

Company Registration No. 4541965 (England and Wales)

AEGIS DEFENCE SERVICES LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010



AEGIS DEFENCE SERVICES LIMITED

DIRECTORS AND ADVISERS

Directors	The Right Honourable Lord Paul Boateng PC Brigadier James Ellery CBE The Honorable Nicholas Soames MP Jonathan Newman Graham Binns CBE DSO MC Lieutenant General Sir Graeme Lamb KBE CMG DSO
Secretary	Jonathan Newman
Company number	4541965
Registered office	39 Victoria Street London SW1H 0EU
Independent Auditors	Saffery Champness Lion House Red Lion Street London WC1R 4GB
Bankers	Coutts & Co 440 The Strand London WC2R 0QS
Solicitors	S J Berwin & Co 10 Queen Street Place London EC4R 1BE

AEGIS DEFENCE SERVICES LIMITED

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AEGIS DEFENCE SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report and financial statements for the year ended 31 December 2010

Principal activities

The principal activities of the company are the identification and mitigation of risk on behalf of governments and corporates worldwide, geo-political risk analysis, investigation and security consultancy

Review of the business and future developments

2010 saw another year of strong progress for the Group. Notwithstanding a reduction in revenue generated from US Government contracts due to the drawdown of US Forces in Iraq, overall turnover grew from £152,194,315 to £173,975,202 through increased levels of service provided to other clients and the development of new business streams. New contract opportunities in the United States, Middle East and Africa were secured and further opportunities continue to be developed. These opportunities will continue to diversify the Group's market share and customer base. The Group has continued to invest significantly over the past year to achieve these objectives, in particular in the Middle East and the USA.

Our markets reflect the changing needs of our customers and the often rapid developments in operating conditions. Although the political circumstances and the nature of the operational risks facing our customers continues to evolve the Board believes that our customers' strategy of outsourcing the management of operational risk in pursuit of their strategic aims will continue. The Board believes that demand for the Group's services will therefore continue across all the Group's target markets albeit at continuously changing levels.

The Group continuously monitors operating conditions and revises its operating practices and procedures in the light of developments as they occur. The Group recognises its responsibilities to clients, staff and the communities in which it operates and will not engage in circumstances in which it cannot assure adequate service and protection levels.

The Group is licensed in all territories in which it operates, and complies with all applicable national and international laws in these territories. The Group's quality management system is certified to ISO 9001:2000 and the Group's US subsidiary, Aegis LLC, has been granted Top Secret Facility Clearance (FCL) status in the United States. The UK operating company has equivalent status in the United Kingdom (List X). Aegis LLC bid and was awarded, during the last quarter of 2010, an Indefinite Delivery Indefinite Quantity (IDIQ) contract with the US Department of State (DoS) in support of the Worldwide Protective Services Contract. This contract is estimated to be worth over \$10 billion over the next 5 years across 8 awardees.

The Group continues to invest operating profits to develop the range and scope of services offered to the market. This revenue investment comprises overheads and expansion costs as well as start-up costs incurred in commencing operations in new territories and the support of these operations whilst they establish themselves. As a result of this expenditure, the Group continues to extend its capabilities in areas of potential future growth.

The Group again increased its level of new investment in fixed assets from that incurred in 2009 and has plans to continue investing in similar assets in 2011.

AEGIS DEFENCE SERVICES LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2010

Review of the business and future developments (continued)

As noted under the Risk review, the Group is exposed to the impact of changes in the Sterling/US Dollar exchange rate. The strengthening of the US Dollar toward the end of the year resulted in a positive impact on the Groups results for 2010.

The Board monitors turnover and Operating profitability before and after revenue investment.

Other operating metrics are monitored in different parts of the business with an emphasis on service performance and staff health and safety. The Board is satisfied on the basis of customer and staff feedback received, as well as on other non-financial measures, that the Group is meeting and exceeding its goals in these key areas.

As indicated in last year's report, in order to present better its international business profile, the Group has implemented a corporate reorganisation and created a new Group Holding company. As part of this reorganisation a number of the directors resigned from the Board to join a new Group Advisory Council, whilst new directors have been appointed to assist the continuing development of the company and the group both in the UK and overseas.

Results and dividends

The consolidated profit and loss account for the year is set out on page 8.

Risk review

The Board has established a risk management framework for ensuring that the major risks facing the Group are identified, evaluated and actively managed. Risks are reviewed annually. It is not possible to mitigate fully all risks to which the Group is exposed but the ability to manage such risks and advise others on similar risks is considered a key strength of the Group.

