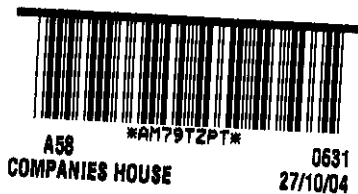


Company number : 2445975

**ESYS PLC**  
**FINANCIAL STATEMENTS**  
**30 JUNE 2004**

Baker Tilly  
Chartered Accountants  
The Clock House  
140 London Road  
Guildford  
Surrey GU1 1UW



**DIRECTORS AND OFFICERS**

---

**DIRECTORS**

M Dillon  
J A Holt  
J S Boucher  
A Davies  
C W Smith

**SECRETARY**

C M Brooks

**COMPANY NUMBER**

2445975

**REGISTERED OFFICE**

1 Occam Court  
Occam Road  
Surrey Research Park  
Guildford  
Surrey GU2 7HJ

**AUDITORS**

Baker Tilly  
Chartered Accountants  
The Clock House  
140 London Road  
Guildford  
Surrey GU1 1UW

**BANKERS**

Fortis Bank  
Camomile Court  
23 Camomile Street  
London  
EC3A 7PP

## DIRECTORS' REPORT

---

The directors submit their report and the financial statements of ESYS plc for the year ended 30 June 2004.

### PRINCIPAL ACTIVITIES

The principal activity of the company in the year under review was that of provision of consultancy services within the aerospace and telecommunications industries.

### REVIEW OF THE BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The turnover for the year was £3,645,214 representing a 14% reduction (8% in core revenue) compared with the previous year, Profit before taxation was £4,466.

The reduction in turnover resulted from completion of several programmes in the year and a slow start to anticipated follow-on activities. This was exacerbated by changes and delays in our institutional clients' budgets but, despite this, we have seen revenues improve in half of the six business sectors. We have also secured our position on key projects throughout our business sectors and the company is starting the 2004/05 financial year with its highest order backlog.

In the **Space Science sector**, growth of 16% was achieved through further support to ESA and EC Earth Observation and scientific missions.

We have continued to win further contracts within the **Education and Research sector**, adding new clients and securing our role in the second phase of supporting the EC on technology dissemination. Growth at 8% was in line with expectations.

**Satellite communications** activities had another year of growth, improving by 27%. The outlook remains optimistic with further new clients added during the year and continued strengthening of relationships with a number of partners and operators.

**Defence** revenue reduced by 35% as we completed one major project in the terrestrial military communications area. We have continued to provide high-quality systems engineering support to the major UK military satellite project and see this role expanding in the next two years.

Our EC Fifth Framework Galileo project in the **Navigation and Location-based Services'** sector was completed during the year. Overall revenue declined by 47%, but as anticipated the follow-on Sixth Framework Galileo project was awarded in January 2004 and confirms our leading position in this field.

**New Media** revenue reduced by 27% due to redirection of client's budgets and completion of two projects in the year. Nevertheless we have secured two further phases of development work with one major client.

Whilst revenue performance was below expectations in 2003/04, a significant feature was the broadening of our client base in public and private sectors as well as in the UK and European markets. This not only gives a broad foundation for future company growth but also lessens the dependency on government and institutional clients' diminishing budgets.

### DIVIDENDS

The profit on ordinary activities after taxation was £3,751 (2003: £96,946) which will be taken to reserves. The directors do not recommend the payment of a dividend.

**DIRECTORS' REPORT (CONTINUED)**

---

**FIXED ASSETS**

Information on changes in tangible fixed assets are give in note 7 to the accounts.

**DIRECTORS**

The following directors have held office since 1 July 2003:-

M Dillon  
J A Holt  
J S Boucher  
A Davies  
C W Smith

**DIRECTORS' INTERESTS IN SHARES**

The beneficial interests of the directors holding office on 30 June 2004 in the issued share capital of the company were as follows:

	30.06.04	01.07.03
M Dillon	70,700	70,700
J A Holt	1,010	1,010

**COMPANY'S POLICY ON PAYMENT OF CREDITORS**

The company's policy is to agree terms of payment with its suppliers and to settle accounts in accordance with its contractual and legal obligations.

The number of creditor days at 30 June 2004 was 30 days.

**ECONOMIC AND MONETARY UNION (EMU)**

The company has prepared plans to address the operational and financial impact of this development. The company's computer systems are capable of handling foreign currencies including the Euro.

**AUDITORS**

A resolution to reappoint Baker Tilly as auditors will be put to the members at the annual general meeting.

By order of the board



C M Brooks

Secretary

15 DECEMBER 2004

**DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF  
FINANCIAL STATEMENTS**

---

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 company and 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS' OF ESYS PLC**

We have audited the financial statements on pages 6 to 17.

