

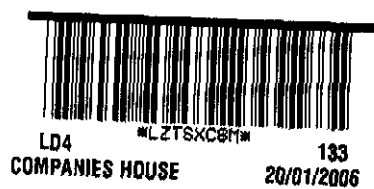
ESYS PLC

FINANCIAL STATEMENTS

for the year ended

30 June 2005

Company Registration No. 2445975



ESYS PLC

DIRECTORS AND OFFICERS

DIRECTORS

M Dillon
J A Holt
J S Boucher
A Davies
C W Smith
P J Styles
P Poskett

SECRETARY

C M Brooks

COMPANY NUMBER

2445975 (England and Wales)

REGISTERED OFFICE

1 Occam Court
Guildford
Surrey
GU2 7HJ

AUDITORS

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

BANKERS

Fortis Bank
Camomile Court
London
EC3A 7PP

ESYS PLC

DIRECTORS' REPORT

The directors present their report and financial statements of ESYS PLC for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year 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 £3,446,814 representing a 5% reduction compared with the previous year, Profit before taxation was £20,483, which was an increase compared with the previous year.

The reduction in turnover resulted from previously anticipated reductions in institutional clients' budgets and the delayed award of a number of key programmes. However our performance in our two main sectors - defence and navigation and location-based services - was, in aggregate, 50% higher than in the previous year and confirms that our business development resources have been correctly prioritized.

Our defence revenue increased by 27% as we continued to provide high-quality systems engineering support to major defence contracts in communications and network enabled capability.

Our navigation and location-based services' activities were dominated by our Sixth Framework Galileo project. Additional supporting studies to DTI saw the sector grow by 93% and we remain very well-placed for further contracts in this important area.

Our work in the education and research sector, was maintained at the level of the previous year and we have added several new clients.

Our long track record in earth observation is bearing fruit with new contracts secured in the European Global Monitoring for Environmental Security (GMES) programme. This activity has significant growth potential.

The difficulties experienced in the space and satellite communications sectors in the past few years are reflected in the reduced revenues for our space, satcoms and new media activities. However, several contracts in mobile satcoms leave us well placed to exploit this sector as it continues to grow.

Despite a lower revenue performance in 2004/05, our cost base has also reduced. Our roles in all of the above sectors enable us to profitably exploit our expertise in the forthcoming period despite the ongoing restructuring within the Space Industry.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £17,199 which will be taken to reserves.

The directors do not recommend payment of an ordinary dividend.

ESYS PLC

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The following directors have held office since 1 July 2004:

M Dillon
J A Holt
J S Boucher
A Davies
C W Smith
P J Styles
P Poskett

(Appointed 5 September 2004)

(Appointed 15 April 2005)

DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the company, including family interests, were as follows:

ordinary shares of £ 1 each
30.6.05 1.7.04

M Dillon	70,700	70,700
J A Holt	1,010	1,010
J S Boucher	-	-
A Davies	-	-
C W Smith	-	-
P J Styles	-	-
P Poskett	-	-

CREDITOR PAYMENT POLICY

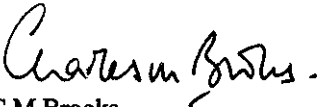
The company's policy is to agree terms of payment with its suppliers and to settle accounts in accordance with its contractual and legal obligations.

The number of creditors days at 30 June 2005 was 38 Days (2004: 30 Days).

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants will be put to the members at the annual general meeting.

By order of the board



C M Brooks

Secretary

13th October 2005

ESYS PLC

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESYS PLC

We have audited the financial statements on pages 6 to 18.

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 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 the other information 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 within 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 as at 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor

Chartered Accountants

The Clock House

140 London Road

Guildford

Surrey

GU1 1UW

13 JUN 2005

ESYS PLC

PROFIT AND LOSS ACCOUNT for the year ended 30 June 2005

	Notes	2005 £	2004 £
TURNOVER	1	3,446,814	3,645,214
Cost of sales		<u>2,012,621</u>	<u>2,007,034</u>
Gross profit		1,434,193	1,638,180
Other operating expenses	2	<u>1,395,470</u>	<u>1,612,315</u>
OPERATING PROFIT		38,723	25,865
Investment income	3	<u>982</u>	<u>2</u>
		39,705	25,867
Interest payable	4	<u>19,222</u>	<u>21,401</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	20,483	4,466
Taxation	7	<u>3,284</u>	<u>715</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	<u><u>17,199</u></u>	<u><u>3,751</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.

