Cohort plc

ANNUAL REPORT AND ACCOUNTS 2006

CORPORATE STATEMENT

Cohort plc was established early in 2006 to take advantage of opportunities to grow a business in the international defence technical services market.

The business floated on AIM (the London Stock Exchange's specialist market for growth companies) in March 2006 following the merger with Systems Consultants Services Limited (SCS).

SCS is a leading independent defence technical services business based in Henley-on-Thames and is Cohort's current sole trading subsidiary. Further targeted acquisitions of complementary businesses will follow, with the aim of building shareholder value over the medium term.

HIGHLIGHTS

- Turnover up 23% to £18.0m
- Operating profit £1.8m*
- Profit after tax £1.3m*
- Year end cash balance £5.6m
- Basic earnings per share 5.47p
- Proposed maiden dividend 0.4p per share

* excluding share of joint ventures and exceptional items

CHAIRMAN'S STATEMENT

I am pleased to announce this maiden set of results for Cohort plc since listing on AIM in March 2006. Cohort has traded in accordance with our expectations at flotation.

KEY FINANCIALS

In the year ended 30 April 2006, Cohort achieved turnover of £18.0m (2005: £14.6m) representing a 23% increase on the level achieved by Systems Consultants Services Limited (SCS), Cohort's sole operating subsidiary, in 2005.

Group operating profit before accounting for the share of joint ventures and exceptional items was £1.8m (2005: £2.0m). This reduction was due primarily to an increase in staff costs as new revenue generating personnel and support staff were recruited to manage the increased scale of the business, provide a base for further expansion and meet the reporting and governance requirements of a public company.

Profit before interest and tax was £1.3m (2005: £1.6m), after accounting for the Group's share of joint venture losses and exceptional items in relation to venture capital activities of £467k (2005: £401k).

As a private company, SCS had invested in some venture capital activities. At flotation, the decision was taken to provide fully for the maximum commitment to these activities so that Cohort could go forward on a firm financial and strategic basis.

The profit after tax and before share of joint ventures and exceptional items was £1.3m (2005: £1.5m). Profit after interest and before tax was £1.4m (2005: £1.6m) and profit after tax was £0.9m (2005: £1.1m).

Basic earnings per share were 5.47 pence (2005: 6.97 pence).

The Cohort cash balance at year end was £5.6m, reflecting primarily the proceeds of the share placing net of costs.

DIVIDENDS

The Group plans to pay an initial dividend of 0.4 pence, being approximately one third of the dividend which would have been paid had the Company's shares traded publicly for the whole of the financial year. This will be payable on 6 September 2006 to shareholders on the register at 4 August 2006 subject to approval at the Annual General Meeting on 31 August 2006. The Group plans to follow a progressive dividend policy in future and to pay interim and final dividends in respect of the current financial year in March and September 2007.

BOARD AND PERSONNEL

We were pleased to welcome Simon Walther, who joined as Finance Director in May 2006. Simon has experience in the defence industry and in mergers and acquisitions as well as in the finance function in a quoted company environment. This has released Andrew Thomis, who handled the finance function during the listing, to concentrate on his intended roles in strategic and business development.

The new Board of Cohort, brought together specifically to pursue the strategy of flotation followed by expansion, both organic and through acquisition in the defence technical services market, has bedded in well. The operating team under Stanley Carter is busy and productive and the transition from a private to a quoted company environment is being well handled. Whilst Stanley is in the day to day charge of the business, I am spending significant time with the Company, particularly in relation to acquisitions and business development.

OUTLOOK

Cohort's business is at present largely concentrated in the UK defence market. In overall terms the market is reasonably stable but growth is concentrated in certain areas. The view set out at the time of flotation, namely that the provision of independent technical services to the UK Ministry of Defence (MOD) and industry is one such growth area, has been borne out by the many customer contact meetings which have been held since March. SCS has a strong business model and we will continue to push for organic growth. At the same time we will seek complementary acquisitions of businesses which can benefit from the Cohort group concept.

Overall the Board is positive about the outlook.

NICK PREST CBE
CHAIRMAN

CHIEF EXECUTIVE'S REVIEW

The formation of Cohort, whose sole trading subsidiary is currently Systems Consultants Services (SCS), and its listing on AIM in March this year marked another successful year for SCS. It led to changes in the composition of the SCS Board and other senior posts and placed increased demands on SCS senior management. Despite the potentially unsettling effect common in these circumstances, SCS achieved a creditable 23% growth in revenue and 17% in gross profit. Employee response to the change in status of SCS and to the staff changes has been very positive and is reflected by the high take-up of shares and the SAYE share option scheme in June 2006. This augurs well for the continuing organic growth of SCS.

Notable contract awards won in competition during the year include: a year's contract as part of a five year support agreement to the Joint Warfare Training Centre with SCS heading a consortium of EDS Defence and Titan; a two year exclusive agreement to provide support to the NATO Consultation, Command and Control Agency in the Hague with SCS heading a consortium of six companies; SCS's key membership of a consortium of QinetiQ, Thales and others to provide human factors support in an exclusive pan-MOD agreement and SCS winning, with Roke Manor, an urban warfighting research support contract with the MOD Research Acquisition Agency. SCS continues to play a central role in two major Network Enabled Capability programmes:

the Land Environment Air Picture and the Joint Effects Tactical Targeting System in consortiums headed by Lockheed Martin and Raytheon respectively. Another notable contract was won to support the National Audit Office study into a major defence communications programme. The Company is alert to opportunities to apply its expertise in non-defence areas and was awarded a contract to supply crisis management advice to a cruise liner operator.

The recent and continuing trends to integrate and consolidate in the wider defence market have included the absorption of some private technical advisory businesses by major international defence suppliers. This has led to a significant reduction in the availability of impartial and independent technical advice available to the MOD and correspondingly increased opportunities to companies remaining in the field. Also the MOD has declared an intention to compete in future much of the research work historically mandated to QinetiQ, which will result in opportunities both in the research programme itself and in related advisory work. At the same time the sustained high levels of operational commitment of HM Forces coupled with a natural "front-line first" policy is tending to leave gaps in military technical posts in the MOD, which is already having to cope with reduced technical support arising from the significant reduction of the scientific civil service brought about by privatisation. All of these factors have benefited the Group and will continue to do so in the future.

I am confident that the comprehensive, first-hand defence market knowledge and experience of the Cohort team make it well able to recognise and respond to these and future trends and to meet the increasing need for independent technical advice and support.

STANLEY CARTER
CHIEF EXECUTIVE

BOARD OF DIRECTORS

NICK PREST CBE
CHAIRMAN
After graduating with an MA from Oxford, Nick Prest began his career as an administrative civil servant in the UK Ministry of Defence (MOD) in 1974. After an MBA course at Bradford Business School, Nick then moved within the MOD to the Defence Export Services Organisation. In 1982, he left the MOD to take a marketing role at United Scientific Holdings, predecessor of Alvis plc (Alvis). He was appointed Marketing Director in 1985, with overall responsibility for the order intake of the Alvis Group worldwide, and became Chief Executive in 1989. Alvis developed into one of the world's leading contractors in the specialist field of armoured vehicles before being acquired by BAE Systems in 2004. Nick was appointed Chairman of Alvis in 1996. He was Chairman of the Defence Manufacturers Association from 2001 to 2004. Nick is also Chairman of AVEVA Group PLC.

