Cohort plc

Interim Report 2007

Company profile

Cohort is an AIM listed independent technical advisory group. Formed in 2006, it provides an environment in which complementary companies can cooperate and continue to grow.

Its three well established, wholly owned subsidiaries provide a wide range of advisory and technical services covering the full procurement cycle.

Our market sectors

- Defence
- Security
- Information systems
- Telecommunications
- Aerospace
- Transport
- Offshore

Why Cohort?

- Modern systems require a high level of technical knowledge to specify, procure and support
- MOD/Government in-house technical resources have reduced following privatisation
- Major corporations have absorbed many niche advisory companies
- Genuinely independent, impartial advice is needed

Our clients

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

Our growth strategy

To grow existing operations organically while actively seeking both complementary ‘free-standing’ and ‘bolt-on’ acquisitions.

Operational overview

MASS

MASS Consultants Limited (MASS) is an independent systems house with a strong defence and aerospace market focus.

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

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

Primary business areas:

- Electronic Warfare (EW) Operational Support
- Managed Services
- Secure Communications
- Spectrum Monitoring

SCS

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

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

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

Primary business areas:

- Systems Development
- Information & Communication Services
- Capability Support
- Interim Professionals

SEA

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

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

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

Primary business areas:

- Defence
- Aerospace
- Transport
- Offshore

Highlights

Acquisition of SEA on 31 October 2007

Group revenue up 54% to £20.9m

Adjusted* profit before tax up 42% at £1.5m

Adjusted* earnings per share up 38% at 4.12p

Group order book at 31 October 2007 £56.1m

Interim dividend up 12.5% to 0.45p per share

* before exceptional items and goodwill amortisation

Chairman's statement

Overview

Cohort has made very good progress in executing the strategy set out at the time of flotation in March 2006. SEA (Group) Limited (SEA) was acquired in late October 2007 following the acquisition of MASS Consultants Limited (MASS) last year and organic revenue growth has been strong.

Financials

This is Cohort's first reporting period under International Financial Reporting Standards (IFRS). In the six months ended 31 October 2007, Cohort achieved revenue of £20.9m (2006: £13.6m), a 54% increase. The revenue for the first half included £12.7m from Systems Consultants Services Limited (SCS), which represented growth of 29% on 2006, and £8.2m from MASS, an annualised increase of 9% on the £3.8m for the three months ended 31 October 2006.

Adjusted operating profit before accounting for the share of joint ventures, exceptional items and amortisation of acquired intangibles was £1.4m (2006: £1.0m).

The operating profit included a contribution from MASS of £0.9m, compared with £0.5m for the three months ended 31 October 2006.

SCS's operating profit for the first half was £0.9m (2006: £0.9m) on turnover of £12.7m (2006: £9.8m).

The Group incurred a small loss in its joint venture undertaking, reflecting the developmental nature of this business. As highlighted previously, this joint venture investment is not core to the Group and progress has been made in its restructuring.

The adjusted earnings per share (before exceptional items and amortisation of acquired intangibles) for the six months ended 31 October 2007 are 4.12p per ordinary share (2006: 2.99p).

Net cash flow from operating activities was £0.3m (2006: £1.0m). The period ended with the Group holding £0.3m of net funds, having paid out £12.1m in cash for the acquisition of SEA, £6.0m of which was funded from the net proceeds of an equity fundraising, £3.0m from debt and the balance of £3.1m from Cohort's own cash resources.

Acquisition of SEA

SEA was acquired on 31 October 2007. The Group will recognise revenue and operating profit of SEA from 1 November 2007. The initial consideration of £20.7m included £8.8m of Cohort plc shares taken up by the vendors, a strong endorsement of the vendors' commitment to the Cohort concept.

Up to £4.7m of deferred consideration is payable in cash to the vendors of SEA; this is dependent upon SEA achieving an agreed level of earnings for the 13 months ended 30 April 2008. This deferred consideration is linearly scalable, from zero deferred consideration payable if SEA profit before interest and tax is £2.0m up to £4.7m of deferred consideration payable if SEA profit before interest and tax is at or above £2.5m for the 13 months ended 30 April 2008.

MASS

MASS, acquired in August 2006, has continued to perform well. Good progress on the main MOD secure communications project contributed to a performance in the Systems Development division that exceeded expectations. The Managed Services division started work on contracts with several new customers. A new export contract valued at approximately £7m was won; together with other orders, this brought MASS's order book to over £34m at the end of the period.

> "With the recent acquisition of SEA and continued strong revenue growth from both SCS and MASS, Cohort continues to deliver the strategy set out at the time of flotation in March 2006. The Board is positive about the outlook."