ESYS PLC
BALANCE SHEET
30 June 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Tangible assets	8	60,876	80,016
CURRENT ASSETS			
Debtors	9	1,135,950	1,167,830
Cash at bank and in hand		288,237	97,807
		1,424,187	1,265,637
CREDITORS: Amounts falling due within one year	10	886,456	681,577
NET CURRENT ASSETS		537,731	584,060
TOTAL ASSETS LESS CURRENT LIABILITIES		598,607	664,076
CREDITORS: Amounts falling due after more than one year	11	-	(82,668)
		598,607	581,408
CAPITAL AND RESERVES			
Called up share capital	12	75,649	75,649
Other reserves	13	25,856	25,856
Profit and loss account	13	497,102	479,903
EQUITY SHAREHOLDERS' FUNDS	14	598,607	581,408

Approved by the board on 13th October 2005

J S Boucher

Director

J S Boucher

ESYS PLC

CASH FLOW STATEMENT

for the year ended 30 June 2005

	<i>Notes</i>	2005 £	2004 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	15	40,604	349,253
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		982	2
Interest paid		(19,222)	(21,401)
Net cash outflow for returns on investments and servicing of finance		(18,240)	(21,399)
TAXATION		2,158	(31,790)
CAPITAL EXPENDITURE			
Payments to acquire tangible assets		(39,832)	(47,319)
Receipts from sales of tangible assets		-	300
Net cash outflow for capital expenditure		(39,832)	(47,019)
FINANCING			
New loan taken out in year		-	166,668
Loan repayment in year		(83,332)	(250,000)
Net cash outflow from financing		(83,332)	(83,332)
DECREASE IN CASH IN THE YEAR		(98,642)	165,713

ESYS PLC

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less depreciation.

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:

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

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 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.

LEASED ASSETS

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

PENSIONS CONTRIBUTIONS

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

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 the transaction. All differences are taken to profit and loss account.

Transactions are mainly denominated in EUROS.

TURNOVER

Turnover represents the value of work done on contracts during the year, net of value added tax, taking into account the stage of completion of the contract. Amounts recoverable on long term contracts, which are included in debtors are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

LEASES

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

ESYS PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

1. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The contributions of the various activities of the company to turnover, which are in respect of continuing activities, are set out below:

By geographical market:

	Turnover	
	2005	2004
	£	£
United Kingdom	1,813,668	1,845,571
Rest of Europe	1,447,187	1,693,669
North America and rest of the world	185,959	105,974
	<u>3,446,814</u>	<u>3,645,214</u>

2. OTHER OPERATING EXPENSES

	2005	2004
	£	£
Administrative expenses	<u>1,395,470</u>	<u>1,612,315</u>

3. INVESTMENT INCOME

	2005	2004
	£	£
Bank interest	907	2
Other interest	75	-
	<u>982</u>	<u>2</u>

4. INTEREST PAYABLE

	2005	2004
	£	£
On bank loans and overdrafts	<u>19,222</u>	<u>21,401</u>

ESYS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 30 June 2005

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2005	2004
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible assets:		
Charge for the year:		
owned assets	58,972	56,317
Profit on disposals	-	(300)
Operating lease rentals:		
Land and buildings	158,975	158,975
Profit on foreign exchange transactions	(24,537)	(21,015)
Auditors' remuneration	8,750	8,000
Remuneration of auditors for non-audit work	4,396	5,923

ESYS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 30 June 2005

6. EMPLOYEES

The average monthly number of persons (including directors) employed by the company during the year was:	2005 No.	2004 No.
Sales (including directors)	23	29
Administration	6	6
	<u>29</u>	<u>35</u>

	£	£
Staff costs for the above persons:		
Wages and salaries	1,507,180	1,847,135
Social security costs	171,737	208,957
Other pension costs	104,479	110,649
Other staff costs	57,538	67,121
	<u>1,840,934</u>	<u>2,233,862</u>

DIRECTORS' REMUNERATION	2005 £	2004 £
Emoluments for qualifying services	497,077	420,643
Company pension contributions to money purchase schemes	52,391	23,146
	<u>549,468</u>	<u>443,789</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 4 (2004- 2).

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

Emoluments for qualifying services	138,506	140,334
Company pension contributions to money purchase schemes	29,683	14,359
	<u>168,189</u>	<u>154,693</u>

ESYS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2005

7. TAXATION	2005 £	2004 £
Domestic current year tax		
U.K. corporation tax	7,228	(2,000)
Adjustment for prior years	(158)	(610)
	<u>7,070</u>	<u>(2,610)</u>
Current tax charge		
Deferred tax		
Origination and reversal of timing differences	(3,786)	3,325
	<u>3,284</u>	<u>715</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>20,483</u>	<u>4,466</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax for small companies of 19.00% (2004: 19.00%)	<u>3,892</u>	<u>849</u>
Effects of:		
Non deductible expenses	413	(811)
Depreciation in excess of capital allowances	3,392	(2,195)
Adjustments to previous periods	(158)	(610)
Other tax adjustments	(469)	157
	<u>3,178</u>	<u>(3,459)</u>
Current tax charge	<u>7,070</u>	<u>(2,610)</u>