STANLEY CARTER
CHIEF EXECUTIVE
Following a successful military career, Stanley Carter took early retirement as a Regular Army Lieutenant Colonel in the Royal Artillery to found Systems Consultants Services Limited (SCS) in 1992. During his military service he held a wide range of operational posts and staff officer appointments in the MOD, including the central staff, procurement, government research establishments and had significant interaction with industry. He also represented the UK on a five nation technical committee overseeing the development of an advanced weapon system and at NATO interoperability committees. Stanley won a personal award from the MOD Committee of Awards to Inventors for a lightweight missile launcher which is still in service. Having been Managing Director of SCS for 14 years, Stanley became Chief Executive of Cohort on its formation in 2006.

SIMON WALTHER
FINANCE DIRECTOR AND COMPANY SECRETARY
Simon Walther has considerable industry-relevant experience having been Group Financial Controller at Alvis plc for eight years and, most recently, a consultant to BAE Systems. Qualifying as a Chartered Accountant with Touche Ross in 1992, Simon moved to the Peninsular and Oriental Steam Navigation Company (P&O) 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 on 9 May 2006.

ANDREW THOMIS
CORPORATE DEVELOPMENT DIRECTOR
After graduating with an M.Eng in Electronic Engineering and Management Science from Imperial College, London in 1987, Andrew Thomis joined the MOD initially as a research technologist then subsequently in project management and policy roles including a spell as a private secretary to the defence procurement minister. In 1996, he left the MOD to join Capita PLC's management consultancy business, advising public sector clients in the defence and intelligence fields, joining Alvis the following year. He worked with Nick Prest and Stanley Carter on the creation and flotation of Cohort and assumed his present role in May 2006. Andrew is also Business Development Director of SCS.

SIR ROBERT WALMSLEY KCB
INDEPENDENT NON-EXECUTIVE DIRECTOR
Sir Robert Walmsley previously served in the Royal Navy where his final appointment was as Controller of the Navy and member of the Navy Board as a Vice Admiral. He was knighted in 1995. After retiring from the Navy, he was appointed as Chief of Defence Procurement, occupying that position from 1996 until 2003. He was appointed independent Non-executive Director of British Energy Group PLC in 2003. He is an independent Director of General Dynamics Corporation, the Major Projects Association, EDO Corporation and Stratos Global.

DIRECTORS' REPORT

The Directors submit their report and the audited financial statements of Cohort plc (registered number: 05684823) for the year ended 30 April 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activity of the Group is as a provider of independent technical consultancy support and services, primarily although not exclusively to the defence sector.

REVIEW OF THE BUSINESS, FUTURE DEVELOPMENTS AND RELATED MATTERS

The Company was incorporated on 23 January 2006 as Cohort plc with an authorised share capital of 2,000,000 £1 ordinary shares.

On 9 February 2006 the authorised share capital was increased to £4,000,000 by the creation of 2,000,000 new £1 ordinary shares.

On 9 February 2006, one £1 ordinary share in the Company was issued, credited as fully paid to each of A E S Carter (Director), J W Lyde and J D Tydeman (all three being the owners of System Consultants Services Limited (SCS)). A further 1,583,997 £1 ordinary shares were issued to the owners of SCS in return for the entire share capital of SCS (see note 17).

Shares were issued to the other Directors of the Company as follows:

	Date of issue	Number of shares issued
A S Thomis	9 February 2006	22,230
Sir Robert Walmsley	9 February 2006	16,670

All shares were issued as credited, fully paid. On 9 February 2006, the authorised and issued £1 ordinary shares were sub-divided into ten ordinary shares of 10 pence each, creating authorised share capital of 40,000,000 10 pence ordinary shares.

On 15 February 2006, 1,959,580 10 pence ordinary shares were issued as credited, fully paid to N M Prest. Of N M Prest's holding, 979,790 10 pence ordinary shares were issued as credited, fully paid in return for an unsecured receivable of £750,000, payable at a date no later than 31 January 2007. 261,276 of N M Prest's issued share capital was to his wife. Further interests of the Directors are disclosed in note 23.

The combination of Cohort plc and SCS has been accounted for as a merger. In accordance with merger accounting, the results of the Group have been reported for the year ended 30 April 2006 with comparatives for the corresponding period restated accordingly.

The Group's performance was in line with expectations. The Group's performance and future developments, including acquisition strategy are further explained in the Chairman's Statement (pages 2 and 3) and the Chief Executive's Review (pages 4 and 5).

The trading performance of the Group represents the trading result of the Group's 100% subsidiary SCS less the corporate costs of the Company.

The operating result includes the Group's share of the losses of its joint venture investments, 50% of SCS Mothership Limited (SML) and 25% of Digital Millennium Map LLP (DMM). The 2005 financial statements have been restated accordingly. The exceptional items (see note 3) arise from losses on costs accrued by related parties (see note 23), sale of the Group's freehold property to The Court House Partnership and release of provision in respect of joint ventures where the loss is now recognised in the Group's share of joint ventures. A E S Carter is a partner in The Court House Partnership (see note 23).

Other relationships with related parties exist and are explained in detail in note 23. The actual and committed investment in these related parties is fully provided for at 30 April 2006.

The Group's basic and diluted earnings per share are disclosed in the profit and loss account statement. In addition, note 9 shows an earnings per share before exceptional items of 6.77 pence (2005: 8.77 pence).

The Group has a prudent approach to revenue risk and any work done at risk is minimal, authorised at the appropriate level and reviewed on a monthly basis. The calibre of the Group's customers and the control processes in respect of revenue capture and invoicing ensures minimal bad debts. The 2006 bad debt charge was £6,000 (2005: £Nil) on Group turnover of £17.8m (2005: £14.4m).

REVIEW OF THE BUSINESS, FUTURE DEVELOPMENTS AND RELATED MATTERS (CONTINUED)

The Group takes a very prudent approach to the management of its financial instruments which are described in note 15. The Group's cash is held with at least AA rated institutions and on deposits not exceeding one month. This ensures very low risk to capital and a reasonable balance of liquidity against interest earned on cash deposits.

The finance lease asset (see note 23) is in respect of a camera purchased by the Group and leased to DMM over a three year period.

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

DIRECTORS

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

	Appointed	At 30 April 2006 10 pence ordinary shares
A E S Carter	23 January 2006	12,038,400
N M Prest	16 February 2006	1,959,580
A S Thomis	16 February 2006	22,230
Sir Robert Walmsley	16 February 2006	16,670
S R Walther	9 May 2006	–

N M Prest's shareholding includes 261,276 held by his wife. All Directors' share holdings on appointment were nil with the exception of A E S Carter who held ten 10 pence ordinary shares.

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

PROPOSED DIVIDEND

The profit after tax was £919,000 (2005: £1,104,000). The Directors recommend a final dividend of 0.4 pence per 10 pence ordinary share.

During the year a dividend of £158,833 was paid by SCS to its owners, A E S Carter, J W Lyde and J D Tydeman prior to the merger with Cohort plc (see note 23).

