issues are debited to this account.
- Own shares held by the Group represent shares in Cohort plc. All the shares are held by the Employee Benefit Trust (see also note 24).
- Share option reserve represents the cumulative share-based payment charged to reserves less the transfer to retained earnings on vesting of options.
- Hedge reserve represents the cumulative change in fair value of interest rate swaps net of tax charged to reserves (see also note 21).
- Retained earnings include the realised gains and losses made by the Group and the Company.

26. Cash flow

a. Net cash from operating activities

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Profit for the year	**2,761**	2,291	**2,609**	3,209
Adjustments for:				
Income tax (credit)/expense	**(65)**	457	**(8)**	(10)
Depreciation of property, plant and equipment	**707**	557	**11**	6
Amortisation of other intangible assets	**1,477**	595	**—**	—
Net finance cost	**143**	142	**108**	121
Derivative financial instruments	**(595)**	259	**23**	20
Share-based payment	**317**	231	**—**	—
(Decrease)/increase in provisions	**(635)**	1,318	**—**	—
Operating cash flows before movements in working capital	**4,110**	5,850	**2,743**	3,346
Decrease/(increase) in inventories	**84**	(288)	**—**	—
Decrease/(increase) in receivables	**2,802**	(399)	**(80)**	1,414
(Decrease)/increase in payables	**(148)**	(736)	**52**	62
	2,738	(1,423)	**(28)**	1,476
Cash generated by operations	**6,848**	4,427	**2,715**	4,822
Income taxes paid	**(166)**	(286)	**—**	—
Interest paid	**(170)**	(180)	**(135)**	(137)
Net cash in flow from operating activities	**6,512**	3,961	**2,580**	4,685

26. Cash flow continued

b. Cash and cash equivalents at 30 April 2011

	2011 **£'000**	2010 £'000	2009 £'000
Cash and bank	**10,177**	6,656	1,311
Short-term deposits	**—**	—	6,200
Total cash and cash equivalents	**10,177**	6,656	7,511
Other loans	**—**	—	(32)
Bank loans	**(3,444)**	(3,615)	(3,782)
Total debt	**(3,444)**	(3,615)	(3,814)
Net funds	**6,733**	3,041	3,697

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

27. Operating lease arrangements

Group	**2011** **£'000**	2010 £'000
Minimum lease payments under operating leases recognised as an expense in the year:		
- land and buildings	**732**	1,080
– other	**151**	147
	883	1,227

At 30 April 2011 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 **£'000**	2010 £'000
Land and buildings:		
- leases which expire within one year	**58**	35
- leases which expire in the second to fifth year inclusive	**204**	637
- leases which expire after five years	**3,371**	3,874
	3,633	4,546
Other:		
- leases which expire within one year	**—**	29
- leases which expire in the second to fifth year inclusive	**167**	223
- leases which expire after five years	**—**	—
	167	252
	3,800	4,798

Significant leasing arrangements held by the Group are in respect of its operating facilities in Lincoln, Bristol and Theale.

The lease on MASS's former operating property in St Neots (Grove House) is £67,200 per annum and is due to cease on 31 May 2013. MASS occupied its new operating freehold property (Enterprise House) in September 2010. The remaining lease commitment on Grove House at 30 April 2011 of £170,000 (2010: £215,000) is provided for in full as an onerous lease commitment (see note 19).

In respect of all the Group's operating leases (including the Company's), there is no contingent rent payable, no escalation clauses and no restrictions for further leasing or restrictions on the Group's ability to access debt or pay dividends.

None of the significant operating leases entered into by the Group have any renewal or purchase options.

Company	**2011** **£'000**	2010 £'000
Minimum lease payments under operating leases recognised as an expense in the year:		
- land and buildings	**26**	79

27. Operating lease arrangements continued

At 30 April 2011 the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 **£'000**	2010 £'000
Land and buildings:		
– leases which expire within one year	**—**	26

28. Commitments

There was £29,000 of capital commitments at 30 April 2011 (2010: £328,000).