The Group operates in extremely hostile environments on a worldwide basis. This gives rise to exceptional operating risks and the Group therefore adopts extensive and detailed risk mitigation strategies and tactics that address physical threats to customers and personnel. The Group mitigates commercial risk through entering into contract forms that recognise the distinctive environments in which it operates and by arranging appropriate insurance.

In addition to the special risks arising from the nature of the Group's business, the Board considers that the major risk factors impacting on the Group's business are as follows:

Concentrated exposure to a limited number of customers and territories

Although to a lesser extent than in prior years, the Group's business is still dominated by a small number of major customers, operating principally in the Middle East. In the event that the customers' service requirements change, this could have a material adverse impact on the Group's business and prospects. The Group however continues to reduce the impact of this risk through diversifying its customer and contract base.

AEGIS DEFENCE SERVICES LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2010

Foreign exchange

The Group invoices its principal customers in US dollars. The majority of its direct costs arising are denominated in US dollars but a significant proportion of overhead costs are denominated in Sterling. The Group is therefore exposed to the impact of changes in the Sterling/US Dollar exchange rate. The Group seeks to mitigate this risk by matching currencies of costs and income wherever possible and taking short term currency hedging positions where these are appropriate.

Ability to attract and retain qualified personnel

The Group's contracts frequently specify minimum qualifications for personnel engaged on contracts. This requires the availability of appropriate personnel at acceptable cost. The Group seeks to mitigate this risk by investing continuously in recruitment initiatives and providing competitive remuneration packages for personnel. The Group is a founder member of the British Association of Private Security Companies (BAPSC) and continues to engage in a range of initiatives to bring greater credibility, oversight and regulation to the private security sector. In this regard Aegis is a supporter of the Montreux Agreement and was a prime contributor to and an initial signatory of the International Code of Conduct for Private Security Companies signed in Geneva in November 2010.

Loss of reputation

The Group's business is dependent upon being held in high regard by its customers, the communities in which it operates and its personnel. The Board seeks to protect the Group's reputation by ensuring that the Group is only associated with activities that are appropriate and legal, by only engaging with reputable customers and suppliers and by operating only in those conditions where the Group understands and can contain physical threats and by rigorous vetting of personnel.

Going concern

The financial statements have been prepared on a going concern basis as the Directors have, after making enquiries, a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future.

Directors

The following directors have held office since 1 January 2010

Mark Bullough	(Resigned 19 March 2010)
Sir John Birch KCVO CMG	(Resigned 25 March 2010)
Jeffrey Day	(Resigned 25 March 2010)
Keith Henry	(Resigned 25 March 2010)
Field Marshall the Lord Peter Inge KG GCB DL	(Resigned 25 March 2010)
Lieutenant Colonel Tim Spicer OBE	(Resigned 25 March 2010)
General Sir Roger Wheeler GCB CBE	(Resigned 25 March 2010)
Dominic Armstrong	(Resigned 23 March 2011)
The Right Honourable Lord Paul Boateng PC	
Brigadier James Ellery CBE	
The Honorable Nicholas Soames MP	
Jonathan Newman	(Appointed 16 March 2010)
Graham Binns CBE DSO MC	(Appointed 21 October 2010)
Lieutenant General Sir Graeme Lamb KBE CMG DSO	

AEGIS DEFENCE SERVICES LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	£	£
During the year the group made the following payments		
Charitable donations	47,622	52,408

The Group continued to provide the Aegis Charitable Foundation (an independent registered charity) with administrative and accounting support at no cost

Auditors

Saffery Champness have expressed their willingness to remain in office as auditors of the company

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AEGIS DEFENCE SERVICES LIMITED

**DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2010**

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



Jonathan Newman
Director
22 June 2011

AEGIS DEFENCE SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEGIS DEFENCE SERVICES LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Aegis Defence Services Limited for the year ended 31 December 2010 set out on pages 8 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

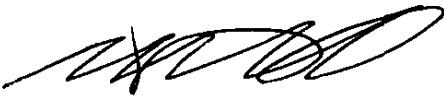
AEGIS DEFENCE SERVICES LIMITED

**INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF AEGIS DEFENCE SERVICES LIMITED**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Michael Di Leto (Senior Statutory Auditor)
for and on behalf of Saffery Champness**

22 June 2011

**Chartered Accountants
Statutory Auditors**

Lion House
Red Lion Street
London
WC1R 4GB

AEGIS DEFENCE SERVICES LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £	2009 £
Turnover	2	173,975,202	152,194,315
Cost of sales		(136,064,229)	(118,685,790)
Gross profit		37,910,973	33,508,525
Administrative expenses		(24,872,092)	(19,229,747)
Operating profit	3	13,038,881	14,278,778
Other interest receivable and similar income		56,241	55,244
Interest payable and similar charges	4	(91,958)	(53,641)
Profit on ordinary activities before taxation		13,003,164	14,280,381
Tax on profit on ordinary activities	5	(3,462,657)	(4,171,335)
Profit on ordinary activities after taxation	13	<u>9,540,507</u>	<u>10,109,046</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

