

**Report of the Directors and
Financial Statements for the Year Ended 30 June 2001
for
ESYS PLC**

2445975



ESYS PLC

Contents of the Financial Statements for the Year Ended 30 June 2001

	Page
Company Information	1
Report of the Directors	2
Report of the Auditors	5
Profit and Loss Account	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Cash Flow Statement	9
Notes to the Financial Statements	11
Trading and Profit and Loss Account	17

ESYS PLC

**Company Information
for the Year Ended 30 June 2001**

DIRECTORS:

M Dillon
J A Holt
Dr S Howes
J S Boucher
A Davies

SECRETARY:

C M Brooks

REGISTERED OFFICE:

Churchmill House
Ockford Road
Godalming
Surrey
GU7 1QY

REGISTERED NUMBER: 2445975

AUDITORS:

Churchmill Partnership
Chartered Accountants
and Registered Auditors
Churchmill House
Ockford Road
Godalming
Surrey GU7 1QY

BANKERS:

Fortis Bank
Camomile Court
23 Camomile Street
London
EC3A 7PP

ESYS PLC

Report of the Directors for the Year Ended 30 June 2001

The directors present their report with the financial statements of the company for the year ended 30 June 2001.

REGISTRATION AS PUBLIC LIMITED COMPANY

Following a special resolution passed on 13 November 2000 the company was registered as a public limited company.

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS

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

The company's turnover for the year was £2,739,396. Profit on ordinary activities before taxation was £271,240 (10% of turnover).

There have been major successes in several areas which have raised the profile of the company with a number of our key clients and enhanced our reputation for professional management consulting in the international market place.

Our increased visibility across a wider range of government departments, combined with progress in the non-space commercial sectors, now offers the possibility of substantial revenue growth despite the change in general trading conditions.

The organisational changes made over the last two years have created a strong management team that can oversee substantial growth of core business over the next three years. This also creates the opportunity to broaden the business base and capitalise on the successful integration of additional directors to the board.

DIVIDENDS

The profit on ordinary activities after taxation was £220,999 (2000 - £158,498) which will be taken to reserves. The directors do not recommend the payment of a dividend.

FIXED ASSETS

Information on changes in tangible fixed assets are given in note 8 to the accounts.

ESYS PLC

Report of the Directors for the Year Ended 30 June 2001

DIRECTORS

The directors during the year under review were:

M Dillon

J A Holt

Dr S Howes

J S Boucher

Dr B G Smith

A Davies

- appointed 1.2.01

The beneficial interests of the directors holding office on 30 June 2001 in the issued share capital of the company were as follows:

	30.6.01	1.7.00 or date of appointment if later
Ordinary £1 shares		
M Dillon	71,205	71,205
J A Holt	505	505
Dr S Howes	25,856	25,856
J S Boucher	-	-
Dr B G Smith	-	-
A Davies	-	-

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.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 company and of the profit or loss of the company 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;
- 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 to enable them to ensure that the financial statements comply with 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.

ESYS PLC

**Report of the Directors
for the Year Ended 30 June 2001**

AUDITORS

The auditors, Churchmill Partnership, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'S Howes', written over a dotted line.

.....
Dr S Howes - DIRECTOR

Dated: 5 September 2001

ESYS PLC

Report of the Independent Auditors to the Shareholders of Esys Plc

We have audited the financial statements of Esys Plc for the year ended 30 June 2001 on pages six to sixteen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described on page three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Report of the Directors 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 the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 30 June 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Churchmill Partnership
Chartered Accountants
and Registered Auditors
Churchmill House
Ockford Road
Godalming
Surrey GU7 1QY

Dated: 5 September 2001

ESYS PLC

Profit and Loss Account for the Year Ended 30 June 2001

		<u>30.6.01</u>	<u>30.6.00</u>
	Notes	£	£
TURNOVER	2	2,739,396	2,469,452
Cost of sales		<u>1,305,318</u>	<u>1,251,538</u>
GROSS PROFIT		1,434,078	1,217,914
Administrative expenses		<u>1,164,258</u>	<u>1,012,253</u>
OPERATING PROFIT	4	269,820	205,661
Interest receivable and similar income	5	<u>2,418</u>	<u>564</u>
		272,238	206,225
Interest payable and similar charges	6	<u>998</u>	<u>1,118</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		271,240	205,107
Tax on profit on ordinary activities	7	<u>57,515</u>	<u>46,609</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		213,725	158,498
Retained profit brought forward		<u>360,233</u>	<u>201,735</u>
RETAINED PROFIT CARRIED FORWARD		<u><u>£573,958</u></u>	<u><u>£360,233</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

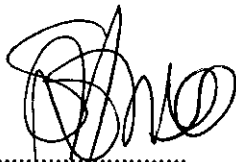
The notes form part of these financial statements