29. Pension commitments

The Group makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £1,791,000 (2010: £1,585,000) were charged to the income statement. Contributions outstanding at 30 April 2011 were £64,000 (2010: £153,000).

30. Contingent liabilities

At 30 April 2011 the Group has in place an advance payment guarantee of £175,000 (2010: £175,000) with RBS. This guarantee was in respect of SCS's new leased property, Arlington House.

31. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. However, the key transactions are disclosed as follows:

	Management fees received from subsidiaries £'000	Rent paid to subsidiaries £'000	Dividends received from subsidiaries £'000	Group relief surrendered/ (received) to/(from) subsidiaries £'000
2011	**1,200**	**29**	**2,600**	**(8)**
2010	1,200	—	3,300	23

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)				
2011	**—**	**—**	**—**	**(9)**
2010	—	—	—	(196)
Digital Millennium Map LLP (DMM)				
2011	**—**	**—**	**(48)**	**—**
2010	—	—	(26)	—

The change in the loans, current accounts and sales ledgers reflects purchases, sales and support costs to the related party undertakings less any receipts received.

The relationships are described as follows:

- AGS – the interest in which is owned by SCS, a 50% joint venture. From 1 May 2009 this has been accounted for as an investment, the Group no longer having an active participation in this entity.
- DMM – the interest in which is owned by SCS, 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 change in investment in the current and previous year in DMM reflects recovery of the investment through a dividend.

The Group is expected to have no significant transactions with either AGS or DMM.

31. Related party transactions continued

The Group had 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. SCS vacated the Court House on 31 March 2010 with its lease commitment ceasing at that point. The Group's dilapidation obligations in respect of the Court House are still to be determined and an estimate has been provided for at 30 April 2011. The transactions with Directors of the Company are disclosed in the Remuneration & Appointments Committee report on pages 34 to 36.

During the year ended 30 April 2011, the Directors of Cohort plc received dividends from the Company as follows:

	2011 **£**	2010 £
S Carter	**234,646**	197,076
N Prest	**45,861**	38,325
A Thomis	**775**	616
Sir Robert Walmsley	**551**	378
S Walther	**563**	403
	282,396	236,798

Further details of the remuneration of the Directors are set out in the Remuneration & Appointments Committee report (pages 34 to 36).

The aggregate remuneration details of the key management of the Group were as follows:

	2011 **£**	2010 £
Salary (including any allowances, benefits and employers NI)	**906,582**	943,749
Employers pension contribution	**89,662**	22,299
Long-term benefits	**—**	—
Termination payments or benefits (including employers NI)	**141,915**	30,000
Share option cost	**30,970**	37,073
	1,169,129	1,033,121

The key management of the Group is the Board of Cohort plc plus each subsidiary's Managing Director.

32. Acquisition of subsidiary

On 14 May 2010 the Group's subsidiary, MASS Consultants Limited acquired the entire share capital of Abacus EW Consultancy Limited (Abacus EW) for a cash consideration of £918,000 and deferred cash consideration of up to £1.4m payable over three years from completion according to specific performance criteria being achieved by Abacus EW over the three-year period to 30 April 2013. The sale and purchase agreement included a deferred cash consideration of up to £1.8m. This was reduced to £1.4m at 30 April 2011 following review of the specific performance criteria which indicated £0.4m of deferred consideration was no longer payable.

	Book value £'000	Fair value £'000
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Property, plant and equipment	52	4
Other intangible assets	—	3,000
Trade and other receivables	308	305
Trade and other payables	(366)	(392)
Deferred tax liability	(6)	(840)
Provisions	—	(111)
Bank borrowings	—	—
	(12)	1,966
Goodwill		352
Total consideration		2,318
Satisfied by:		
Cash		918
Contingent consideration arrangement (earn out)		1,400
Total consideration transferred		2,318
Net cash outflow arising on acquisitions:		
Cash consideration		918

32. Acquisition of subsidiary continued

Other intangible assets of £3.0m and their estimated useful lives are analysed as follows:

	Other intangible asset £'000	Estimated life Years
Contracts acquired	1,446	3
Future orders and prospects	1,074	2
Intellectual property rights	480	3
	3,000	

A deferred tax liability of £840,000 in respect of the other intangible asset balance above was established on acquisition and is disclosed in the deferred tax liability (see note 20).