The notes on pages 11 to 21 form part of these financial statements

AEGIS DEFENCE SERVICES LIMITED

BALANCE SHEETS AS AT 31 DECEMBER 2010

	Notes	Group 2010 £	2009 £	Company 2010 £	2009 £
Fixed assets					
Tangible assets	7	2,021,644	224,780	370,236	124,732
		<u>2,021,644</u>	<u>224,780</u>	<u>370,236</u>	<u>124,732</u>
Current assets					
Work in progress	9	765,226	1,148,523	444,141	1,148,523
Debtors	10	19,695,106	16,192,034	26,623,931	18,637,420
Cash at bank and in hand		15,078,983	8,434,858	9,077,963	5,442,137
		<u>35,539,315</u>	<u>25,775,415</u>	<u>36,146,035</u>	<u>25,228,080</u>
Creditors: amounts falling due within one year	11	(9,498,862)	(7,478,605)	(9,204,193)	(7,350,432)
Net current assets		<u>26,040,453</u>	<u>18,296,810</u>	<u>26,941,842</u>	<u>17,877,648</u>
Total assets less current liabilities		<u>28,062,097</u>	<u>18,521,590</u>	<u>27,312,078</u>	<u>18,002,380</u>
		<u>28,062,097</u>	<u>18,521,590</u>	<u>27,312,078</u>	<u>18,002,380</u>
Capital and reserves					
Called up share capital	12	112	112	112	112
Other reserves	13	25	25	25	25
Profit and loss account	13	28,061,960	18,521,453	27,311,941	18,002,243
Shareholders' funds	14	<u>28,062,097</u>	<u>18,521,590</u>	<u>27,312,078</u>	<u>18,002,380</u>

The notes on pages 11 to 21 form part of these financial statements

Approved by the Board and authorised for issue on 22 June 2011



Jonathan Newman
Director



Graham Binns
Director

Company Registration No. 4541965

AEGIS DEFENCE SERVICES LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	£	2010 £	£	2009 £
Net cash inflow from operating activities	21		13,229,376		1,280,168
Returns on investments and servicing of finance					
Interest received		56,241		55,244	
Interest paid		(91,958)		(53,641)	
Net cash (outflow)/inflow for returns on investments and servicing of finance			(35,717)		1,603
Taxation			(3,998,839)		(4,046,237)
Capital expenditure					
Payments to acquire tangible assets		(2,536,702)		(215,235)	
Net cash outflow for capital expenditure			(2,536,702)		(215,235)
Net cash inflow/(outflow) before management of liquid resources and financing			6,658,118		(2,979,701)
Increase/(decrease) in cash in the year	22, 23		<u>6,658,118</u>		<u>(2,979,701)</u>

AEGIS DEFENCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2010. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.5 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

Where a permanent diminution in value occurs, additional amortisation is charged to reduce the book value of goodwill to realisable value.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings	Leasehold	over the length of the lease
Materiel		33% straight line
Equipment		33% straight line
Plant and machinery		33% straight line

1.7 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.9 Work in progress

Work in progress is valued at the lower of cost and net realisable value.

AEGIS DEFENCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2010

1 Accounting policies

(continued)

1.10 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future

1.11 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at a monthly rate ruling for the month in which the transaction occurs. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the Group has been derived from its principal activity. It is the view of the directors that disclosure of the different geographical markets in which the group operates would be seriously prejudicial to the interests of the Group.

3 Operating profit

	2010 £	2009 £
Operating profit is stated after charging		
Depreciation of tangible assets	744,558	157,998
Loss on disposal of tangible assets	-	5,665
Fees payable to the group's auditor for the audit of the group's annual accounts (company £29,250, 2009 £29,250)	29,250	29,250
Remuneration of auditors for non-audit work	218,110	129,585
and after crediting		
Profit on foreign exchange transactions	(563,419)	(710,237)

4 Interest payable

	2010 £	2009 £
On bank loans and overdrafts	81,112	25,100
Other interest	10,846	28,541
	<u>91,958</u>	<u>53,641</u>