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 auditors' 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 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 United Kingdom Auditing Standards.

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. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 only the Directors' Report. 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 OPINION**

We conducted our audit in accordance with Auditing Standards 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 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 of the state of the company's affairs at 30 June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**BAKER TILLY**

Registered Auditor  
Chartered Accountants  
The Clock House  
140 London Road  
Guildford  
Surrey GU1 1UW

18 OCTOBER 2004

**PROFIT AND LOSS ACCOUNT**  
for the year ended 30 June 2004

	Notes	2004	2003
<b>TURNOVER</b>	1	3,645,214	4,258,825
Costs of sales		2,007,034	2,357,772
		<u>          </u>	<u>          </u>
<b>GROSS PROFIT</b>		1,638,180	1,901,053
Administrative expenses		1,612,315	1,761,035
		<u>          </u>	<u>          </u>
<b>OPERATING PROFIT</b>	4	25,865	140,018
Interest receivable and similar income	2	2	-
		<u>          </u>	<u>          </u>
		25,867	140,018
Interest payable and similar charges	3	21,401	21,113
		<u>          </u>	<u>          </u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		4,466	118,905
Tax on profit on ordinary activities	6	715	21,959
		<u>          </u>	<u>          </u>
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>	14	£ 3,751	£ 96,946
		<u>          </u>	<u>          </u>

The operating profit for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

**BALANCE SHEET**  
**30 June 2004**

	Notes	2004	2003
<b>FIXED ASSETS</b>			
Tangible assets	7	80,016	89,014
<b>CURRENT ASSETS</b>			
Stocks	8	248,887	468,619
Debtors	9	918,943	1,010,458
Cash at bank and in hand		97,807	353
		<u>1,265,637</u>	<u>1,479,430</u>
<b>CREDITORS</b>			
Amounts falling due within one year	10	681,577	824,119
<b>NET CURRENT ASSETS</b>			
		<u>584,060</u>	<u>655,311</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		664,076	744,325
<b>CREDITORS</b>			
Amounts falling due after more than one year	11	82,668	166,668
		<u>£ 581,408</u>	<u>£ 577,657</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	75,649	75,649
Capital redemption reserve		25,856	25,856
Profit and loss account	14	479,903	476,152
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
	17	<u>£ 581,408</u>	<u>£ 577,657</u>

Approved by the board on 15<sup>th</sup> October 2004.



J S Boucher  
Director



**CASH FLOW STATEMENT**  
**for the year ended 30 June 2004**

	Note	2004	2003
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	19a	349,253	282,184
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	19b	(21,399)	(21,113)
<b>TAXATION</b>		(31,790)	(29,159)
<b>CAPITAL EXPENDITURE</b>	19b	(47,019)	(35,587)
<b>FINANCING</b>	19b	(83,332)	(118,750)
<b>INCREASE IN CASH IN THE YEAR</b>		<u>£ 165,713</u>	<u>£ 77,575</u>
		=====	=====
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>	19c		
<b>INCREASE IN CASH IN THE YEAR</b>		165,713	77,575
Cash flow from decrease in debt		83,332	(141,250)
<b>CHANGE IN NET DEBT RESULTING FROM CASH FLOWS</b>		<u>249,045</u>	<u>(63,675)</u>
<b>NET DEBT AT 1 JULY 2003</b>		<u>(317,906)</u>	<u>(254,231)</u>
<b>NET DEBT AT 30 JUNE 2004</b>		<u>£ (68,861)</u>	<u>£ (317,906)</u>
		=====	=====

**Financial statements for the year ended 30 June 2004****ACCOUNTING POLICIES**

---

**BASIS OF ACCOUNTING**

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

**TURNOVER**

Turnover represents the invoiced value of services and materials supplied, excluding value added tax.

**REVENUE RECOGNITION**

Revenue is recognised on contracts in line with completed work. Where invoices are raised in advance of work being carried out an amount of deferred income is carried forward and matched against projects costs as they accrue.

**TANGIBLE FIXED ASSETS**

Fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Fixtures and fittings	20% - 33% on cost
Computer equipment	33% on cost

**WORK IN PROGRESS**

Work in progress is value at the lower of cost and net realizable value. Cost of work in progress includes overheads appropriate to the stage of completion. Net realisation value is based on final contract value less further costs expected to be incurred on completion. Provision is made where final costs are expected to exceed contract value.

**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 company's taxable profits and its results as stated 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.

**PENSIONS**

The costs charged in the financial statements represent the contributions payable by the company during the year.

**Financial statements for the year ended 30 June 2004****ACCOUNTING POLICIES**

---

**FOREIGN CURRENCY TRANSLATION**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the accounting date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

Transactions are mainly denominated in EUROS.