The goodwill of £352,000 arising from the acquisition represents the customer contacts, supplier relationships and territorial know-how to which no certain value can be ascribed. None of the goodwill is expected to be deductible for income tax purposes.

The contingent consideration arrangement or earn out was payable in cash to the vendor of Abacus EW over the three-year period to 30 April 2013 as follows:

	2011 £'000	2012 £'000	2013 £'000	Total £'000
Specific contract win	200	200	—	400
Performance of Abacus EW (up to £1.4m over these three years)				1,400
				1,800

The maximum earn out payable was £1.8m.

Review of the earn out obligation at 30 April 2011 has shown no earn out is payable in respect of the specific contract win for 2011 and 2012. The £0.4m earn out has been derecognised and the adjustment made to the other intangible assets arising on acquisition.

The earn out in respect of the performance of Abacus EW is payable up to 30 April 2013 to a maximum of £1.4m. This earn out is payable in each of the years ended 30 April 2012 and 30 April 2013, up to the maximum of £1.4m in total. The earn out is payable up to the maximum in any one year and has been recognised as a provision due in less than one year at 30 April 2011.

Acquisition costs of £13,000 (2010: £75,000) in respect of Abacus EW were charged as an exceptional item in the consolidated income statement. The total acquisition costs were £88,000.

Abacus EW contributed £1,680,000 of revenue and £753,000 to the Group's adjusted operating profit for the period from 14 May 2010 to 30 April 2011.

If the acquisition of Abacus EW had been completed on 1 May 2010, the Group's reserves for the year and the Group's adjusted operating profit would not have changed from that reported in this Annual Report and Accounts.

Financial statements
Accounting policies

Basis of accounting

Both the parent company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs). On publishing the parent company financial statements here, together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements.

As highlighted in note 18 to the financial statements, the Company meets its day-to-day working capital requirements through an offsetting facility which is due for renewal in October 2011. Both the current domestic economic conditions and continuing UK Government budget pressures, including defence, create uncertainty particularly over (a) the level of demand for the Group's products; (b) the exchange rate between sterling and euro and thus the consequence for certain long-term contracts; and (c) the availability of bank finance in the foreseeable future.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility. The Company will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be renewed. However, the Company has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Business review on pages 6 to 25. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's review on pages 10 to 15.

In addition, the Finance Director's review of the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings made up to 30 April 2011. Subsidiaries acquired during the year are consolidated from the date of acquisition, using the purchase method (see business combinations opposite).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in 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.

Adoption of new and revised standards

The following new and revised standards and interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but they may impact the accounting for future transactions and arrangements.

Standard	Timing	Effect	Financial effect
IAS 27 (2008) 'Consolidated and Separate Financial Statements'	First applied in year ended 30 April 2011	Non-controlling interests (minority) are considered to be part of the equity and other related aspects of non-controlling and controlling interests	No significant impact as no minority interests

Various other new and revised standards and interpretations including IAS 28 (2008) 'Investments in Associates'; Amendment to IFRS 2 'Share-based Payments'; Amendment to IAS 17 'Leases'; Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' have been adopted by the Group but have no impact.

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 method 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.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred unless, where appropriate, interest costs are capitalised into assets, fixed and current.

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 acquired subsidiary. The costs of acquisition are charged to the Group income statement as an exceptional item in accordance with IFRS 3 (Revised).

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 intangible assets, assets, liabilities and contingent liabilities recognised. If, after reassessment, which is a point in time greater than 12 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 as an exceptional item.