AEGIS DEFENCE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2010**

5 Taxation	2010	2009
	£	£
Domestic current year tax		
U K corporation tax	3,710,528	4,171,337
Adjustment for prior years	(46,963)	(2)
	<u>3,663,565</u>	<u>4,171,335</u>
Current tax charge		
Deferred tax		
Deferred tax charge/credit current year	(200,908)	-
	<u>3,462,657</u>	<u>4,171,335</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>13,003,164</u>	<u>14,280,381</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28 00% (2009 - 28 00%)	<u>3,640,886</u>	<u>3,998,507</u>
Effects of		
Non deductible expenses	94,182	131,947
Depreciation add back	139,743	34,950
Capital allowances	(101,426)	(107,655)
Foreign tax adjustments	(33,996)	-
Adjustments to previous periods	(46,963)	(2)
Loss on disposal of fixed assets	-	1,586
Other tax adjustments	(28,861)	112,002
	<u>22,679</u>	<u>172,828</u>
Current tax charge	<u>3,663,565</u>	<u>4,171,335</u>

6 Profit for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows

	2010	2009
	£	£
Holding company's profit for the financial year	<u>9,309,698</u>	<u>9,868,903</u>

AEGIS DEFENCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

7 Tangible fixed assets
Group

	Land and buildings Leasehold	Materiel	Equipment	Total
	£	£	£	£
Cost				
At 1 January 2010	295,959	541,177	622,105	1,459,241
Exchange differences	-	-	6,888	6,888
Additions	-	2,448,750	87,952	2,536,702
Disposals	-	-	(2,766)	(2,766)
At 31 December 2010	295,959	2,989,927	714,179	4,000,065
Depreciation				
At 1 January 2010	295,959	524,412	414,090	1,234,461
Exchange differences	-	-	2,168	2,168
On disposals	-	-	(2,766)	(2,766)
Charge for the year	-	672,994	71,564	744,558
At 31 December 2010	295,959	1,197,406	485,056	1,978,421
Net book value				
At 31 December 2010	-	1,792,521	229,123	2,021,644
At 31 December 2009	-	16,765	208,015	224,780

AEGIS DEFENCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

7 Tangible fixed assets (continued)
Company

	Land and buildings Leasehold	Materiel	Equipment	Total
	£	£	£	£
Cost				
At 1 January 2010	295,959	541,177	475,919	1,313,055
Additions	-	658,257	86,330	744,587
Disposals	-	-	(2,766)	(2,766)
At 31 December 2010	295,959	1,199,434	559,483	2,054,876
Depreciation				
At 1 January 2010	295,959	524,412	367,952	1,188,323
On disposals	-	-	(2,766)	(2,766)
Charge for the year	-	438,978	60,105	499,083
At 31 December 2010	295,959	963,390	425,291	1,684,640
Net book value				
At 31 December 2010	-	236,044	134,192	370,236
At 31 December 2009	-	16,765	107,967	124,732

AEGIS DEFENCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2010

8 Other fixed assets

Intangible fixed assets

The cost of goodwill in the group brought forward is £1,057,117 (company £236,001). This has been fully amortised in prior years to leave a carrying value of £nil (company £nil).

Shares in group undertakings (Company only)

The cost of shares in group undertakings brought forward is £1,127,375. The provision for diminution in value brought forward is £1,127,375, leaving a carrying value of £nil.

Holdings of more than 20% in principal group undertakings

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Aegis Defense Services LLC	USA	Ordinary	99.00
Aegis Recruitment Limited	England & Wales	Ordinary	100.00
Aegis Global Support Services (BVI) Limited*	BVI	Ordinary	100.00
Aegis Defence Services (BVI) Limited	BVI	Ordinary	100.00

The principal activity of these undertakings for the last relevant financial year was as follows

	Principal activity
Aegis Defense Services LLC	Security and consulting services
Aegis Recruitment Limited	Recruitment
Aegis Global Support Services (BVI) Limited*	Security and consulting services
Aegis Defence Services (BVI) Limited	Resourcing

* Indirect holding

9 Work in progress

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Work in progress	765,226	1,148,523	444,141	1,148,523

AEGIS DEFENCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

10 Debtors

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade debtors	18,515,225	14,634,799	15,270,396	14,567,752
Amounts owed by group undertakings	-	-	10,291,064	2,545,205
Other debtors	978,973	1,557,235	861,563	1,524,463
Deferred tax asset	200,908	-	200,908	-
	<u>19,695,106</u>	<u>16,192,034</u>	<u>26,623,931</u>	<u>18,637,420</u>