SCS

Overall, revenue growth has been strong in SCS, particularly in the areas of the business which feed into and support MOD operations. Demand in areas dependent on MOD capital budgets has been weaker. New contracts won include work through the Haldane Spearman consortium, support to BAE Systems, our NATO enabling contract and elements of the Future Rapid Effects System (FRES). However, a number of programmes have slipped including the Land Equipment Air Picture Programme (LEAPP) and Joint Effects Tactical Targeting Systems (JETTS) and this has impeded revenue and utilisation. In addition, there have been some investments in management and business infrastructure, including a new business information system. The overall impact is that while revenue expanded strongly net profit was held back. We expect a stronger performance in the second half.

Board and personnel

Following the acquisition of SEA, Ian Dale-Staples, Chief Executive of SEA, joined the Cohort Board. As well as overseeing SEA, Ian will contribute to the Group acquisition effort.

We welcome warmly the 200 or so SEA staff who have joined the Cohort Group, many as shareholders as well as employees. Group staff now number around 450 and it is their skills and energy that will provide the forward impulse for the business.

Dividends

In accordance with the Group's progressive dividend policy, it plans to pay an interim dividend of 0.45p (2006: 0.40p) per ordinary share on 7 March 2008 to shareholders on the register at 8 February 2008.

Outlook

The Group's order book at 31 October 2007 stood at £56.1m including £13.7m acquired with SEA. £22.8m of this order book is deliverable in the second half. We expect the profits of MASS and SCS to be weighted towards the second half, as in previous years, and with the addition of SEA, this effect will be amplified.

The Cohort business model of providing technical advice and services to defence markets, independent of major producer interests, is strong and we intend to exploit it by capitalising on the organic growth opportunities available to SCS, MASS and SEA and by continuing to make complementary acquisitions as and when opportunities arise. The Board is positive about the overall outlook.

Nick Prest CBE
Chairman
12 December 2007

Consolidated income statement

For the six months ended 31 October 2007

	Notes	Six months ended 31 October 2007 Unaudited £'000	Restated six months ended 31 October 2006 Unaudited £'000	Restated year ended 30 April 2007 Unaudited £'000
Revenue	2	20,902	13,596	34,419
Cost of sales		(15,427)	(10,151)	(26,027)
Gross profit		5,475	3,445	8,392
Administrative expenses		(4,029)	(2,396)	(5,481)
Adjusted operating profit*	2	1,446	1,049	2,911
Amortisation of goodwill and other intangible assets	7a	(168)	(84)	(252)
Exceptional items	3	–	3	114
Share of results of joint ventures		(101)	(116)	(242)
Operating profit	2	1,177	852	2,531
Finance revenue		143	119	214
Finance costs		(14)	(10)	(22)
Profit before tax		1,306	961	2,723
Tax expense	4	(260)	(333)	(454)
Profit for the period		1,046	628	2,269

All profit for the period is attributable to equity shareholders and derived from continuing operations.

* Adjusted operating profit is the operating profit before exceptional items, amortisation of acquired intangibles and share of results of joint ventures.

	Notes	Six months ended 31 October 2007 Unaudited Pence	Restated six months ended 31 October 2006 Unaudited Pence	Restated year ended 30 April 2007 Unaudited Pence
Earnings per share	5			
Basic		3.55	2.65	8.21
Diluted		3.52	2.63	8.16
Adjusted earnings per share	5			
Basic		4.12	2.99	8.71
Diluted		4.09	2.97	8.65
Dividends per share proposed in respect of the period	6			
Interim		0.45	0.40	0.40
Final		–	–	0.90

Consolidated balance sheet
As at 31 October 2007

	Notes	31 October 2007 Unaudited £'000	Restated at 31 October 2006 Unaudited £'000	Restated at 30 April 2007 Unaudited £'000
Assets				
Non-current assets				
Goodwill	7a	30,158	12,162	12,162
Other intangible assets	7a	2,300	1,476	1,308
Property, plant and equipment		4,904	371	282
Interest in joint ventures		(334)	(210)	(233)
Finance lease receivables		–	82	–
Deferred tax asset		71	43	71
		37,099	13,924	13,590
Current assets				
Inventories		4,629	82	409
Trade and other receivables		11,569	7,382	7,964
Finance lease receivables		–	115	–
Cash and cash equivalents		4,603	3,426	5,015
		20,801	11,005	13,388
Total assets		57,900	24,929	26,978
Liabilities				
Current liabilities				
Trade and other payables		(10,162)	(4,413)	(5,713)
Current tax liabilities		(552)	(743)	(126)
Other loans		(51)	–	–
Bank loans and overdrafts		(358)	–	–
Provisions		(4,956)	(280)	(60)
		(16,079)	(5,436)	(5,899)
Non-current liabilities				
Other loans		(53)	–	–
Bank loans		(3,864)	–	–
Deferred tax liability		(32)	–	–
Long-term provisions		(500)	(500)	(500)
		(4,449)	(500)	(500)
Total liabilities		(20,528)	(5,936)	(6,399)
Net assets		37,372	18,993	20,579
Equity				
Share capital		4,035	2,946	2,947
Share premium account		29,019	14,134	14,155
Share option reserve		131	30	71
Retained earnings		4,187	1,883	3,406
Total equity		37,372	18,993	20,579