Adjustments to the provisional value of assets and liabilities acquired in a business combination when the final values have become known within 12 months are adjusted as if the accounting had been completed at the acquisition date and the comparative information for prior periods is restated accordingly.

Any change in consideration, where previously estimated, is immediately recognised as an exceptional item in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on-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 are included within cash and cash equivalents where the maturity from commencement of the deposit is three months or less.

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.

Equity instruments

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

Exceptional items

Cohort’s trade is the provision of technical advice and support, and the design, development and manufacture of niche products. As part of its operations, the Group may dispose of, or recognise impairment of, subsidiaries, or significant parts of subsidiaries, associates (including joint ventures and investments) and fixed assets as well as other significant non-trading transactions including significant restructuring costs, either as part of continuing operations or discontinued operations.

These items form part of the Group’s operating activities and are reported in arriving at the Group’s profit from operations, however, management does not consider these items to be part of trading activities. The gains or losses on such items can be significant and arise in different reporting periods and would consequently have a material impact upon the absolute amount of and trend in the Group’s trading profit from operations.

Any gains or losses (including transaction costs) on these non-trading items are disclosed as a separate line item (in aggregate) in the income statement with analysis in a note to the accounts.

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.

Financial liabilities and equity instruments

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.

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 presentational 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.

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.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see page 69 for details of the Group's Accounting policies in respect of such derivative financial instruments).

These forward foreign exchange contracts are revalued to fair value at each balance sheet date with any movement included in the consolidated income statement as part of the cost of sales.

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 intangible assets, 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 as an exceptional item 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. The impairment of goodwill is a critical judgement and estimate and is discussed in detail below.

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.

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.

Intangible assets

Intangible assets are recognised in respect of contracts, intellectual property rights and other measurable intangibles arising on business combinations. The value of these intangible assets is determined by the estimated value to the Group going forward and the intangible assets are written off on a straight-line basis over the estimated useful life. As discussed below, the valuation of intangible assets is an area of critical judgement and estimate by the Directors.

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.

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 accounts for joint ventures in which it no longer has a participating interest by recognising any investment and assets or liabilities due to or from the Group.

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.

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 fair value at the date of acquisition, plus any subsequent cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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% – 4%
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.

Financial statements
Accounting policies continued

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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. In respect of specific types of provisions the policy is as follows:

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

Onerous lease commitment

Present obligations arising under an onerous lease are recognised and measured as a provision. An onerous lease is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the lease exceed the economic benefits expected to be received.

An onerous lease includes the vacation of a property prior to termination of the associated lease.

Warranty

Provisions for the expected cost of warranty obligations under local sale of goods legislation and specifically contracted warranty undertakings are recognised at the date of sale of the relevant product or service. The provision is the Directors' best estimate of the expenditure required to settle the Group's obligation.

Other contract related provisions including contract loss provisions

These include the following:

The Group undertakes a number of contracts where contractual and/or third-party obligations arise as a result of delivering the contract. This provision includes amounts for losses on contracts which are recognised in full immediately that it is probable that total contracts costs will exceed total contract revenue. In some cases, after a product has been delivered and revenue has been recognised, the Group receives claims (including warranty issues) from customers in respect of work done. Where the amount required to settle the claim is uncertain or the Group disputes the amount of the claim, provision is made for the best estimate of the amount that will be required to settle the claim.

Where the expected cost at completion of a current contract exceeds the sum of the contracted revenue and any probable revenue, then the amount of that excess (the estimated contract loss) is immediately provided for in full. Such contract loss provisions are reviewed on a regular basis to determine whether the provision is still adequate or excessive. Contract loss provisions and subsequent adjustments to them are charged as cost of sales in the income statement.

Where such an obligation relates to a discontinued operation then the charge will be disclosed 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.