DIRECTORS' REPORT (CONTINUED)

SUBSTANTIAL SHAREHOLDINGS

The Company has been informed that on 15 June 2006 the following shareholders held substantial holdings in the issued ordinary shares of the Company:

	Number of ordinary shares	Holding %
J W Lyde	1,087,792	4.92
AXA Framlington Investment Managers	972,500	4.40
Unicorn Asset Management	825,200	3.73
Schroder Investment Management	810,000	3.66
F&C Asset Management	685,000	3.10
S&G Asset Management	675,000	3.05

J W Lyde is a Director of SCS, the 100% subsidiary of the Company.

PAYMENT POLICY

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

- to settle the terms of payment with suppliers in accordance with agreed terms when contracting with suppliers;
- to ensure suppliers are made aware of the terms of payment; and
- to abide by the terms of payment.

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

At 30 April 2006, the trade creditors of the Group represented 29 days (2005: 35 days) of purchases.

DONATIONS

During the year ended 30 April 2006 the Group made charitable donations of £1,200 (2005: £1,855). The Group made no political donations during the year (2005: £Nil).

AUDITOR

A resolution to re-appoint Baker Tilly as auditor will be proposed at the Annual General Meeting. The Directors are not aware of any relevant audit information which has not been made aware to the auditor and have taken all reasonable steps to make themselves aware of such audit information and to establish that the auditor is aware of that information.

By order of the Board

SIMON WALTHER
COMPANY SECRETARY
5 JULY 2006

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Cohort plc was listed on AIM on 8 March 2006. The Group is neither required to comply with the 2003 FRC Combined Code (the Code) nor issue a statement of compliance with it. Nevertheless, the Board fully supports the principles set out in the Code and is in the process of complying wherever possible, having regard to the size of the Company and the resources available to it. Details are provided below of how the Company applies the Code.

THE BOARD

The Board of Directors comprises three Executive Directors and two independent Non-executive Directors, one of whom is the Chairman. The Chairman (N M Prest) has a consultancy agreement with the Company (see Remuneration Committee Report) to provide services, primarily in respect of strategic business development and acquisition activity. This agreement allows for a minimum of 20 days' service in any one year.

The Board considers Sir Robert Walmsley to be the senior independent Director.

The Board generally meets each month and receives a Board pack comprising individual reports from each of the Executive Directors together with any other material deemed necessary for the Board to discharge its duties. It is the Board's responsibility for formulating, reviewing and approving the Group's strategy, budgets, major items of expenditure and acquisitions.

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

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

REMUNERATION COMMITTEE

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

SHAREHOLDER RELATIONS

The Company meets with its institutional shareholders and analysts as appropriate and will use the Annual General Meeting to encourage communication with private shareholders. In addition, the Company intends to use the Annual Report and Accounts, interim statement and web site (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 auditors.

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. The Group's results, as compared against budget, are reported to the Board on a monthly basis and discussed in detail at each meeting of the Board.

REMUNERATION COMMITTEE REPORT

INTRODUCTION

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

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

REMUNERATION POLICY

Remuneration packages are designed to be competitive and to reward above average performance. Executive Directors receive salary, medical cover, pension contribution, annual bonuses and share options.

SERVICE CONTRACTS

The Executive Directors have service agreements with the Company which can be cancelled by either party giving six months' notice at any time or twelve months' notice in the event of a change of control arising as a result of any person or persons acquiring more than 50% of the voting rights at a general meeting of the Company.

PENSIONS

The Group makes contributions to the Company's stakeholder pension scheme (a defined contribution scheme) at a rate of 12.8% of the Executive Director's contribution.

PERFORMANCE INCENTIVES

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

No bonus was payable in the year ended 30 April 2006. The Company's bonus scheme is currently under review following the listing on AIM.

The Company granted the following share options to A S Thomis in accordance with the Cohort plc 2006 Share Option Scheme. These options were issued under the Enterprise Management Incentive (EMI) scheme.

24 February 2006 — option over 38,889 10 pence ordinary shares at an exercise price of 90 pence per share. The exercise period is from 25 February 2008 to 25 February 2009.

8 March 2006 — option over 40,650 10 pence ordinary shares at an exercise price of £1.23 per share. The exercise period is from 9 March 2009 to 8 March 2016.

Both A S Thomis and S R Walther were granted options under the Company's Save As You Earn (SAYE) share option scheme. Options were granted over 912 and 7,601 10 pence ordinary shares respectively on 5 May 2006 at an option exercise price of £1.23 per share. Options mature 1 June 2009.

NON-EXECUTIVE DIRECTORS

The Non-executive Directors entered into Letters of Appointment dated 27 February 2006. Both N M Prest and Sir Robert Walmsley were appointed for an initial three year term, which can be terminated upon three months' notice being given by either party. They receive an annual fee of £25,000 each. In addition, N M Prest provides consultancy services to the Group as per an agreement entered into on 27 February 2006. The agreement provides for a minimum of 20 days' consultancy in any one year at £1,250 per day.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out below:

	Salary £	Bonus £	Emoluments £	Pension £	Total £
Executive Directors					
A E S Carter	65,000	–	65,000	–	65,000
A S Thomis	15,883	–	15,883	–	15,883
S R Walther	–	–	–	–	–
Non-executive Directors					
N M Prest	5,134	–	5,134	–	5,134
Sir Robert Walmsley	5,134	–	5,134	–	5,134
Total	**91,151**	**–**	**91,151**	**–**	**91,151**

A E S Carter received £25,000 (2005: £55,000) whilst acting solely as a Director of the 100% subsidiary of the Company, Systems Consultants Services Limited.
S R Walther received a salary of £3,069 during the year ended 30 April 2006, prior to his appointment as a Director of the Company on 9 May 2006.
N M Prest received £4,167 (2005: £Nil) as a consultant for the year ended 30 April 2006 in accordance with his agreement to act as a consultant dated 27 February 2006.

In addition, during the year ended 30 April 2006, N M Prest received £2,309 (2005: £Nil) and A S Thomis received £72,970 (2005: £Nil) whilst acting as consultants for the Group prior to their appointments as Directors.

INDEPENDENT AUDITOR'S REPORT

To the members of Cohort plc

We have audited the financial statements on pages 14 to 28.

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

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and parent company's affairs as at 30 April 2006 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
12 GLENEAGLES COURT
BRIGHTON ROAD
CRAWLEY
WEST SUSSEX RH10 6AD
5 JULY 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 April 2006

	Notes	**2006 £000**	2005 £000
Turnover of the Group including its share of joint ventures	1	**18,008**	14,595
Less share of turnover of joint ventures		**(185)**	(163)
Group turnover		**17,823**	14,432
Cost of sales		**(13,318)**	(10,576)
Gross profit		**4,505**	3,856
Administrative expenses		**(2,708)**	(1,841)
Group operating profit		**1,797**	2,015
Share of operating result of joint ventures	11	**(148)**	(120)
Total operating profit	2	**1,649**	1,895
Exceptional items:	3		
Net provision against joint venture investments and commitments		**102**	(160)
Provision against related party undertakings (see note 23)		**(339)**	(121)
Loss on sale of tangible fixed assets		**(82)**	–
		(319)	(281)
Profit on ordinary activities before interest		**1,330**	1,614
Interest receivable	4	**105**	48
Interest payable and similar charges	5	**(76)**	(85)
		29	(37)
Profit on ordinary activities before taxation		**1,359**	1,577
Tax on profit on ordinary activities	7	**(440)**	(473)
Profit on ordinary activities after taxation		**919**	1,104
Basic earnings per share	9	**5.47p**	6.97p
Diluted earnings per share	9	**5.45p**	6.97p

The profit on ordinary activities before taxation arises from the continuing operations of the Group, which merged with System Consultants Services Limited on 9 February 2006.