All equity is attributable to equity shareholders of Cohort plc.

Consolidated cash flow statement

For the six months ended 31 October 2007

	Notes	Six months ended 31 October 2007 Unaudited £'000	Restated six months ended 31 October 2006 Unaudited £'000	Restated year ended 30 April 2007 Unaudited £'000
Net cash from operating activities	8	318	970	2,155
Investing activities				
Interest received		143	136	225
Proceeds on disposal of property, plant and equipment		–	3	–
Purchases of property, plant and equipment		(161)	(65)	(87)
Acquisition of subsidiaries, net of cash acquired	7d	(10,945)	(11,670)	(11,935)
Investment in a joint venture		–	–	(220)
Net cash used in investing activities		(10,963)	(11,596)	(12,017)
Financing activities				
Dividends paid		(265)	(118)	(236)
Interest paid		(2)	(4)	(8)
Repayment of borrowings		–	–	–
Proceeds from finance leases		–	54	251
Proceeds on issue of shares	7d	7,500	8,529	9,279
New bank loans raised	7d	3,000	–	–
Net cash from financing activities		10,233	8,461	9,286
Net decrease in cash and cash equivalents		(412)	(2,165)	(576)

Funds reconciliation	At 1 May 2007 £'000	Cash flow £'000	At 31 October 2007 £'000
Cash and bank	15	50	65
Short-term deposits	5,000	(462)	4,538
Cash and cash equivalents	5,015	(412)	4,603
Overdraft	–	(244)	(244)
Other loans	–	(104)	(104)
Bank loan	–	(3,978)	(3,978)
Debt	–	(4,326)	(4,326)
Net funds	5,015	(4,738)	277

Consolidated statement of changes in equity

For the six months ended 31 October 2007

	Notes	Six months ended 31 October 2007 Unaudited £'000	Restated six months ended 31 October 2006 Unaudited £'000	Restated year ended 30 April 2007 Unaudited £'000
At 1 May as previously stated under UK GAAP		–	8,924	8,924
Adjustment on introduction of IFRS		–	–	–
		20,579	8,924	8,924
Profit reported under IFRS	9	1,046	628	2,269
Equity dividends paid		(265)	(118)	(236)
Issue of new 10p ordinary shares		16,313	9,906	9,906
Costs of new share issue		(361)	(377)	(377)
Exercise of share options		–	–	22
Share-based payments		60	30	71
At end of period		37,372	18,993	20,579

Notes to the interim report

1. Basis of preparation

The financial information contained within this interim report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union and expected to apply at 30 April 2008. This interim report is condensed with respect to IFRS requirements. As permitted, this interim report has been prepared in accordance with AIM Rules for companies and not in accordance with IAS 34 'Interim Financial Reporting' and is therefore not fully compliant with IFRS.

This interim report reflects the first time adoption by the Group of IFRS and comparatives have been restated accordingly, as shown in the consolidated statement of changes in equity and notes 7a and 9.

On introducing IFRS, the resulting accounting policy changes have had no impact upon the Group's equity with the exception of goodwill amortisation (see note 7c). The impact of IFRS on the goodwill acquired was to require it to be split between other intangibles, to be written off over their respective lives (notes 7b in respect of MASS and 7d in respect of SEA) with the remaining balance of unallocated goodwill not being amortised but subject to annual impairment test. There have been a number of presentational changes, but these are not material, with the exception of the splitting of the goodwill arising on acquisition (note 7a).

The introduction of IFRS has had no impact upon the Group cash flows.

Date of transition to IFRS by the Group was 1 May 2006.

In accordance with Section 240(3) of the Companies Act 1985, the unaudited results do not constitute statutory financial statements of the Company. The six months results for both years are unaudited. The Group's auditors, Baker Tilly UK Audit LLP, have reviewed this report (see inside back cover).

The comparative figures for the year ended 30 April 2007 were derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The previous statutory accounts prepared under UK GAAP have been restated to IFRS. Those accounts received an unqualified audit report which did not include statements under Section 237(2) or (3) of the Companies Act 1985.