**LEASES**

All leases are operating leases and the annual rentals are charged to the profit and loss on a straight line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2004

### 1. TURNOVER

Turnover is attributable to the principal activity of the company and arose as follows:

	2004	2003
United Kingdom	1,854,307	2,299,765
Rest of Europe	1,790,907	1,959,060
Rest of World	-	-
	<u>£ 3,645,214</u>	<u>£ 4,258,825</u>
	=====	=====

The analysis of the profit before tax and net assets has not been given.

### 2. INTEREST RECEIVABLE AND SIMILAR INCOME

Bank interest	£ 2	£ -
	=====	=====

### 3. INTEREST PAYABLE AND SIMILAR CHARGES

Bank interest	21,401	12,871
Directors' loan interest	-	8,242
	<u>£ 21,401</u>	<u>£ 21,113</u>
	=====	=====

### 4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

Hire of plant and machinery	291	1,174
Depreciation of tangible assets:		
Charge for the year:		
owned assets	56,317	71,002
Operating lease rentals:		
Land and buildings	158,975	168,976
Auditors' remuneration:		
audit fees	8,000	8,000
other fees	5,923	6,014
Foreign exchange differences	(21,015)	(29,482)
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2004**

5. EMPLOYEES	2004	2003
The average monthly number of persons (including directors) employed by the company during the year was:	No.	No.
Sales	29	27
Administration	6	6
	<u>35</u>	<u>33</u>
	=====	=====

	2004	2003
	£	£
Staff costs for the above persons:		
Wages and salaries	1,847,137	1,852,123
Social security costs	208,957	205,268
Other pension costs	110,649	141,994
Other staff costs	67,121	63,625
	<u>£ 2,233,864</u>	<u>2,263,010</u>
	=====	=====

**DIRECTORS' REMUNERATION**

Emoluments for qualifying services	420,463	454,610
Company pension contributions to money purchase schemes	<u>23,145</u>	<u>66,239</u>
	=====	=====

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2003: 2).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments etc	140,334	154,835
Pension contributions to money purchase schemes	<u>14,359</u>	<u>31,455</u>
	=====	=====

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2004

### 6. TAXATION

#### Analysis of the tax charge

The taxable charge on the profit on ordinary activities for the year were as follows:

	2004	2003
Current tax:		
UK corporation tax	(2,000)	32,400
Over provision in respect of previous years	(610)	(5,841)
Total current tax	£ (2,610)	£ 26,559
Deferred tax:		
Origination and reversal of timing differences	3,325	(4,600)
Total deferred tax	3,325	(4,600)
Tax on profit on ordinary activities	£ 715	£ 21,959

#### Factors affecting tax charge for the year

The tax assessed for the year is lower/higher than the small companies rate of corporation tax in the UK 19%. (2003: 19%) The differences are explained below:

Profit on ordinary activities before tax	£ 4,466	£ 118,905
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 19% (2003: 19%)	849	22,592
Effects of:		
Expenses not deductible for tax purposes	(811)	4,108
Adjustment to tax charge in respect of previous periods	(610)	(5,841)
Capital allowances in (excess)/arrears of depreciation	(2,195)	5,421
Other tax adjustments	157	279
Current tax charge for the year	£ (2,610)	£ 26,559

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2004**

**7. TANGIBLE FIXED ASSETS**

	Fixtures & fittings	Computer equipment	TOTAL
Cost:			
1 July 2003	108,989	253,952	362,941
Additions	-	47,319	47,319
Disposals	-	(2,608)	(2,608)
30 June 2004	108,989	298,663	407,652
Depreciation:			
1 July 2003	59,312	214,615	273,927
Charge in the period	30,336	25,981	56,317
Disposals	-	(2,608)	(2,608)
30 June 2004	89,648	237,988	327,636
Net book value:			
30 June 2004	19,341	60,675	£ 80,016
30 June 2003	49,677	39,337	£ 89,014

**8. STOCKS**

	2004	2003
Work in progress	£ 248,887	£ 468,619

**9. DEBTORS**

Due within one year:		
Trade debtors	849,528	937,929
Prepayments and accrued income	66,140	67,929
Deferred tax asset	1,275	4,600
Corporation tax debtor	2,000	-
	£ 918,943	£ 1,010,458

The deferred tax asset is in respect of excess depreciation over capital allowances. The movement in the deferred tax asset is disclosed in note 6.