There are no recognised gains or losses other than as stated in the profit and loss account.

BALANCE SHEETS

As at 30 April 2006

		Group		Company
	Notes	**2006 £000**	2005 £000	2006 £000
Fixed assets				
Tangible fixed assets	10	**99**	1,036	–
Investments:	11			
Share of gross assets of joint ventures		**101**	215	–
Share of gross liabilities of joint ventures		**(192)**	(228)	–
		(91)	(13)	–
Provision against joint venture investments		**–**	(33)	–
Net investment in joint ventures		**(91)**	(46)	–
Subsidiaries		**–**	–	1,584
		(91)	(46)	1,584
		8	990	1,584
Current assets				
Debtors	12	**6,375**	3,947	1,821
Cash at bank		**5,591**	571	4,296
		11,966	4,518	6,117
Creditors: amounts falling due within one year	13	**(2,830)**	(2,572)	(155)
Net current assets		**9,136**	1,946	5,962
Total assets less current liabilities		**9,144**	2,936	7,546
Creditors: amounts falling due after more than one year	14	**–**	(469)	–
Provisions for liabilities and charges	16	**(220)**	(270)	–
Net assets		**8,924**	2,197	7,546
Capital and reserves				
Called up share capital	17	**2,212**	1	2,212
Share premium account	18	**5,339**	–	5,339
Profit and loss account	18	**1,373**	2,196	(5)
Equity shareholders' funds	19	**8,924**	2,197	7,546

The financial statements on pages 14 to 28 were approved by the Board of Directors and authorised for issue on 5 July 2006 and are signed on its behalf by:

STANLEY CARTER
CHIEF EXECUTIVE

SIMON WALTHER
FINANCE DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2006

		2006		2005	
	Notes	**£000**	**£000**	£000	£000
Net cash inflow from operating activities	22		**893**		1,337
Returns on investment and servicing of finance					
Interest received		**75**		48	
Interest element of finance lease asset		**21**		–	
Interest paid		**(68)**		(72)	
			28		(24)
Taxation paid			**(603)**		(335)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(66)**		(36)	
Sale of tangible fixed assets		**868**		–	
Investment in related party undertakings		**(339)**		(121)	
			463		(157)
Acquisitions					
Investment in joint ventures			**(50)**		(130)
Equity dividend paid			**(159)**		(228)
Cash inflow before management of liquid resources and financing			**572**		463
Net management of liquid resources			**(5,278)**		–
Financing					
Issue of ordinary shares (net of costs)		**5,323**		–	
Finance lease asset		**85**		–	
Repayment of secured loan		**(514)**		(43)	
(Repayment)/drawdown of Directors' loans		**(446)**		89	
			4,448		46
(Decrease)/increase in net cash			**(258)**		509

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 30 April 2006

	2006		2005	
	£000	**£000**	£000	£000
(Decrease)/increase in net cash		**(258)**		509
Net movement in liquid resources	**5,278**		–	
Finance lease asset	**251**		–	
Secured loan	**514**		43	
Directors' loans	**446**		(89)	
		6,489		(46)
Increase in net funds		**6,231**		463
Opening net debt		**(389)**		(852)
Closing net funds/(debt)		**5,842**		(389)

Funds reconciliation	At 1 May 2005 £000	Cash flow £000	**At 30 April 2006 £000**
Cash and bank	571	(258)	**313**
Short-term deposits	–	5,278	**5,278**
	571	5,020	**5,591**
Finance lease	–	251	**251**
Directors' loans	(446)	446	**–**
Secured loan	(514)	514	**–**
	(389)	6,231	**5,842**

The short-term deposits held by the Group are all less than one month in duration.

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

ACCOUNTING PERIOD

The Company has drawn up its accounts for the period from incorporation on 23 January 2006 to 30 April 2006. The Group has adopted merger accounting and presents accounts for the year ended 30 April 2006 with comparatives restated accordingly for the year ended 30 April 2005.

CONSOLIDATION

The Company has adopted merger accounting and presented Group results for the year ended 30 April 2006.

In preparing the Group accounts, the Group's interest in joint ventures has been accounted for in accordance with the gross equity method and the comparatives have been restated accordingly.

The comparative figures for the Group are the audited accounts for Systems Consultants Services Limited (SCS, the 100% subsidiary of the Company) for the year ended 30 April 2005 as restated for changes in accounting methods in preparing Group accounts. The impact of this accounting change and the restatement which arises from the change is the recognition of the Group's share of losses in joint ventures and is further explained in note 11.

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

TANGIBLE FIXED ASSETS

Depreciation is provided on cost in annual instalments over the estimated useful life of assets which are reviewed annually. The rate of depreciation for equipment, fixtures and fittings is 25% per annum of cost on a straight line basis. For the property sold in the year, the depreciation rate was 2% per annum of cost (excluding land) on a straight line basis.

FINANCE LEASE

The Group has a finance lease asset receivable from its 25% joint venture undertaking, Digital Millennium Map LLP. In this instance, where the Group acts as a lessor and substantially all the risks and rewards of ownership of the related assets are transferred to the lessee, the net present value of the future lease payments are recognised as a debtor and the interest value is recognised over the period which it is earned on an actuarial basis.

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

PENSION CONTRIBUTIONS

Payments are made to the Company's stakeholder pension scheme, a defined contribution scheme. Amounts are charged to the profit and loss account as incurred.

TURNOVER

Turnover represents amounts receivable for the provision of services, excluding Value Added Tax. In accordance with Urgent Issues Task Force 40 (Revenue recognition and service contracts), the Group recognises contract revenue as the activity progresses to reflect the partial performance of contractual obligations.

FINANCIAL INSTRUMENTS

Income and expenditure arising on financial instruments are recognised on an accruals basis and credited or charged to the profit and loss account in the financial period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2006

1 TURNOVER AND SEGMENTAL REPORTING

The Group's turnover was derived from its principal activity undertaken wholly within the UK.

2 OPERATING PROFIT

		2006 £000	2005 £000
Operating profit is stated after charging:			
Depreciation of tangible assets			
Owned assets		**54**	47
Rentals under operating leases			
Land and buildings		**7**	–
Auditors' remuneration	– audit	**34**	8
	– accounting advice	**36**	–
	– AIM listing (debited to the share premium account)	**121**	–

Included in the 2006 audit fee is £8,000 paid to the Group's previous auditors.