11 Creditors : amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Bank loans and overdrafts	29,309	43,302	29,308	43,302
Trade creditors	2,934,398	1,762,059	2,801,158	1,762,059
Amounts owed to group undertakings	265,670	-	1,617,369	120,326
Corporation tax	2,091,017	2,426,291	2,090,371	2,412,304
Taxes and social security costs	749,593	566,151	749,593	566,151
Other creditors	239,161	20,719	33,145	20,719
Accruals and deferred income	3,189,714	2,660,083	1,883,249	2,425,571
	<u>9,498,862</u>	<u>7,478,605</u>	<u>9,204,193</u>	<u>7,350,432</u>

12 Share capital

	2010	2009
	£	£
Authorised		
2,500,000 Ordinary shares of 0.01p each	<u>250</u>	<u>250</u>
Allotted, called up and fully paid		
1,125,000 Ordinary shares of 0.01p each	<u>112</u>	<u>112</u>

AEGIS DEFENCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2010

13 Statement of movements on reserves Group

	Capital redemption reserve £	Profit and loss account £
Balance at 1 January 2010	25	18,521,453
Profit for the year	-	9,540,507
Balance at 31 December 2010	25	28,061,960

Company

	Capital redemption reserve £	Profit and loss account £
Balance at 1 January 2010	25	18,002,243
Profit for the year	-	9,309,698
Balance at 31 December 2010	25	27,311,941

14 Reconciliation of movements in shareholders' funds Group

	2010 £	2009 £
Profit for the financial year	9,540,507	10,109,046
Opening shareholders' funds	18,521,590	8,412,544
Closing shareholders' funds	28,062,097	18,521,590

Company

	2010 £	2009 £
Profit for the financial year	9,309,698	9,868,903
Opening shareholders' funds	18,002,380	8,133,477
Closing shareholders' funds	27,312,078	18,002,380

AEGIS DEFENCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2010

15 Financial commitments

At 31 December 2010 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2010	2009
	£	£
Expiry date		
Between two and five years	398,910	271,830

16 Directors' remuneration

	2010	2009
	£	£
Remuneration for qualifying services	1,283,325	3,039,235

Remuneration disclosed above include the following amounts paid to the highest paid director

Remuneration for qualifying services	389,050	633,160
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17 Transactions with directors

The following directors had interest free loans during the year The movement on these loans are as follows

	Amount outstanding		Maximum in year
	2010	2009	
	£	£	£
Lieutenant Colonel Tim Spicer OBE	-	250,000	250,000

Lieutenant Colonel Tim Spicer OBE resigned as a director on 25 March 2010

AEGIS DEFENCE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
FOR THE YEAR ENDED 31 DECEMBER 2010

18 Employees**Number of employees**

The average monthly number of employees (including directors) during the year was

	2010	2009
	Number	Number
Management and administration	<u>94</u>	<u>82</u>

Employment costs

	2010	2009
	£	£
Wages and salaries	10,183,731	10,274,695
Social security costs	<u>744,323</u>	<u>799,824</u>
	<u>10,928,054</u>	<u>11,074,519</u>

19 Control

The ultimate parent company is Aegis Group Holdings AG, a company registered in Switzerland

20 Related party transactions

In accordance with the exemptions available under FRS 8 "Related party disclosures" no intra-group transactions are disclosed in these accounts

21 Reconciliation of operating profit to net cash inflow from operating activities	2010	2009
	£	£
Operating profit	13,038,881	14,278,778
Depreciation of tangible assets	744,558	157,998
Loss on disposal of tangible assets	-	5,665
Decrease in work in progress	383,297	162,030
Increase in debtors	(3,302,164)	(109,831)
Increase/(decrease) in creditors within one year	2,369,524	(13,214,472)
Net effect of foreign exchange differences	<u>(4,720)</u>	<u>-</u>
Net cash inflow from operating activities	<u>13,229,376</u>	<u>1,280,168</u>

AEGIS DEFENCE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2010**

22 Analysis of net (debt)/funds	1 January 2010	Cash flow	31 December 2010
	£	£	£
Net cash			
Cash at bank and in hand	8,434,858	6,644,125	15,078,983
Bank overdrafts	(43,302)	13,993	(29,309)
	<u>8,391,556</u>	<u>6,658,118</u>	<u>15,049,674</u>
Net funds/(debt)	<u>8,391,556</u>	<u>6,658,118</u>	<u>15,049,674</u>

23 Reconciliation of net cash flow to movement in net debt	2010	2009
	£	£
Increase/(decrease) in cash in the year	6,658,118	(2,979,701)
	<u>6,658,118</u>	<u>(2,979,701)</u>
Movement in net funds in the year	6,658,118	(2,979,701)
Opening net funds	8,391,556	11,371,257
	<u>8,391,556</u>	<u>11,371,257</u>
Closing net funds	<u>15,049,674</u>	<u>8,391,556</u>