ESYS PLC

**Balance Sheet
30 June 2001**

		<u>30.6.01</u>		<u>30.6.00</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	8		86,685		116,243
CURRENT ASSETS:					
Stocks	9	148,742		62,635	
Debtors	10	578,676		535,861	
Cash at bank and in hand		<u>148,111</u>		<u>337,372</u>	
		875,529		935,868	
CREDITORS: Amounts falling due within one year	11	<u>286,751</u>		<u>590,373</u>	
NET CURRENT ASSETS:			<u>588,778</u>		<u>345,495</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£675,463</u>		<u>£461,738</u>
CAPITAL AND RESERVES:					
Called up share capital	12		101,505		101,505
Profit and loss account			<u>573,958</u>		<u>360,233</u>
SHAREHOLDERS' FUNDS:	17		<u>£675,463</u>		<u>£461,738</u>

ON BEHALF OF THE BOARD:



.....
Dr S Howes - DIRECTOR

Approved by the Board on 5 September 2001

The notes form part of these financial statements

ESYS PLC

**Cash Flow Statement
for the Year Ended 30 June 2001**

		<u>30.6.01</u>		<u>30.6.00</u>	
	Notes	£	£	£	£
Net cash (outflow)/inflow from operating activities	1		(101,924)		451,455
Returns on investments and servicing of finance	2		1,420		(554)
Taxation			(44,165)		(13,521)
Capital expenditure	2		<u>(44,592)</u>		<u>(55,288)</u>
(Decrease)/Increase in cash in the period			<u>£(189,261)</u>		<u>£382,092</u>
<hr/>					
Reconciliation of net cash flow to movement in net funds	3				
(Decrease)/Increase in cash in the period		(189,261)		382,092	
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		<u>12,831</u>		<u>(16,466)</u>	
Change in net funds resulting from cash flows			<u>(176,430)</u>		<u>365,626</u>
Movement in net funds in the period			<u>(176,430)</u>		<u>365,626</u>
Net funds/(debt) at 1 July			<u>320,906</u>		<u>(44,720)</u>
Net funds at 30 June			<u>£144,476</u>		<u>£320,906</u>

The notes form part of these financial statements

ESYS PLC

Notes to the Cash Flow Statement for the Year Ended 30 June 2001

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	30.6.01 £	30.6.00 £
Operating profit	269,820	205,661
Depreciation charges	74,150	64,799
Increase in stocks	(86,107)	(62,635)
Increase in debtors	(42,815)	(96,073)
(Decrease)/Increase in creditors	<u>(316,972)</u>	<u>339,703</u>
Net cash (outflow)/inflow from operating activities	<u>(101,924)</u>	<u>451,455</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	30.6.01 £	30.6.00 £
Returns on investments and servicing of finance		
Interest received	2,418	564
Interest element of hire purchase or finance lease rentals payments	<u>(998)</u>	<u>(1,118)</u>
Net cash inflow/(outflow) for returns on investments and servicing of finance	<u>1,420</u>	<u>(554)</u>
Capital expenditure		
Purchase of tangible fixed assets	<u>(44,592)</u>	<u>(55,288)</u>
Net cash outflow for capital expenditure	<u>(44,592)</u>	<u>(55,288)</u>

The notes form part of these financial statements

ESYS PLC

**Notes to the Cash Flow Statement
for the Year Ended 30 June 2001**

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.7.00 £	Cash flow £	At 30.6.01 £
Net cash:			
Cash at bank and in hand	<u>337,372</u>	<u>(189,261)</u>	<u>148,111</u>
	<u>337,372</u>	<u>(189,261)</u>	<u>148,111</u>
Debt:			
Hire purchase or finance leases	<u>(16,466)</u>	<u>12,831</u>	<u>(3,635)</u>
	<u>(16,466)</u>	<u>12,831</u>	<u>(3,635)</u>
Total	<u>320,906</u>	<u>(176,430)</u>	<u>144,476</u>
Analysed in Balance Sheet			
Cash at bank and in hand	337,372		148,111
Hire purchase or finance leases within one year	<u>(16,466)</u>		<u>(3,635)</u>
	<u>320,906</u>		<u>144,476</u>

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 30 June 2001**

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

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

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

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

Work in progress

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

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Pensions

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

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 project costs as they accrue.

Foreign currency translation

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

Transactions are mainly denominated in EUROS.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are capitalised as tangible fixed assets and depreciated in accordance with the policy outlined above. The obligations are included as creditors with the interest being charged against profit over the period of the contract.

ESYS PLC

Notes to the Financial Statements for the Year Ended 30 June 2001

2. TURNOVER

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

	30.6.01	30.6.00
	£	£
United Kingdom	1,677,789	1,667,770
Europe(excluding United Kingdom)	<u>1,061,607</u>	<u>801,682</u>
	<u>2,739,396</u>	<u>2,469,452</u>

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

3. STAFF COSTS

	30.6.01	30.6.00
	£	£
Wages and salaries	1,315,263	983,799
Social security costs	144,769	105,902
Other pension costs	<u>159,925</u>	<u>117,054</u>
	<u>1,619,957</u>	<u>1,206,755</u>

The average monthly number of employees during the year was as follows:

	30.6.01	30.6.00
Sales	24	18
Administration	<u>5</u>	<u>4</u>
	<u>29</u>	<u>22</u>