3 EXCEPTIONAL ITEMS

	2006 £000	2005 £000
Release of provision against joint venture investments and commitments	**(116)**	–
Provision against joint ventures and commitments	**14**	160
	(102)	160
Provision against costs incurred on behalf of related party undertakings	**339**	121
Loss on the sale of fixed assets	**82**	–
	319	281

The Group tax charge includes £102,000 credit (2005: £4,000 charge) in respect of exceptional items.

4 INTEREST RECEIVABLE

	2006 £000	2005 £000
Finance lease interest receivable	**21**	–
Other interest receivable	**84**	48
	105	48

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £000	2005 £000
Bank overdraft and loan interest	**28**	34
Other loan interest	**35**	38
Share of joint venture undertakings	**13**	13
	76	85

Other loan interest includes interest in respect of Directors' loans (see note 23).

6 EMPLOYEES

Staff costs during the period (including Directors)

	2006 £000	2005 £000
Wages and salaries	**6,295**	5,015
Social security costs	**705**	574
Pension costs	**144**	79
	7,144	5,668

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 April 2006

6 EMPLOYEES (CONTINUED)

Average number of employees	2006 Number	2005 Number
Operational	**120**	98
Administration and operational support	**23**	17
	143	115

The above disclosures include Directors. Directors' emoluments are disclosed separately in the Remuneration Committee Report on page 12.

7 TAXATION

Group	2006 £000	2005 £000
Corporation tax:		
Current year	**406**	550
Deferred taxation	**34**	(77)
	440	473

In 2005, £50,000 of tax was charged in respect of a prior year adjustment, following adoption of UITF 40 (see note 19). The Group's share of joint venture tax was £Nil (2005 £Nil).

The tax assessed for the period is reconciled to the standard rate of corporation tax as follows:

Group	2006 £000	2005 £000
Profit on ordinary activities before taxation	**1,359**	1,577
Profit on ordinary activities multiplied by standard rate of tax for the period of 30%	**408**	473
Effect of expenses not allowable for tax purposes	**1**	–
Effect of depreciation in excess of capital allowances	**3**	5
Effect of capital loss not recognised	**25**	–
Effect of other short-term timing differences	**12**	38
Effect of disallowable investment provision charges	**–**	89
Effect of allowable losses for joint ventures	**(43)**	(55)
Total current tax	**406**	550

8 DIVIDENDS

	2006 £000	2005 £000
Dividend charged and paid	**159**	228

The dividends paid in 2006 and 2005 were by SCS, 100% subsidiary of the Company, to the previous owners of SCS, prior to the merger of the Company with SCS. The dividends paid are analysed in note 23.

The Board proposes a final dividend of 0.4 pence per 10 pence ordinary share for the year ended 30 April 2006, payable 6 September 2006 to shareholders on the register as at 4 August 2006.

In accordance with FRS 21, Events after the balance sheet date, the proposed dividend was not accounted for in the year ended 30 April 2006.

9 EARNINGS PER SHARE

The earnings per share are calculated as follows:

	2006			2005		
	Weighted average number of shares	**Earnings £000**	**Earnings per share Pence**	Weighted average number of shares	Earnings £000	Earnings per share Pence
Basic earnings	**16,791,727**	**919**	**5.47**	15,840,000	1,104	6.97
Exceptional items	**–**	**319**		–	281	
Tax on exceptional items	**–**	**(102)**		–	4	
Basic earnings before exceptional items	**16,791,727**	**1,136**	**6.77**	15,840,000	1,389	8.77
Reverse exceptional items (net of tax)	**–**	**(217)**		–	(285)	
Basic earnings	**16,791,727**	**919**	**5.47**	15,840,000	1,104	6.97
Share options	**65,311**	**–**		–	–	
Diluted earnings	**16,857,038**	**919**	**5.45**	15,840,000	1,104	6.97

10 TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £000	Equipment, fixtures and fittings £000	Total £000
Cost			
At 1 May 2005	1,010	232	1,242
Additions	–	66	66
Disposals	(1,010)	–	(1,010)
At 30 April 2006	**–**	**298**	**298**
Depreciation			
At 1 May 2005	51	155	206
Charge in the period	10	44	54
Disposals	(61)	–	(61)
At 30 April 2006	**–**	**199**	**199**
Net book value			
At 30 April 2006	**–**	**99**	**99**
At 30 April 2005	959	77	1,036

There are no fixed assets held under finance lease agreements. Included in the cost of freehold land and buildings is freehold land of £Nil (2005: £400,000) which was not depreciated. The Company's fixed assets were £Nil on incorporation (23 January 2006) and £Nil at 30 April 2006.

11 INVESTMENTS

	Group		Company
	2006	2005	2006
	£000	£000	£000
Subsidiary undertaking	**—**	—	1,584
Joint ventures	**(91)**	(46)	—
	(91)	(46)	1,584

The Group has provided £220,000 (2005: £270,000) against its committed investment in Digital Millennium Map LLP (see note 16). During the year, a further £50,000 (2005: £130,000) was invested in Digital Millennium Map LLP by the Company's 100% subsidiary, SCS.

ANALYSIS OF JOINT VENTURES

2006	SCS Mothership Limited £000	Digital Millenium Map LLP £000	Total £000
Share of gross assets	15	86	101
Share of gross liabilities	(76)	(116)	(192)
	(61)	(30)	(91)
Provision against joint venture investments	—	—	—
	(61)	**(30)**	**(91)**

2005			
Share of gross assets	67	148	215
Share of gross liabilities	(113)	(115)	(228)
	(46)	33	(13)
Provision against joint venture investments	—	(33)	(33)
	(46)	—	(46)

ANALYSIS OF MOVEMENT IN INVESTMENTS

		Group			Company
		SCS Mothership Limited £000	Digital Millennium Map LLP £000	Total joint ventures £000	Subsidiary £000
At 1 May 2005		(46)	—	(46)	—
Additions		—	83	83	1,584
Profit and loss account:	Share of joint ventures including interest	(15)	(146)	(161)	—
	Release of provision against joint venture investment	—	33	33	—
At 30 April 2006		**(61)**	**(30)**	**(91)**	**1,584**

	Country of registration	Type of shares	Proportion of shareholding and voting rights held	Nature of business
Name of Company directly owned				
Systems Consultants Services Limited (SCS)	England	Ordinary	100%	Technical consultancy
Held by subsidiary				
SCS Mothership Limited	England	Ordinary	50%	3D mapping technology
Digital Millennium Map LLP	England	Ordinary	25%	2D digital mapping

11 INVESTMENTS (CONTINUED)

The Group accounts for the year ended 30 April 2005 are based upon the audited accounts of SCS, restated to take account of investments in joint ventures as equity interests of the Group. The impact of the restatement on the previously published figures of SCS is as follows:

Group turnover (including joint ventures) has increased by £163,000 to £14,595,000.

The loss from joint ventures of £120,000 represents the Group's share of the losses for the year ended 30 April 2005. This was previously £Nil in the accounts of SCS. The interest payable has increased by £13,000 as a result of the Group's share of the interest costs of joint ventures.

