

Company number : 2445975

**ESYS PLC**  
**FINANCIAL STATEMENTS**  
**30 JUNE 2003**

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



**DIRECTORS AND OFFICERS**

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**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

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The directors submit their report and the financial statements of ESYS plc for the year ended 30 June 2003.

### 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 £4,258,825 representing a 37% growth compared with the previous year. Profit before taxation was £118,905, a 20 % improvement on the previous year and maintained at 3% of turnover. This was after incurring costs associated with changes in the senior management of the company and a bad debt provision arising from the financial difficulties of one customer affecting two contracts.

During the year the company completed a share repurchase reducing net worth by £260,000.

The growth in turnover was achieved with strong performance across all four practices - Space, Defence, Education & Research and Telecommunications.

In the **Space sector**, growth of 34% was achieved by broadening our traditional consulting activities and by adding new clients.

In **Defence**, encouraging growth of 40% was achieved in the areas of space and terrestrial military communications. Key roles in two major programmes underpin longer-term growth.

In **Education and Research**, we won our largest contract to date in this sector to support the EC on technology dissemination. Growth at 17% was in line with the expectations.

Growth in the **Telecommunications** practice was 60%, based primarily on strengthening relationships with a number of partners and operators.

Three years of sustained revenue growth have confirmed our assumptions about the evolution of our target markets and the outlook for the company continues to be one of profitable growth.

### DIVIDENDS

The profit on ordinary activities after taxation was £96,946 (2002: £65,248) 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 give in note 7 to the accounts.

**DIRECTORS' REPORT (CONTINUED)**

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**DIRECTORS**

The following directors have held office since 1 July 2002:-

M Dillon	
J A Holt	
Dr S Howes	resigned 4 October 2002
J S Boucher	
A Davies	
C W Smith	appointed 1 April 2003

**DIRECTORS' INTERESTS IN SHARES**

The beneficial interests of the directors holding office on 30 June 2003 in the issued share capital of the company were as follows:

	30.06.03	01.07.02
M Dillon	70,700	71,205
J A Holt	1,010	505

**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 2003 was 57 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**

Churchmill Partnership resigned as auditors during the year. Baker Tilly, Chartered Accountants, were appointed auditors to the company. 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

8<sup>th</sup> September 2003

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

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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.

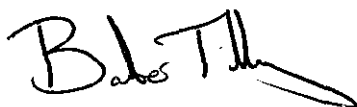
### **BASIS OF OPINION**

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 2003 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

8 SEPTEMBER 2003

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 30 June 2003**

	Notes	2003	2002
<b>TURNOVER</b>	1	4,258,825	3,101,460
Costs of sales		2,387,254	1,500,201
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		1,871,571	1,601,259
Administrative expenses		1,744,424	1,502,176
		<hr/>	<hr/>
<b>OPERATING PROFIT</b>	4	127,147	99,083
Interest receivable and similar income	2	-	1,420
		<hr/>	<hr/>
		127,147	100,503
Interest payable and similar charges	3	8,242	1,818
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		118,905	98,685
Tax on profit on ordinary activities	6	21,959	33,437
		<hr/>	<hr/>
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>	14	£ 96,946	£ 65,248
		<hr/> <hr/>	<hr/> <hr/>

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 2003**

	Notes	2003	2002
<b>FIXED ASSETS</b>			
Tangible assets	7	89,014	124,429
<b>CURRENT ASSETS</b>			
Stocks	8	468,619	471,659
Debtors	9	1,010,458	803,805
Cash at bank and in hand		353	893
		<u>1,479,430</u>	<u>1,276,357</u>
<b>CREDITORS</b>			
Amounts falling due within one year	10	824,119	623,825
<b>NET CURRENT ASSETS</b>			
		<u>655,311</u>	<u>652,532</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>744,325</u>	<u>776,961</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	11	166,668	36,250
		<u>£ 577,657</u>	<u>£ 740,711</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	75,649	101,505
Capital redemption reserve	15	25,856	-
Profit and loss account	14	476,152	639,206
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
	19	<u>£ 577,657</u>	<u>£ 740,711</u>

Approved by the board on *8th September* 2003.