ESYS PLC

Notes to the Financial Statements for the Year Ended 30 June 2001

4. OPERATING PROFIT

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

	30.6.01	30.6.00
	£	£
Hire of plant and machinery	7,280	8,460
Depreciation - owned assets	74,150	64,799
Auditors' remuneration	3,850	3,850
Non-audit work	5,255	7,221
Foreign exchange differences	(1,156)	1,399
Operating lease - building	80,380	80,380
Operating lease - motor vehicles	<u>2,884</u>	<u>5,889</u>
Directors' emoluments	457,374	304,290
Directors' pension contributions to money purchase schemes	<u>65,558</u>	<u>48,787</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>3</u>	<u>3</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	30.6.01	30.6.00
	£	£
Emoluments etc	169,782	139,026
Pension contributions to money purchase schemes	<u>30,630</u>	<u>25,182</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	30.6.01	30.6.00
	£	£
Bank interest	2,385	564
Corporation tax interest	<u>33</u>	<u>-</u>
	<u>2,418</u>	<u>564</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	30.6.01	30.6.00
	£	£
Hire purchase	<u>998</u>	<u>1,118</u>

ESYS PLC

Notes to the Financial Statements for the Year Ended 30 June 2001

7. TAXATION

The tax charge on the profit on ordinary activities for the year was as follows:

	30.6.01	30.6.00
	£	£
UK corporation tax	60,000	46,650
Tax adjustment - prior year	(2,485)	(41)
	<u>57,515</u>	<u>46,609</u>

UK corporation tax has been charged at 20% (2000 - 20%).

8. TANGIBLE FIXED ASSETS

	Fixtures and fittings	Computer equipment	Totals
	£	£	£
COST:			
At 1 July 2000	40,650	342,444	383,094
Additions	921	43,671	44,592
Disposals	(22,495)	(159,506)	(182,001)
At 30 June 2001	<u>19,076</u>	<u>226,609</u>	<u>245,685</u>
DEPRECIATION:			
At 1 July 2000	29,998	236,853	266,851
Charge for year	5,940	68,210	74,150
Eliminated on disposals	(22,495)	(159,506)	(182,001)
At 30 June 2001	<u>13,443</u>	<u>145,557</u>	<u>159,000</u>
NET BOOK VALUE:			
At 30 June 2001	<u>5,633</u>	<u>81,052</u>	<u>86,685</u>
At 30 June 2000	<u>10,652</u>	<u>105,591</u>	<u>116,243</u>

Included in the above are assets with a net book value of £30,685 (2000 - £26,328) which are held under hire purchase agreements. The depreciation charge for the year relating those assets was £14,931 (2000 - £4,017).

9. STOCKS

	30.6.01	30.6.00
	£	£
Work in progress	<u>148,742</u>	<u>62,635</u>

ESYS PLC

Notes to the Financial Statements for the Year Ended 30 June 2001

10. DEBTORS

	30.6.01 £	30.6.00 £
Amounts falling due within one year:		
Trade debtors	514,787	478,580
Prepayments	<u>43,889</u>	<u>42,281</u>
	<u>558,676</u>	<u>520,861</u>
Amounts falling due after more than one year:		
Other debtors	<u>20,000</u>	<u>15,000</u>
Aggregate amounts	<u>578,676</u>	<u>535,861</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.6.01 £	30.6.00 £
Trade creditors	44,199	122,797
Hire purchase	3,635	16,466
Other creditors	28,127	215,056
V.A.T.	33,833	54,652
Paye	44,285	40,167
Taxation	60,000	46,650
Accruals	<u>72,672</u>	<u>94,585</u>
	<u>286,751</u>	<u>590,373</u>

12. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	30.6.01 £	30.6.00 £
1,000,000	Ordinary	£1	<u>1,000,000</u>	<u>150,000</u>
(30.6.00 - 150,000)				

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	30.6.01 £	30.6.00 £
101,505	Ordinary	£1	<u>101,505</u>	<u>101,505</u>

ESYS PLC

Notes to the Financial Statements for the Year Ended 30 June 2001

13. 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 to £115,798 (2000 - £85,104).

14. CAPITAL COMMITMENTS

	30.6.01 £	30.6.00 £
Contracted but not provided for in the financial statements	-	8,000

15. OTHER FINANCIAL COMMITMENTS

At 30 June 2001 the company had annual commitments under non-cancellable operating leases as follows:

	30.6.01 £	30.6.00 £
Land and buildings Expiring within 1 year	80,380	80,380
Office equipment and motor vehicles Expiring within 1 year	-	5,889

16. TRANSACTIONS WITH DIRECTORS

Directors remuneration includes an amount of £19,500 (2000 - £19,500) payable to McLaurin-Holt Associates Limited a company in which Mr Holt has an interest.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30.6.01 £	30.6.00 £
Profit for the financial year	213,725	158,498
Additional shares issued		
Share premium		
Net addition to shareholders' funds	213,725	158,498
Opening shareholders' funds	<u>461,738</u>	<u>303,240</u>
Closing shareholders' funds	<u>675,463</u>	<u>461,738</u>
Equity interests	<u>675,463</u>	<u>461,738</u>