The opening and closing equity has been restated as follows:

	As previously stated in the accounts of SCS £000	Adjusted to equity account for joint ventures £000	As restated in the Group accounts £000
At 1 May 2004	1,339	(18)	1,321
Profit and loss account	904	(28)	876
At 30 April 2005	2,243	(46)	2,197

12 DEBTORS

	Group		Company
	2006 £000	2005 £000	2006 £000
Amounts due from subsidiary undertaking	**–**	–	1,009
Amounts owed by joint ventures	**165**	229	–
Trade debtors	**4,591**	2,863	–
Prepayments and accrued income	**506**	609	16
Other debtors	**819**	169	796
Finance lease (see note 15)	**110**	–	–
Debtors due less than one year	**6,191**	3,870	**1,821**
Finance lease (see note 15)	**141**	–	–
Deferred taxation asset	**43**	77	–
Debtors due greater than one year	**184**	77	–
	6,375	3,947	1,821

The other debtors includes £750,000 (2005: £Nil) receivable from N M Prest (see note 23). Other debtors also include £460,300 (2005: £Nil) due from other related parties (see note 23) which are shown as a net £Nil, after provisions of £460,300 (2005: £Nil).

	Group		Company
	2006 £000	2005 £000	2006 £000
Deferred taxation asset			
At 1 May	**77**	–	–
Profit and loss account (debit)/credit	**(34)**	77	–
At 30 April	**43**	77	–

The deferred tax asset comprises the following amounts:

	Group		Company
	2006 £000	2005 £000	2006 £000
Accelerated capital allowances	**(1)**	–	–
Other timing differences	**44**	77	–
	43	77	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 April 2006

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company
	2006	2005	2006
	£000	£000	£000
Bank loans and overdrafts	**–**	45	–
Advance receipts	**140**	–	–
Trade creditors	**908**	754	138
Other creditors	**294**	604	17
Social security and other taxes	**932**	311	–
Corporation tax	**406**	611	–
Accruals	**150**	247	–
	2,830	2,572	155

Other creditors include Directors' loan accounts of £Nil (2005: £445,800).

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company
	2006	2005	2006
	£000	£000	£000
Bank loan	**–**	469	**–**

The bank loan, which was secured over the freehold property of the Group, was repaid in full on the sale of the freehold property on 27 February 2006.

15 FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and a finance lease asset. The finance lease asset is with the 25% owned joint venture investment of the Group, Digital Millennium Map LLP. The purpose of these financial instruments is to finance the Group's operations. All are considered to be stated at fair value.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Group's financial instruments is interest rate risk.

The Group had short-term deposits at 30 April 2006 totalling £5.3m with the latest maturity date of 30 May 2006 and a range of interest rates from 4.46% to 4.50%.

The finance lease asset receivable at 30 April 2006 was £251,118. This asset was established in July 2005 and is receivable in monthly instalments, the final instalment due June 2008. The interest rate earned on the finance lease asset is 3.75% above LIBOR on the outstanding principal. The rate at 30 April 2006 was 8.25%.

16 PROVISIONS FOR LIABILITIES AND CHARGES

The provision of £220,000 (2005: £270,000) is in respect of the Group's further commitment to invest in Digital Millennium Map LLP. During the year ended 30 April 2006, a further £50,000 was invested in Digital Millennium Map LLP, accounting for the reduction seen in this provision. The investment in Digital Millennium Map LLP is set out in detail in note 11.

17 CALLED UP SHARE CAPITAL

	Authorised	Allotted, called up and fully paid	
	Number of shares	Number of shares	£000
Ordinary shares of 10p each	40,000,000	22,121,497	2,212

The Company was incorporated on 23 January 2006 with an authorised share capital of £2,000,000 divided into 2,000,000 ordinary shares of £1 each of which two were issued, credited as fully paid up, one to each of A E S Carter and J W Lyde.

On 9 February 2006, one £1 ordinary share was issued, credited as fully paid to J D Tydeman. A further 1,583,997 shares were issued, credited as fully paid in exchange for the entire issued share capital of SCS. The shares were issued in the following proportions to the shareholders of SCS:

	Number of £1 ordinary shares issued
A E S Carter	1,203,839
J W Lyde	190,079
J D Tydeman	190,079
	1,583,997

A further 2,223 and 1,667 were issued to A S Thomis and Sir Robert Walsmley for a consideration of £20,000 and £15,000 respectively, paid in full.

On 9 February 2006 the authorised share capital was increased to £4,000,000 by the creation of 2,000,000 new ordinary shares of £1 each. Subsequently, the entire authorised and issued ordinary shares of £1 each were sub-divided into ten ordinary shares of 10 pence each raising the authorised share capital to 40,000,000 ordinary shares of 10 pence each and the issued share capital to 15,878,900 ordinary shares of 10 pence each.

On 15 February 2006, 718,514 and 261,276 ordinary shares of ten pence each were issued to N M Prest and A Prest (N M Prest's wife) for a consideration of £550,000 and £200,000 respectively, paid in full. A further 979,790 ordinary shares of 10 pence each were issued, credited as fully paid to N M Prest in return for an unsecured receivable of £750,000 from N M Prest, payable, unconditionally, in full by 31 January 2006 or earlier.

On 8 March 2006 the Company issued a further 4,065,041 ordinary shares of 10 pence each at an offer price of £1.23 per share via a placing when the Company listed on AIM. A further 217,976 ordinary shares of 10 pence each were issued to employees of the Group on the same date for £1.23 per share, paid in full.

The following share options were unexercised at 30 April 2006

Description of option	Options over 10p ordinary shares Number	Option price £	Exercise period
Cohort plc 2006 Share option scheme	38,889	0.90	25 February 2008 to 25 February 2009
Cohort plc 2006 Share option scheme	355,688	1.23	9 March 2009 to 8 March 2016

18 RESERVES

Group	Share premium account £000	Profit and loss account £000	Total £000
At 1 May 2005	–	2,196	2,196
Profit after tax	–	919	919
Dividends paid	–	(159)	(159)
Bonus issue of shares on merger of Cohort plc and SCS	–	(1,583)	(1,583)
Issue of new 10p ordinary shares	6,175	–	6,175
Costs of share issue and placing	(836)	–	(836)
At 30 April 2006	**5,339**	**1,373**	**6,712**

The opening profit and loss account of the Group has been reduced by £46,000 from £2,242,000 to £2,196,000 reflecting the equity accounting for joint ventures (see note 11).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 April 2006

18 RESERVES (CONTINUED)

On 9 February 2006, the Company's 100% subsidiary, SCS, made a bonus issue of 1,583 £1 ordinary shares for each £1 ordinary share in issue. The total number of bonus £1 ordinary shares issued was 1,583,000. The bonus issue was created by a transfer from the distributable profit and loss account of SCS; this is included in the Group reserves movement for the year because of merger accounting.

Company	Share premium account £000	Profit and loss account £000	Total £000
At 23 January 2006 (on incorporation)	–	–	–
Retained profit for the period	–	(5)	(5)
Issue of new ordinary shares	6,175	–	6,175
Costs of share issue and placing	(836)	–	(836)
At 30 April 2006	**5,339**	**(5)**	**5,334**

The Company's retained loss for the period ended 30 April 2006 is £4,856.