*James Boucher*

J S Boucher  
Director



**CASH FLOW STATEMENT**  
for the year ended 30 June 2003

	Note	2003	2002
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	21a	269,313	(236,096)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	21b	(8,242)	(398)
TAXATION		(29,159)	(58,437)
CAPITAL EXPENDITURE	21b	(35,587)	(107,411)
FINANCING		(118,750)	108,750
INCREASE/(DECREASE) IN CASH IN THE YEAR		<u>£ 77,575</u>	<u>£ (293,592)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	21c		
INCREASE/(DECREASE) IN CASH IN THE YEAR		77,575	(293,592)
Cash flow from increase in debt and lease financing		(141,250)	(105,115)
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS		<u>(63,675)</u>	<u>(398,707)</u>
NET (DEBT)/FUNDS AT 1 JULY 2002		<u>(254,231)</u>	<u>144,476</u>
NET DEBT AT 30 JUNE 2003		<u>£ (317,906)</u>	<u>£ (254,231)</u>

**Financial statements for the year ended 30 June 2003****ACCOUNTING POLICIES**

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**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 2003****ACCOUNTING POLICIES**

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**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 2003**

**1. TURNOVER**

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

	2003	2002
United Kingdom	2,299,765	1,860,876
Rest of Europe	1,959,060	1,240,584
	<u>£ 4,258,825</u>	<u>£ 3,101,460</u>
	=====	=====

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

**2. INTEREST RECEIVABLE AND SIMILAR INCOME**

Bank interest	£ -	£ 1,420
	=====	=====

**3. INTEREST PAYABLE AND SIMILAR CHARGES**

Hire purchase	-	1,818
Directors' loan interest	8,242	-
	<u>£ 8,242</u>	<u>£ 1,818</u>
	=====	=====

**4. OPERATING PROFIT**

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

Hire of plant and machinery	1,174	6,200
Depreciation of tangible assets:		
Charge for the year:		
owned assets	71,002	69,667
Operating lease rentals:		
Land and buildings	168,976	113,538
Auditors' remuneration:		
audit fees	8,000	5,000
other fees	6,014	3,557
Foreign exchange differences	(29,482)	1,592
	<u>=====</u>	<u>=====</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2003**

5. EMPLOYEES	2003	2002
The average monthly number of persons (including directors) employed by the company during the year was:	No.	No.
Sales	27	23
Administration	6	5
	<u>33</u>	<u>28</u>
	=====	=====
	2003	2002
	£	£
Staff costs for the above persons:		
Wages and salaries	1,852,123	1,541,470
Social security costs	205,268	165,197
Other pension costs	205,619	189,245
	<u>2,263,010</u>	<u>1,895,912</u>
	=====	=====
<b>DIRECTORS' REMUNERATION</b>		
Emoluments for qualifying services	454,610	437,755
Company pension contributions to money purchase schemes	66,239	68,103
	<u>=====</u>	<u>=====</u>
The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2002: 3).		
Emoluments disclosed above include the following amounts paid to the highest paid director:		
Emoluments etc	154,835	138,286
Pension contributions to money purchase schemes	31,455	31,455
	<u>=====</u>	<u>=====</u>

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2003

### 6. TAXATION

#### Analysis of the tax charge

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

	2003	2002
Current tax:		
UK corporation tax	32,400	35,000
Over provision in respect of previous years	(5,841)	(1,563)
Total current tax	£ 26,559	£ 33,437
Deferred tax:		
Origination and reversal of timing differences	(4,600)	-
Total deferred tax	(4,600)	-
Tax on profit on ordinary activities	£ 21,959	£ 33,437

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than the small companies rate of corporation tax in the UK 19%. (2002: 20%) The differences are explained below:

Profit on ordinary activities before tax	£ 118,905	£ 98,685
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 19% (2002: 20%)	22,592	19,737
Effects of:		
Expenses not deductible for tax purposes	4,108	12,238
Adjustment to tax charge in respect of previous periods	(5,841)	(1,563)
Capital allowances in arrears/(excess) of depreciation	5,421	(2,448)
Other tax adjustments	279	5,473
Current tax charge for the year	£ 26,559	£ 33,437

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2003**

**7. TANGIBLE FIXED ASSETS**

	Fixtures & fittings	Computer equipment	TOTAL
Cost:			
1 July 2002	98,556	228,798	327,354
Additions	10,433	25,154	35,587
30 June 2003	108,989	253,952	362,941
Depreciation:			
1 July 2002	22,961	179,964	202,925
Charge in the period	36,351	34,651	71,002
30 June 2003	59,312	214,615	273,927
Net book value:			
30 June 2003	49,677	39,337	£ 89,014
30 June 2002	75,595	48,834	£ 124,429

**8. STOCKS**

	2003	2002
Work in progress	£ 468,619	£ 471,659

**9. DEBTORS**

Due within one year:		
Trade debtors	937,929	740,221
Prepayments and accrued income	67,929	63,584
Deferred tax asset	4,600	-
	£ 1,010,458	£ 803,805