The interim report was approved by the Board and authorised for issue on 12 December 2007.

2. Segmental analysis of revenue and adjusted operating profit

	Six months ended 31 October 2007 Unaudited £'000	Restated six months ended 31 October 2006 Unaudited £'000	Restated year ended 30 April 2007 Unaudited £'000
Revenue			
SCS	12,662	9,820	22,144
MASS (acquired 1 August 2006)	8,240	3,776	12,275
	20,902	13,596	34,419
Adjusted operating profit			
SCS	866	886	2,208
MASS (acquired 1 August 2006)	901	464	1,308
Central costs	(321)	(301)	(605)
	1,446	1,049	2,911
Amortisation of goodwill and other intangible assets	(168)	(84)	(252)
Exceptional items	—	3	114
Share of results of joint ventures	(101)	(116)	(242)
Operating profit	1,177	852	2,531

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

2. Segmental analysis of revenue and adjusted operating profit continued

The operating profit as reported under IFRS is reconciled to the adjusted operating profit as reported above by the exclusion of exceptional items, the Group's share of joint ventures and amortisation of goodwill and other intangible assets.

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

The adjusted operating profit is stated after charging £60,000 in respect of share-based payments (six months ended 31 October 2006: £30,000, year ended 30 April 2007: £71,000).

3. Exceptional items

	Six months ended 31 October 2007 Unaudited £'000	Restated six months ended 31 October 2006 Unaudited £'000	Restated year ended 30 April 2007 Unaudited £'000
Write back of provision against joint ventures	–	–	113
Profit on sale of property, plant and equipment	–	3	1
	–	3	114

4. Tax expense

	Six months ended 31 October 2007 Unaudited £'000	Restated six months ended 31 October 2006 Unaudited £'000	Restated year ended 30 April 2007 Unaudited £'000
Corporation tax:			
Prior year	4	–	33
Current year	256	333	449
	260	333	482
Deferred taxation	–	–	(28)
	260	333	454

The tax expense for the six months ended 31 October 2007 is based upon the anticipated charge for the full year.

5. Earnings per share

The earnings per share are calculated as follows:

	Six months ended 31 October 2007 Unaudited £'000	Restated six months ended 31 October 2006 Unaudited £'000	Restated year ended 30 April 2007 Unaudited £'000
Earnings			
Basic and diluted earnings	1,046	628	2,269
Exceptional items	–	(3)	(114)
Amortisation of goodwill and other intangible assets	168	84	252
Adjusted basic and diluted earnings	1,214	709	2,407
Weighted average number of shares	Number	Number	Number
For the purposes of basic earnings per share	29,477,161	23,650,201	27,633,096
Share options	224,308	194,539	168,184
For the purposes of diluted earnings per share	29,701,469	23,844,740	27,801,280

Notes to the interim report continued

5. Earnings per share continued

	Six months ended 31 October 2007 Unaudited Pence	Restated six months ended 31 October 2006 Unaudited Pence	Restated year ended 30 April 2007 Unaudited Pence
Earnings per share			
Basic	**3.55**	2.65	8.21
Diluted	**3.52**	2.63	8.16
Adjusted earnings per share			
Basic	**4.12**	2.99	8.71
Diluted	**4.09**	2.97	8.65

6. Dividends

The interim dividend for the six months ended 31 October 2007 is 0.45p (six months ended 31 October 2006: 0.40p) per ordinary share. This dividend will be payable on 7 March 2008.

The final dividend for the year ended 30 April 2007 was 1.3p per ordinary share (£383,000).

7. Goodwill and other intangible assets

a. Balance sheet

Net book value	At 31 October 2006 Unaudited £'000	At 30 April 2007 Unaudited £'000
At 1 May as previously stated under UK GAAP	13,562	13,207
Adjustment to acquired intangibles on introduction of IFRS	76	263
At 1 May as restated under IFRS	13,638	13,470

Net book value	MASS £'000	SEA £'000	Total £'000
At 1 May 2007 as restated under IFRS	13,470	–	13,470
Addition	–	19,156	19,156
Amortisation of goodwill and other intangible assets for the six months ended 31 October 2007	(168)	–	(168)
At 31 October 2007	**13,302**	**19,156**	**32,458**
Analysed as follows:			
Goodwill	12,162	17,996	30,158
Other intangible assets	1,140	1,160	2,300
	13,302	19,156	32,458

b. Goodwill on acquisition of MASS (acquired 1 August 2006)

	£'000
Goodwill on acquisition under UK GAAP	13,722
Under IFRS:	
Intangible asset in respect of acquired contracts	1,060
Intangible asset in respect of contracts to be secured	500
Goodwill on acquisition	12,162
	13,722

The intangible asset in respect of acquired contracts is to be amortised over four years, the life of the contracts' earnings. The intangible asset in respect of contracts to be secured is to be written off over seven years and is in respect of certain overseas contracts for which further consideration would be payable if secured in accordance with the terms of the acquisition of MASS.