During the period the Company issued new share capital of 22,121,497 ordinary shares of 10 pence each, after adjusting for the 10 for 1 sub-division on 9 February 2006. 15,840,000 shares were issued at par value. The remainder were issued at a premium as follows:

Date of issue	Number of shares issued Number	Issue price Pence	Total consideration received £000	Share premium on issue £000
9 February 2006	38,900	90.0	35	31
15 February 2006	1,959,580	76.5	1,500	1,304
8 March 2006	4,283,017	123.0	5,268	4,840
	6,281,497		6,803	6,175

19 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Group		Company
	2006 £000	2005 £000	2006 £000
At 1 May	**2,197**	1,321	–
Profit/(loss) after tax	**919**	1,104	(5)
Dividends paid	**(159)**	(228)	–
Issue of shares on merger with SCS	**–**	–	1,584
Issue of new 10p ordinary shares	**6,803**	–	6,803
Costs of new share issue and placing	**(836)**	–	(836)
At 30 April	**8,924**	2,197	7,546

The opening shareholders' funds at 1 May 2005 have been restated as follows:

	£000
At 30 April 2004, as originally stated	1,215
Prior year adjustment on adoption of UITF 40, £174,000 less tax of £50,000	124
Equity accounting for joint ventures (see note 11)	(18)
At 1 May 2005 restated	1,321

20 PENSION COMMITMENTS

The Group makes contributions to a defined contribution stakeholder pension scheme. The contributions for the year of £144,000 (2005: £79,000) were charged to the profit and loss account.

21 COMMITMENTS

At 30 April 2006 the Group was committed to making the following payments during the next year in respect of operating leases:

	2006 £000	2005 £000
Land and buildings:		
Leases which expire between two and five years	**57**	–

There were no capital commitments at 30 April 2006 (2005: £Nil).

22 CASH FLOW

Reconciliation of operating profit to net cash inflow from operating activities	2006 £000	2005 £000
Operating profit	**1,797**	2,015
Depreciation	**54**	47
Increase in debtors	**(1,428)**	(692)
Increase/(decrease) in creditors	**470**	(33)
Net cash inflow from operating activities	**893**	1,337

23 RELATED PARTY TRANSACTIONS

The Group had related party transactions for the years ended 30 April as follows:

		Purchases £000	Sales £000	Investment in year £000	Change in loans/current accounts/sales ledger £000
SCS Mothership Limited	**2006**	**–**	**111**	**–**	**(52)**
	2005	–	–	–	165
S P Residual Limited (formerly Sentinel Programmes Limited)	**2006**	**(1)**	**48**	**–**	**171**
	2005	–	1	–	92
Digital Millennium Map LLP	**2006**	**–**	**–**	**50**	**2**
	2005	–	–	130	12
Centre for Defence and International Security Studies	**2006**	**–**	**7**	**–**	**87**
	2005	–	–	–	29
SCS South Africa	**2006**	**–**	**–**	**–**	**80**
	2005	–	–	–	–

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

The movement in the Digital Millennium Map LLP current account balance does not includes a finance lease in respect of a camera. The amount recoverable on this lease at 30 April 2006 was £251,118 (2005: £Nil), see also note 15. The total cost of the camera was £338,158. In respect of the finance lease, Digital Millennium Map LLP repaid £85,235 of capital and interest of £20,944, which was recognised as income in the year by the Group (see note 4).

The balances with related parties were as follows:

	2006			2005		
	Gross asset £000	**Provision £000**	**Net balance £000**	Gross asset £000	Provision £000	Net balance £000
SCS Mothership Limited	**165**	**–**	**165**	217	–	217
S P Residual Limited (formerly Sentinel Programmes Limited)	**264**	**(264)**	**–**	92	(92)	–
Digital Millennium Map LLP	**265**	**(14)**	**251**	181	–	181
Centre for Defence and International Security Studies	**116**	**(116)**	**–**	29	(29)	–
SCS South Africa	**80**	**(80)**	**–**	–	–	–
	890	**(474)**	**416**	519	(121)	398

The balances disclosed above are the total of balances held with the related party and include current accounts and loans, but exclude investments. In addition to the above, a further £220,000 (2005: £270,000) is provided against the Group's committed investment in Digital Millennium Map LLP.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 April 2006

23 RELATED PARTY TRANSACTIONS (CONTINUED)

During the year ended 30 April 2006 the charge in respect of related party undertakings to the profit and loss account was £353,000 which is disclosed within the exceptional items (see note 3), £339,000 as provision against related party undertakings and £14,000 within the provision against joint ventures.

The relationships are described as follows:

SCS Mothership Limited — a 50% joint venture, the interest in which is owned by SCS.

S P Residual Limited — formerly known as Sentinel Programmes Limited. The business of this Company has been transferred after the year end to The Events Practice Limited and the Company renamed S P Residual Limited. T Martin, a Director of SCS during the year owns this undertaking in its entirety. SCS has provided funding to this entity in the form of a loan.

Digital Millennium Map LLP — 25% joint venture, the interest in which is owned by SCS.

Centre for Defence and International Security Studies (CDiSS) — SCS has provided funding to this entity in the form of a loan. A E S Carter (a Director of Cohort plc) is a Director of CDiSS and owns a one third interest in the equity of CDiSS.

SCS South Africa — a close Company where SCS has provided funding in the form of a loan to SCS South Africa. The Group has no equity interest in SCS South Africa.

Also during the period, the Group made net repayments of loans, the interest thereon and paid dividends to the following Directors and their spouses:

	Loan £000	Interest £000	Dividend £000	Total £000
A E S Carter	323	21	74	418
J W Lyde	122	7	50	179
J D Tydeman	1	–	35	36
	446	**28**	**159**	**633**

The loans were settled in full on 23 February 2006.

The dividends paid in 2005 were as follows:

	£000
A E S Carter	88
J W Lyde	63
J D Tydeman	77
	228

On 27 February 2006, the freehold property owned by the Group, The Court House, was sold to The Court House Partnership for an independently determined market price of £880,000, realising a loss to the Group, after costs of £81,478 (see note 3). The Group entered into a lease agreement with The Court House Partnership to rent The Court House property at an annual rent of £57,000. The commitment is for five years with a termination notice of six months by the Group without penalty. A E S Carter is a partner of The Court House Partnership.

N M Prest acquired 979,790 10 pence ordinary shares in the Company for £750,000, which is payable, unconditionally, at any time up until 31 January 2007. This debt is not secured (see note 12).

In addition, the following transactions were undertaken with Directors of the Company and its subsidiaries during the period:

A S Thomis — provided consultancy services to the Group during the year ended 30 April 2006 to the sum of £72,970 (2005: £Nil) of which £18,242 was charged as part of the operating profit of the Group and £54,727 charged to the share premium account as part of the share issue and placing costs.

N M Prest — provided consultancy services to the Group during the year ended 30 April 2006 of £2,309 (2005: £Nil), of which £1,342 was charged to the share premium account as part of the share issue and placing costs.

T Martin — provided consultancy services to the Group during the year ended 30 April 2006 to the sum of £34,776 (2005: £23,139).