**10. CREDITORS**

Amounts falling due within one year:		
Bank loans and overdrafts (see note 12)	151,591	218,874
Trade creditors	305,681	215,963
Other creditors	130,470	-
Other taxes and social security	112,462	110,172
Corporation tax	32,400	35,000
Accruals and deferred income	91,515	43,816
	£ 824,119	£ 623,825

**11. CREDITORS**

Amounts falling due after one year:

Bank loans (see note 12)	£ 166,668	£ 36,250
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# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2003

### 12. LOANS AND OVERDRAFTS

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

	2003	2002
Amounts falling due within one year:		
Bank overdrafts	68,259	146,374
Bank loans	83,332	72,500
	<u>£ 151,591</u>	<u>£ 218,874</u>
	=====	=====
Amounts falling due between one and two years:		
Bank loans	£ 166,668	£ 36,250
	<u>=====</u>	<u>=====</u>

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 £20,833 and bears an interest rate of 2% above the bank's base rate.

### 13. SHARE CAPITAL

	2003	2002
Authorised:		
1,000,000 ordinary shares of £1 each	£ 1,000,000	£ 1,000,000
	<u>=====</u>	<u>=====</u>
Allotted, issued and fully paid:		
75,649 ordinary shares of £1 each	£ 75,649	£ 101,505
	<u>=====</u>	<u>=====</u>

### 14. PROFIT AND LOSS ACCOUNT

1 July 2002	639,206	573,958
Profit for the financial year	96,946	65,248
Purchase of own shares	(260,000)	-
	<u>£ 476,152</u>	<u>£ 639,206</u>
	=====	=====
30 June 2003		

### 15. CAPITAL REDEMPTION RESERVE

During the year the company repurchased 25,856 ordinary shares of £1 each from Dr S Howes for consideration of £260,000 following Dr S Howes resignation as a director of the company. This represents 25.5% of the called up share capital.

### 16. 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 £141,994 (2002: £130,736).



# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2003

### 17. OTHER FINANCIAL COMMITMENTS

At 30 June 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003	2002
Land and buildings		
Expiring within 2-5 years	£ 158,975	£ 158,975
	=====	=====

### 18. TRANSACTIONS WITH DIRECTORS

Directors' remuneration includes an amount of £22,750 (2002: £19,500) payable to McLaurin-Holt Associates Limited a company in which Mr Holt had an interest.

During the year M Dillon, a director, made a loan of £215,000 to the company. The loan was repaid in full with total interest accruing of £8,242.

### 19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
Profit for the financial year	96,946	65,248
Purchase of own shares	(260,000)	-
Net (depletion)/increase to shareholders' funds	(163,054)	65,248
Opening shareholders' funds	740,711	675,463.
	=====	=====
Closing shareholders' funds	£ 577,657	£ 740,711
	=====	=====

### 20. FOREIGN EXCHANGE CONTRACTS

At 30 June 2003 the company had entered into forward foreign exchange contracts totaling £483,096 (2002: £238,542).

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2003**

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

NOTES TO THE CASH FLOW STATEMENT

	2003	2002	
a. <b>Reconciliation of operating profit to net cash outflow from operating activities</b>			
Operating profit	127,147	99,083	
Depreciation	71,002	69,667	
Decrease/(increase) in stocks	3,040	(322,917)	
Increase in debtors	(202,053)	(225,129)	
Increase in creditors	270,177	143,200	
	<u>£ 269,313</u>	<u>£ (236,096)</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	-	1,420	
Interest element of hire purchase or finance lease rental payments	-	(1,818)	
Directors' loan interest	(8,242)	-	
Net cash outflow for returns on investments and servicing of finance	<u>£ (8,242)</u>	<u>£ (398)</u>	
<b>Capital expenditure</b>			
Purchase of tangible fixed assets	(35,587)	(107,411)	
Net cash outflow for capital expenditure	<u>£ (35,587)</u>	<u>£ (107,411)</u>	
<b>Financing</b>			
New loan taken out in year	250,000	145,000	
Loan repayments in year	(108,750)	(36,250)	
Purchase of own shares	(260,000)	-	
Net cash (outflow)/inflow from financing	<u>£ (118,750)</u>	<u>£ 108,750</u>	
c. <b>Analysis of changes in net debt</b>			
	<b>1 July 2002</b>	<b>Cash flows</b>	<b>30 June 2003</b>
Net cash:			
Cash at bank and in hand	893	(540)	353
Bank overdraft	(146,374)	78,115	(68,259)
	<u>(145,481)</u>	<u>77,575</u>	<u>(67,906)</u>
Debt:			
Bank loan	(108,750)	(141,250)	(250,000)
	<u>£ (254,231)</u>	<u>(63,675)</u>	<u>£ (317,906)</u>