In accordance with IFRS the goodwill is not amortised but tested annually for impairment.

7. Goodwill and other intangible assets continued

c. Amortisation of goodwill and other intangible assets

	Six months ended 31 October 2006 Unaudited £'000	Year ended 30 April 2007 Unaudited £'000
Amortisation for the period previously reported under UK GAAP	171	515
Adjustment to amortisation on introduction of IFRS	(87)	(263)
Amortisation of goodwill and other intangible assets	84	252

d. Acquisition of SEA

On 7 November 2007, the Group completed the acquisition of 100% of the issued share capital of SEA for initial consideration of £20.7m with further performance related deferred consideration of up to £4.7m, payable in cash. SEA is the parent company of Systems Engineering and Assessment Limited, an independent systems engineering and software company.

The transaction has been accounted for as at 31 October 2007 by the purchase method of accounting.

	Book value £'000	Fair value £'000
Net assets acquired:		
Intangible assets	15	–
Property, plant and equipment	3,243	4,553
Inventories	1,677	1,501
Trade and other receivables	4,319	4,177
Cash and cash equivalents	1,203	1,203
Trade and other payables	(1,944)	(2,758)
Deferred tax	(32)	(32)
Current tax liabilities	(292)	(292)
Bank loans	(1,082)	(1,082)
Provisions	–	(160)
	7,107	7,110
Other intangible assets		1,160
Goodwill		17,996
Total consideration		26,266
Total consideration includes estimated costs of acquisition of £0.9m		
Satisfied by:		
Cash		12,148
5,875,331 ordinary shares issued to vendors at £1.50 per share		8,813
Trade and other payables		633
Provision for deferred consideration		4,672
		26,266
Net funds outflow arising on acquisition		
Cash consideration		(12,148)
Cash and cash equivalents acquired		1,203
Net cash flow		(10,945)
Bank loans acquired		(1,082)
Net funds flow		(12,027)

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

Notes to the interim report continued

7. Goodwill and other intangible assets continued

d. Acquisition of SEA continued

The deferred consideration, if payable, will be settled in July 2008.

The total acquired goodwill and other intangible assets is an estimate since the fair values are still subject to final review.

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

8. Net cash from operating activities

	Six months ended 31 October 2007 Unaudited £'000	Restated six months ended 31 October 2006 Unaudited £'000	Restated year ended 30 April 2007 Unaudited £'000
Profit for the period	1,046	628	2,269
Adjustments for:			
Share of loss of joint ventures	101	116	242
Tax expense	260	333	454
Depreciation of property, plant and equipment	93	78	187
Amortisation of goodwill and other intangible assets	168	84	252
Exceptional items	–	(3)	(114)
Finance revenue (net of finance costs)	(129)	(109)	(192)
Share-based payment	60	30	71
Increase/(decrease) in provisions	64	–	–
Operating cash flows before movements in working capital	1,663	1,157	3,169
(Increase)/decrease in inventories	(1,400)	61	(267)
Decrease/(increase) in receivables	33	(329)	(1,180)
Increase in payables	363	81	1,220
	(1,004)	(187)	(227)
Cash generated by operations	659	970	2,942
Tax	(341)	–	(787)
Net cash flow generated from operating activities	318	970	2,155

9. Profit reported under IFRS

	Six months ended 31 October 2006 Unaudited £'000	Year ended 30 April 2007 Unaudited £'000
The profit for the period reported under IFRS is reconciled as follows:		
As previously stated under UK GAAP	541	2,006
Adjustment to amortisation of goodwill and other intangible assets on introduction of IFRS (note 7c)	87	263
Profit for the period as reported under IFRS	628	2,269

Independent review report to Cohort plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2007 which comprises the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and the related explanatory notes on pages 8 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing and presenting the half-yearly financial report in accordance with the AIM Rules for Companies.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee (IFRIC) pronouncements as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards and International Financial Reporting Interpretations Committee (IFRIC) pronouncements, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2007 is not prepared, in all material respects, in accordance with the measurement and recognition criteria of International Financial Reporting Standards and International Financial Reporting Interpretations Committee (IFRIC) pronouncements as adopted by the European Union, and the AIM Rules for Companies.

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12 December 2007

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