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable for the provision of goods and services, excluding discounts, VAT and other sales related taxes:

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

The Group applies either IAS 11 'Construction Contracts' or IAS 18 'Revenue' to account for revenue depending on the nature of the arrangement with the customer. The Group's arrangements fall into four main categories:

1. Time hire

Revenue is recognised in accordance with IAS 18 when the services are provided, i.e. when the employees undertake the work.

2. Managed services

In managed services, revenue is generally a fixed-price for the provision of specific ongoing defined services (not the construction of an asset) over an agreed period. These services include the provision of technical engineering support, maintaining help desks and consultancy. Where the services comprise an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the period that the services are provided. Where the services comprise one or more significant acts, revenue is recognised as each act is completed.

3. Product

Goods are delivered to customers and, on their acceptance by the customer, revenue is recognised. At that point, the Group does not have any continuing involvement or control over the goods and all significant risks and rewards have been transferred to the customer.

4. System design, build, test and delivery

These contracts are typically for building complex custom designed assets which are usually components for use in larger customer owned assets. These contracts are accounted for under IAS 11. The Group's contracts of this nature are generally fixed-price and without "stand alone" values for each element as the contracts are negotiated and ultimately delivered/accepted as a single package.

In these contracts the revenue is recognised using the "percentage of completion" method in IAS 11.

In almost all cases the percentage of completion is based on input measures (i.e. costs incurred as a proportion of estimated total costs). In some cases, an output measure based on surveys of work performed may be used where these are available and measure reliably the work performed.

Costs are expensed as incurred in respect of all contracts unless they relate to goods yet to be delivered, services related to a significant act that has yet to be completed or future activities on a contract accounted for under IAS 11 in which case they are recorded as an asset (either inventory or amounts recoverable on contract).

In some cases, Group contracts can be divided into multiple elements with stand alone values using either the principle in IAS 18.13 or the following criteria based on IAS 11.7-10:

- separate proposal for each element;
- each element was subject to separate negotiations; and
- costs and revenues for each element can be identified.

Where separate elements are identified, each is treated as one of the four revenue types described above.

Bid costs

Costs incurred before the award of a contract is probable are expensed as incurred. Where material bid costs arise after the award of a contract has become probable but before the contract is in place, then such identified bid costs are included in contract costs.

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 (a Black Scholes 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.

Share-based payments continued

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.

The cost of share-based payments is charged to the income statement with a corresponding credit applied to the share option reserve. The appropriate element of the reserve is transferred to the retained profit of the Group when the share options to which the reserve relates vest.

Taxation

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

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 substantively 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.

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 to 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.

Trade and other receivables

Trade receivables are initially measured 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.

Long-term contracts are assessed on a contract by contract basis and reflected in the income statement 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 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 trade and other receivables as "amounts recoverable on contracts".

Trade payables

Trade payables are initially measured at fair value.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Critical accounting judgements and key sources of estimation uncertainty continued

The Directors have identified the following critical judgements and estimates in applying the Group's accounting policies that have the most significant impact on the amounts recognised in the financial statements.

Critical accounting judgements

Revenue recognition

The revenue recognition policy of the Group is described in detail on page 73. There are areas where the Directors have to make judgements as to the level of revenue to be recognised in the financial statements, in particular "stage of completion":

- In accordance with IAS 11, revenue is recognised using the "percentage of completion" method for system design, build, test and delivery contracts. In almost all cases the percentage of completion is based on input measures (i.e. costs incurred as a proportion of estimated total costs). In a few cases, an output measure based on surveys of work performed may be used where these are available and measure reliably the work performed.
- These contracts generally are not capable of segmentation and the percentage of completion method is applied to the contract as a whole.
- In advance of completion of key stages (or deliverables) of contracts, there is additional uncertainty in the estimated total costs and accordingly this additional uncertainty is reflected in increased estimates of the total costs, i.e. a contingency is added.
- Once those key stages have been completed and the risks expired, the relevant remaining contingencies are removed from the forecast total contract costs. It is a critical judgement of the Directors as to both the level of contingency recognised and its retention or not.