**10. CREDITORS**

Amounts falling due within one year:		
Bank loans and overdrafts (see note 12)	84,000	151,591
Trade creditors	169,052	305,681
Payments on account	245,030	130,470
Other taxes and social security	86,493	112,462
Corporation tax	-	32,400
Accruals and deferred income	97,002	91,515
	£ 681,577	£ 824,119

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2004

11. CREDITORS	2004	2003
Amounts falling due after one year:		
Bank loans (see note 12)	£ 82,668	£ 166,668
	=====	=====

**12. LOANS AND OVERDRAFTS**

An analysis of the maturity of loans and overdrafts is given below:

Amounts falling due within one year:

Bank overdrafts	-	68,259
Bank loans	84,000	83,332
	£ 84,000	£ 151,591
	=====	=====

Amounts falling due between one and two years:

Bank loans	£ 82,668	£ 166,668
	=====	=====

The overdraft facility and the term loan facility are secured by a debenture incorporating the assets and undertaking (including uncalled share capital) of the company and a fixed charge over the book debts. The bank loan is repayable in quarterly installments of £21,000 and bears an interest rate of 2% above the bank's base rate.

13. SHARE CAPITAL	2004	2003
Authorised:		
1,000,000 ordinary shares of £1 each	£ 1,000,000	£ 1,000,000
	=====	=====
Allotted, issued and fully paid:		
75,649 ordinary shares of £1 each	£ 75,649	£ 75,649
	=====	=====

**14. PROFIT AND LOSS ACCOUNT**

1 July 2003	476,152	639,206
Profit for the financial year	3,751	96,946
Purchase of own shares	-	(260,000)
30 June 2004	£ 479,903	£ 476,152
	=====	=====

**15. PENSION COMMITMENTS**

The company operates a defined contribution pension scheme, where contributions are made into employee personal pension plans. The pension costs in the year represent company contributions due and payable into the scheme for the year and in total amount £110,649 (2003: £141,994).



**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2004**

**16. OTHER FINANCIAL COMMITMENTS**

At 30 June 2004 the company had annual commitments under non-cancellable operating leases as follows:

	<b>2004</b>	<b>2003</b>
Land and buildings		
Expiring within 1 years	158,975	-
Expiring within 1-2 years	-	158,975
Other		
Expiring within 2-5 years	4,596	-
	<u>£ 163,571</u>	<u>£ 158,975</u>
	=====	=====

**17. RECONCILIATION OF MOVEMENTS  
IN SHAREHOLDERS' FUNDS**

	<b>2004</b>	<b>2003</b>
Profit for the financial year	3,751	96,946
Purchase of own shares	-	(260,000)
Net increase/(depletion) to shareholders' funds	<u>3,751</u>	<u>(163,054)</u>
Opening shareholders' funds	577,657	740,711
	<u>£ 581,408</u>	<u>£ 577,657</u>
	=====	=====

**18. FOREIGN EXCHANGE CONTRACTS**

At 30 June 2004 the company had entered into forward foreign exchange contracts totaling £826,022 (2003: £483,096).

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2004

**19. NOTES TO THE CASH FLOW STATEMENT**

	<b>2004</b>	<b>2003</b>
<b>a. Reconciliation of operating profit to net cash outflow from operating activities</b>		
Operating profit	25,865	140,018
Depreciation	56,317	71,002
Profit on disposal of tangible fixed assets	(300)	-
Decrease in stocks	219,732	3,040
Decrease/(increase) in debtors	90,190	(202,053)
Increase in creditors	(42,551)	270,177
	<u>£ 349,253</u>	<u>£ 282,184</u>
<b>b. Analysis of cash flows for headings netted in the cash flow statement</b>		
<b>Returns on investments and servicing of finance</b>		
Interest received	2	-
Bank interest	(21,786)	(2,438)
Directors' loan interest	-	(8,242)
Net cash outflow for returns on investments and servicing of finance	<u>(21,784)</u>	<u>£ (10,680)</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(47,319)	(35,587)
Sale of tangible fixed assets	300	-
Net cash outflow for capital expenditure	<u>£ (47,019)</u>	<u>£ (35,587)</u>
<b>Financing</b>		
New loan taken out in year	166,668	250,000
Loan repayments in year	(250,000)	(108,750)
Purchase of own shares	-	(260,000)
Net cash outflow from financing	<u>£ (83,332)</u>	<u>£ (118,750)</u>

**c. Analysis of changes in net debt**

	<b>1 July 2003</b>	<b>Cash flows</b>	<b>30 June 2004</b>
<b>Net cash:</b>			
Cash at bank and in hand	353	97,454	97,807
Bank overdraft	(68,259)	68,259	-
	<u>(67,906)</u>	<u>165,713</u>	<u>97,807</u>
<b>Debt:</b>			
Bank loan	(250,000)	83,332	(166,668)
	<u>£ (317,906)</u>	<u>249,045</u>	<u>£ (68,861)</u>