ESYS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2005

8. TANGIBLE FIXED ASSETS

	<i>Computer equipment</i> £	<i>Fixtures and fittings</i> £	<i>Total</i> £
Cost			
1 July 2004	298,663	108,989	407,652
Additions	39,832	-	39,832
Disposals	(183,528)	(15,443)	(198,971)
30 June 2005	154,967	93,546	248,513
Depreciation			
1 July 2004	237,988	89,648	327,636
Charge in the year	41,087	17,885	58,972
Disposals	(183,528)	(15,443)	(198,971)
30 June 2005	95,547	92,090	187,637
Net book value			
30 June 2005	59,420	1,456	60,876
30 June 2004	60,675	19,341	80,016

ESYS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2005

9. DEBTORS	2005 £	2004 £
Due within one year:		
Trade debtors	656,212	849,528
Amounts recoverable on long term contracts	402,872	248,887
Corporation tax	-	2,000
Prepayments and accrued income	71,805	66,140
Deferred tax asset	5,061	1,275
	<u>1,135,950</u>	<u>1,167,830</u>

Deferred tax

	2005 £
Balance at 1 July 2004	1,275
Profit and loss account	3,786
	<u>5,061</u>
Balance at 30 June 2005	<u>5,061</u>

	2005 £	2004 £
Accelerated capital allowances	4,676	1,275
Other timing differences	385	-
	<u>5,061</u>	<u>1,275</u>

The deferred tax asset is in respect of excess depreciation over capital allowances.

Amounts recoverable on contracts in 2004 were previously described as work in progress and shown separately on the balance sheet.

10. CREDITORS: Amounts falling due within one year	2005 £	2004 £
Bank overdraft	289,072	-
Bank loans	83,336	84,000
Payments received on account	19,237	245,030
Trade creditors	198,476	169,052
Corporation tax	7,228	-
Other taxes and social security costs	81,099	86,493
Accruals and deferred income	208,008	97,002
	<u>886,456</u>	<u>681,577</u>

The bank overdraft and loan are secured as described in note 12.

ESYS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 30 June 2005

11. CREDITORS: Amounts falling due in more than one year	2005 £	2004 £
Bank loans	-	82,668
Loans		
Wholly repayable within five years	83,336	166,668
Included in current liabilities	(83,336)	(84,000)
	-	82,668
Loan maturity analysis:		
In more than one year but not more than two years	-	82,668

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 instalments of £21,000 and bears an interest rate of 2% above the bank's base rate.

12. SHARE CAPITAL	2005 £	2004 £
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

13. STATEMENT OF MOVEMENT ON RESERVES

	Other reserves (see below) £	Profit and loss account £
1 July 2004	25,856	479,903
Retained profit for the year	-	17,199
30 June 2005	25,856	497,102
Other reserves		
Capital redemption reserve		
Balance at 1 July 2004 & at 30 June 2005	25,856	

ESYS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2005

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2005 £	2004 £
Profit for the financial year	17,199	3,751
Opening shareholders' funds	581,408	577,657
Closing shareholders' funds	598,607	581,408

15. CASH FLOWS	2005 £	2004 £
a. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities		
Operating profit	38,723	25,865
Depreciation of tangible assets	58,972	56,317
Profit on disposal of tangible assets	-	(300)
Decrease/(increase) in stocks	-	219,732
Decrease/(increase) in debtors	33,666	90,190
(Decrease)/increase in creditors within one year	(90,757)	(42,551)
Net cash inflow/(outflow) from operating activities	40,604	349,253

b. Analysis of net debt	1 July 2004 £	Cash flow £	Other non-cash changes £	30 June 2005 £
Net cash:				
Cash at bank and in hand	97,807	190,430	-	288,237
Bank overdrafts	-	(289,072)	-	(289,072)
	97,807	(98,642)	-	(835)
Bank deposits	-	-	-	-
Debt:				
Debts falling due within one year	(84,000)	83,332	(82,668)	(83,336)
Debts falling due after one year	(82,668)	-	82,668	-
Net debt	(68,861)	(15,310)	-	(84,171)

c. Reconciliation of net cash flow to movement in net debt	2005 £	2004 £
(Decrease)/increase in cash in the year	(98,642)	165,713
Cash outflow/(inflow) from decrease/(increase) in debt	83,332	83,332
Movement in net debt in the year	(15,310)	249,045
Opening net debt	(68,861)	(317,906)
Closing net debt	(84,171)	(68,861)

ESYS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 30 June 2005

16. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2005 the company had annual commitments under non-cancellable operating leases as follows:

	2005 £	2004 £
Land and buildings expiring in the first year	-	158,975
expiring in the second to fifth year	158,975	-
Plant and machinery expiring in the second to fifth year	-	4,596
	<u>158,975</u>	<u>163,571</u>

17. FOREIGN EXCHANGE CONTRACTS

At 30 June 2005 the company had entered into forward foreign exchange contracts totalling £205,440 (2004: £826,022).

18. 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 amounted to £104,479 (2004- £110,649).

19. CONTROL

Mr M Dillon, a director of the company, controls the company through his majority shareholding.