Acquisition of other intangible assets

Intangible assets other than goodwill that are obtained through acquisition are capitalised on the balance sheet. These other intangible assets are valued on acquisition using a discounted cash flow methodology which depends on future assumptions about the revenue from contracts, prices and costs and on the Group's cost of capital. These assumptions reflect management's best estimates but depend on inherent uncertainties which may not be within the control of management.

The assessment of the acquisition of other intangible assets and their estimated respective lives are disclosed in note 32 for the year ended 30 April 2011.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of goodwill

The Group has significant goodwill balances, the life of which, it considers to be indefinite. It assesses annually the recoverability of the balance, or more frequently in the event of an occurrence indicating impairment. The assessment involves comparing the carrying amount of the asset with its recoverable amount, which is the greater of its value in use and net realisable value by reference to external measures.

Value in use is determined using discounted cash flow techniques that involve the estimation of future cash flows over a long period and an appropriate discount rate to apply.

Future cash flows are estimated based on historical experience, internal estimates and data from external sources. Such estimates are subject to change as a result of changes in economic and competitive conditions. Higher estimates of future cash flows will increase the value in use of goodwill, but lower estimates of cash flows will reduce the value in use and increase the risk of impairment.

Discount rates (weighted average cost of capital) are applied to the cash flows to arrive at the value in use. An increase in the discount rate will reduce the value in use of the goodwill, and therefore increases the risk of the value in use falling below the carrying value and resulting in the requirement for an impairment provision. A reduction in the discount rate decreases the likelihood of impairment.

Future changes in interest rates, the premium that markets place on equity investments relative to risk free rates and the specific assessment of the capital markets as to the Group's risk relative to other companies can affect our discount rate. Increases in interest rates or the risk premiums applied by capital markets would result in an increase in the Group's discount rate and vice versa. These factors are largely outside the Group's control or ability to predict and can therefore have a significant impact on the estimated fair value of goodwill and hence its impairment.

The assessment of goodwill impairment is disclosed in note 12.

Standards and interpretations issued at 30 April 2011 not applied to these financial statements

The following changes and amendments to IFRS that have not been reflected in these financial statements and are likely to have an impact on the Group in the future:

Impact on the Group

Standard	Timing	Effect	Financial effect
IFRS 9 'Financial Instruments'	First applies to the year ended 30 April 2014. Early adoption permitted	First of three phases to replace IAS 39 'Financial Covenants: Recognition and Measurement'. Plan is for all of IAS 39 to be replaced during 2010 by extending IFRS 9. It simplifies the categories of financial asset classification relating it to the cash flow characteristics of the asset	No financial impact. May require further disclosure but Group has few financial assets

The above standard will not apply to the Group's interim statement for six months ended 31 October 2011 to be published in December 2011.

A number of other standard amendments and International Financial Reporting Interpretation Committee (IFRICs) have been issued and are yet to be applied by the Group.

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

KPMG Audit Plc

Chartered Accountants
Arlington Business Park
Theale
Reading RG7 4SD

Tax advisers

Deloitte LLP

Abbots House
Abbey Street
Reading RG1 3BD

Legal advisers

Pitmans

The Anchorage
34 Bridge Street
Reading RG1 2LU

Registrars

Capita Registrars

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Public and investor relations

MHP Communications

60 Great Portland Street
London W1W 7RT

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 email to info@cohortplc.com.

Share register

Capita Registrars maintains 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
Telephone: 0871 664 0300 (Calls cost 10 pence per minute plus network extras.)
(from outside the UK: +44 (0) 20 8639 3399)
Lines are open Monday to Friday, 8:30am to 5.30pm
Facsimile: +44 (0) 20 8639 2220
E-mail: ssd@capitaregistrars.com

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 Registrars 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	1 September 2011
Final dividend payable	7 September 2011

Expected announcements of results for the year ending 30 April 2012:

Preliminary half year announcement	December 2011
Preliminary full year announcement	June 2012

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