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the first Annual General Meeting (AGM) of Cohort plc (the Company) will be held at Phyllis Court Club, Marlow Road, Henley-on-Thames, Oxfordshire RG9 2HT on 31 August 2006 at 2.00pm for the following purposes:

ORDINARY BUSINESS

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

1 To receive and adopt the Directors' Report and financial statements for the period ended 30 April 2006.

2 To declare a final dividend for the period ended 30 April 2006 of 0.4 pence per ordinary share of 10 pence each in the capital of the Company to be paid on 6 September 2006 to members whose names appear on the register of members at the close of business on 4 August 2006.

3 To re-elect Nick Prest as a Director of the Company, who retires by rotation in accordance with the Articles of Association of the Company.

4 To re-elect Stanley Carter as a Director of the Company, who retires by rotation in accordance with the Articles of Association of the Company.

5 To re-elect Sir Robert Walmsley as a Director of the Company, who retires by rotation in accordance with the Articles of Association of the Company.

6 To re-elect Andrew Thomis as a Director of the Company, who retires by rotation in accordance with the Articles of Association of the Company.

7 To re-elect Simon Walther as a Director of the Company, who retires by rotation in accordance with the Articles of Association of the Company.

8 To re-appoint Baker Tilly as auditor of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which financial statements are laid and to authorise the Directors to set their remuneration.

To transact any other business of the Company.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions which will be proposed as to Resolution 9 as an Ordinary Resolution and as to Resolutions 10 and 11 as Special Resolutions:

9 THAT, subject to and in accordance with Article 16 of the Articles of Association of the Company, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the Act) (in substitution for any existing authority to allot relevant securities (within the meaning of section 80 of the Act)) to exercise all powers of the Company to allot relevant securities up to an aggregate nominal value of £737,477, being approximately one third of the current issued share capital of the Company, provided that this authority shall expire 15 months from the date of passing this Resolution or at the conclusion of the next AGM of the Company to be held in 2007 whichever is the earlier, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities of the Company to be allotted after such expiry and the Directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred by this Resolution had not expired.

10 THAT, subject to the passing of Resolution 9 as set out in this Notice of AGM and in accordance with Article 17 of the Articles of Association of the Company the Directors of the Company be and they are hereby generally empowered pursuant to section 95 of the Act to allot equity securities (in substitution for any existing authority to allot equity securities (within the meaning of section 94 of the Act)) for cash, pursuant to the authority conferred by Resolution 9 as set out in this Notice of AGM, as if section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities:

10.1 for the purposes of, or in connection with an offer by way of a rights issue, open offer or other pre-emptive offer of equity securities in favour of ordinary shareholders where the securities respectively attributable to the interests of such shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by such holders (but subject to such exclusions or other arrangements as the Directors consider appropriate, necessary or desirable to deal with fractional entitlements or any legal or practical difficulties arising under the laws of any territory or the requirements of any regulatory body or recognised investment exchange); and

10.2 (otherwise than pursuant to subparagraph 10.1 above) of equity securities up to an aggregate nominal value of £221,243 (being approximately 10% of the current issued share capital of the Company);

and such power shall expire 15 months from the date of passing this Resolution or at the conclusion of the AGM of the Company to be held in 2007, whichever is earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

11 THAT, the Company be generally and unconditionally authorised pursuant to Article 9 of the Articles of Association of the Company and pursuant to section 166 of the Act to make market purchases (as defined in section 163 of the Act) of ordinary shares of 10 pence each in the capital of the Company provided that:

11.1 the maximum number of ordinary shares hereby authorised to be purchased is 3,318,644 (being approximately 15% of the current issued ordinary share capital of the Company);

11.2 the minimum price which may be paid for such shares is 10 pence per ordinary share being the nominal value thereof;

11.3 the maximum price (exclusive of expenses) which may be paid for such shares shall not be more than 5% above the average of the middle market quotations for ordinary shares of 10 pence each in the capital of the Company as derived from the AIM Appendix of the Daily Official List of London Stock Exchange plc for the five business days immediately preceding the day on which the contract for purchase is made; and

11.4 the authority shall expire 15 months from the date of passing this Resolution or at the conclusion of the next AGM of the Company in 2007 whichever is earlier provided that the Company may before such expiry make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry and the Company may make a purchase of its own shares in pursuance of such contract as if the authority conferred hereby had not expired.

By order of the Board

SIMON WALTHER
COMPANY SECRETARY
5 JULY 2006

NOTES

1 Any member entitled to attend and vote at the AGM is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and, on a poll, vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.

2 In order to be valid, any form of proxy, power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time of the meeting or of any adjournment of the meeting.

3 As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company's share register at 2.00pm on 29 August 2006 in order to be entitled to attend and vote at the AGM. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4 Copies of the service contracts of each of the Directors, and the register of Directors' interests in shares of the Company kept pursuant to section 325 of the Act will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this Notice until the date of the AGM and at the place of the AGM from at least 15 minutes prior to and until the conclusion of the AGM.

FORM OF PROXY

I/we ....
(in block capitals please)

of ....
being (a) holder(s) of ordinary shares of 10 pence each in Cohort plc (the Company), hereby appoint the chairman of the meeting

or ....
of ....

as my/our proxy to attend (and on a poll) to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Phyllis Court Club, Marlow Road, Henley-on-Thames, Oxfordshire RG9 2HT on 31 August 2006 at 2.00pm and at any adjournment thereof. Please indicate with an X in the space below how you wish your proxy to vote. If no indication is given, your proxy will vote or abstain from voting as he thinks fit.

ORDINARY RESOLUTIONS	FOR	AGAINST	WITHELD
1. To receive and adopt the Directors' Report and financial statements.			
2. To declare a final dividend for the period ended 30 April 2006.			
3. To re-elect Nick Prest as a Director.			
4. To re-elect Stanley Carter as a Director.			
5. To re-elect Sir Robert Walmsley as a Director.			
6. To re-elect Andrew Thomis as a Director.			
7. To re-elect Simon Walther as a Director.			
8. To re-appoint Baker Tilly as auditor.			
9. To grant the Directors authority to allot shares under section 80 Companies Act 1985.			
SPECIAL RESOLUTION			
10. To disapply statutory pre-emption rights under section 95 Companies Act 1985.			
11. To grant the Directors authority to purchase own shares.			

Dated .... Signature ....

NOTES

1. A member may appoint a proxy of his own choice, who need not be a member of the Company. If such an appointment is made, delete the words "the Chairman of the meeting" and insert the name of the person to be appointed as proxy in the space provided. Please initial any such alteration. Return of a form of a proxy will not preclude a member from attending and voting at the meeting in person should he so decide.

2. If the appointor is a corporation, this form of proxy must be executed under its seal or under the hand of an officer, attorney or other person authorised to sign the same on its behalf. If the appointor is not a corporation, this form of proxy must be executed under the hand of the appointor or of his attorney duly authorised in that behalf.

3. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders, and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

4. To be effective this form of proxy must be lodged at the office of Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Kent BR3 4TU not less than 48 hours before the start of the meeting or adjourned meeting and must be accompanied by any power of attorney or other authority under which it is signed or by a notarially certified copy of such power or authority.

THIRD FOLD AND TUCK IN

BUSINESS REPLY SERVICE
Licence No. MB122

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Capita Registrars
Proxy Department
PO Box 25
Beckenham
Kent
BR3 4BR

FIRST FOLD

SECOND FOLD

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