

## Introduction

The Board of Cohort, owner of Systems Consultants Services Limited ("SCS"), a leading independent defence technical services business, announces that it has conditionally agreed to acquire MASS Consultants Limited ("MASS"), a UK-based independent defence Systems House, for an initial net consideration of £12.5 million plus further deferred payments of up to £0.5 million subject to MASS winning to two specific substantial overseas contracts within 24 months after completion of the transaction. It is expected that the acquisition of MASS will be completed on 1 August 2006.

The vendors of MASS ("Vendors") will receive £11.75 million of the initial net consideration in cash on completion, funded in part by way of a Vendor Placing of 5,500,000 new Ordinary Shares at 135p per share ("the Placing Price") to raise £7.4 million and funded also by the issue to a continuing director of MASS of 185,185 new Ordinary Shares to a value of £0.25 million at the Placing Price with the balance from Cohort's existing cash resources. In addition one of the Vendors of MASS ("Vendors") will retain 555,556 new Ordinary Shares ("Consideration Shares") to the value of £0.75 million at the Placing Price issued to him as part of his consideration entitlement. In addition, Cohort is raising a further £1.4 million by way of a cash placing at the Placing Price of 1,050,000 new Ordinary Shares ("Cash Placing"). The Vendor Placing and Cash Placing (together "the Placing") have both been underwritten in full by Investec. The Cash Placing is not conditional upon completion of the acquisition of MASS. If the acquisition does not complete, the Vendor Placing will not occur.

## Information on MASS

MASS Consultants Limited is a privately owned, UK-based independent Systems House. It was formed in 1983 and is based in St Neots, near Cambridge, UK and has an office in Lincoln, UK. MASS has a defence and aerospace focus and delivers systems engineering, software and electronic engineering service and solutions (including design and manufacture) to government and industry. MASS has a particular strength in the provision of managed services for secure IT systems. Its major customer is the UK Ministry of Defence (MoD), which accounted for 71% of turnover in the year ended 31 March 2006. Other significant customers in this period included MBDA, ITT Defence, Ofcom, VT Shipbuilding and BAE Systems. MASS's business spans three principal areas of activity: Managed Services, Electronic Warfare (EW) and Secure Communications.

MASS's Managed Services activities centre on the provision of specialist technical and IT services at secure MoD and Government sites. In 2000, MASS won a ten year, £43 million contract to support a highly secure MoD Computer Centre. The scope of work includes systems modelling, IT maintenance and support, operational analysis, software development and team management. In addition, MASS has recently won a five year extension contract (valued at £6.5 million) to continue its specialist support services provided to the UK's Air Warfare Centre at RAF Waddington in Lincoln. The scope of its work includes tactics and countermeasures development, IT maintenance and support and database development for the tri-service Defence Electronic Warfare Centre. In Electronic Warfare, MASS also provides independent advice, training, data support and data management tools and is a contractor in the provision of EW Operational Support services. It has established a secure installation in Lincoln

- P. 3.2 / 2

from which these services are delivered to both UK and export customers. In the latter case, these are either provided directly or in conjunction with equipment manufacturers.

In Secure Communications, MASS has particular capabilities in research studies, design services, flight qualification, security accreditation and encryption solutions. It has successfully produced a number of systems in recent years. Key programmes have included the development of equipment for the Bowman communication system, the US JTRS programme, secure helicopter communications and secure radio management systems for large airborne platforms. In particular, MASS was awarded a three year £9 million contract in March 2006 to develop, integrate and support an improved communications and radio management capability on one of the UK's leading ISTAR platforms. Moreover, MASS's secure communications capability includes secure networks and the integration of systems in secure shared working environments.

MASS has approximately 100 employees of whom approximately 80% are professional engineers with the first degrees in areas such as electronic engineering, cybernetics, communications, computing, mathematics and physics.

In the year ended 31 March 2006, MASS reported an audited turnover of £11.0 million (2005: £11.2 million), profit before tax, interest and exceptional items of £0.3 million (2005: £0.5 million) and profit before tax of £0.6m (2005: £0.6m). In 2006, an exceptional profit of £0.2m was earned on the sale of a fixed asset investment. MASS has a substantial order book which currently stands at approximately £34 million. The assets of Mass on completion are estimated to be £0.3 million (excluding the £1m in cash paid into MASS as part of the pre-sale restructuring described below).

#### Reasons for the acquisition

Cohort was floated in March 2006 with the stated aim of building an independent group in defence technical services, including through the acquisition of complementary companies. The Directors of Cohort believe that MASS's activities are complementary to those of the group's existing operations carried out through its current sole operating subsidiary, SCS. SCS has a particular strength in the land based aspects of defence whereas MASS has well established footprints in the air and maritime sectors. Together SCS and MASS have significant presences in terms of long term contracts at key Joint (land, sea and air) defence establishments: SCS at the Joint Warfare Development and Training Centre of the Permanent Joint Headquarters at Northwood and MASS at the Defence Electronic Warfare Centre at RAF Waddington.

The Directors believe that the acquisition will raise the profile of the Cohort group across the MoD, provide a platform to bid for larger contracts and enhance the group's ability to cross sell its services into different areas of defence.

MASS's strong order book provides considerable forward visibility. The Directors of Cohort anticipate that the acquisition will be earnings enhancing (before goodwill amortisation) in the first full year of ownership. This statement should not be interpreted to mean that the Company's future earnings per share following the acquisition will necessarily be greater than or equal to the Company's historical earnings per share.

6.3/11

→ c408

of 6mm