

**Company Registration No. 06515775
(England and Wales)**

**KEY TECHNOLOGIES PLC
(FORMERLY ENSCO 658 LIMITED)**

**DIRECTORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 30 JUNE 2009

KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED) AND SUBSIDIARY COMPANIES

COMPANY INFORMATION

Directors	T Middleton P D Miller K Hilton D L Grove C Rowe
Secretary	T Middleton
Company number	06515775
Registered Office	5 The Courtyard Timothy's Bridge Road Stratford Upon Avon Warwickshire CV37 9NP
Auditors	HLB Vantis Audit plc Stoughton House Harborough Road Oadby Leicester LE2 4LP
Bankers	Barclays Bank plc Barclays Business Centre 15 Colmore Row Birmingham B3 2WN
Solicitors	Gateley Wareing One Eleven Edmund Street Birmingham B3 2BH

KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED) AND SUBSIDIARY COMPANIES

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KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED) AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2009

The directors present their report and financial statements for the period ended 30 June 2009. The company commenced trading on 1 April 2008 and the financial statements represent a 15 month trading period.

Principal activities and review of the business

The company was incorporated on 27 February 2008 and acquired a 100% holding in the STS International Limited group of companies on 1 April 2008.

The principal activity of Key Technologies plc is that of a holding company to the STS International Limited group of companies:

STS International Limited, a holding company with little activity;

STS Defence Limited, whose principal activity is the manufacture of industrial and scientific equipment and the supply of technical services;

STS Motors Limited, whose principal activity is the design, manufacture and repair of electrical motors;

STS Rail Limited (formerly STS Signals Limited), whose principal activity is the design, manufacture and repair of electronic and electro-mechanical equipment for railway applications;

STS Switchgear Limited, whose principal activity is the design, manufacture and installation of switchgear.

STS Fabrication and Space Technology Systems Limited, dormant companies which were dissolved during the period.

The Directors are pleased with the results achieved by the group in its first fifteen months of trading. The principal measures for monitoring the performance of the business are revenue and net profit. In the fifteen months of trading, revenue was £25.7 million whilst profit before tax was £3.4 million.

The Group continues to encourage the subsidiary companies to invest in profitable growth opportunities particularly in new product development and improving operational efficiency. The Directors consider these investments as key to the future success of the business in the medium to long term and as a means to mitigate the risk posed by competitive pressures from around the world.

The Group strives to widen its sales base by generating new customers and expansion into new market areas. The continuing expansion of new product ranges is helping to facilitate this progress.

Customer service levels and quality are key targets for the group and are measured using a variety of criteria. These areas are constantly monitored to measure progress.

The principal financial instruments of the company comprise bank balances and borrowings, trade creditors and trade debtors. The main purpose of these instruments is to raise funds for the company's operations and to finance its continuing operations. Liquidity risk is managed by the use of bank balances and overdraft facilities along with efficient monitoring and forecasting of cashflow to ensure there are sufficient funds to meet liabilities. Trade debtors are managed in respect of credit and cashflow risk by policies monitoring the credit offered to customers and regular monitoring of amounts outstanding for both time and total exposure.

KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED) AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2009

Creditors payment policy

The groups current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusions of the relevant terms in contracts;
and
- pay in accordance with the groups contractual and other legal obligations. On average, trade creditors at the period end represented 48 days purchases.

Employee involvement

The directors recognise the importance of employee involvement established by good communications and working relationships.

Employee policies

The group is committed to the elimination of all or any discrimination and to the promotion of equality of opportunities in employment. It is group policy to afford equal opportunities to all employees and job applicants. No employee or job applicant is less favourably treated than another on the ground of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely by merit. Responsibility of monitoring the effective working of these policies is vested with the directors of Key Technologies plc.

Results and dividends

The results for the period are set out on page 6.

Based on these results the directors recommend payment of a final dividend of 1.2p per Ordinary share.

Directors

The following directors have held office since 27 February 2008:

T Middleton (appointed 1 April 2008)
L R Litwinowicz (appointed 1 April 2008, resigned 1 September 2008)
P D Miller (appointed 1 April 2008)
K Hilton (appointed 1 April 2008)
D L Grove (appointed 1 September 2008)
C Rowe (appointed 1 March 2009)
HBJGW Incorporations Limited (appointed 27 February 2008, resigned 1 April 2008)

In accordance with the company's Articles of Association, K Hilton retires by rotation and, being eligible, offers himself for re-election.

In accordance with the Company's Articles of Association, C Rowe, appointed during the period by the directors retires and, being eligible, offers himself for re-election.

Auditors

HLB Vantis Audit plc were appointed auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they are reappointed will be put at the Annual General Meeting.

KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED) AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2009

Directors' responsibilities

The directors are responsible for preparing the financial statements.

The directors are required to prepare financial statements for the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and have also elected to prepare financial statements for the company in accordance with IFRS. Company law requires the directors to prepare such financial statements in accordance with IFRS and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial period the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records that 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 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.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company'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 company's auditors are aware of that information.

By order of the board

T Middleton
Secretary

Date: 16 September 2009

KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED) AND SUBSIDIARY COMPANIES

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)

We have audited the group and parent company financial statements of Key Technologies plc (formerly Ensco 658 Limited) on pages 6 to 34 for the period ended 30 June 2009. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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 the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the groups' and 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.

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**INDEPENDENT AUDITORS' REPORT CONTINUED
TO THE SHAREHOLDERS OF KEY TECHNOLOGIES PLC
(FORMERLY ENSCO 658 LIMITED)**

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's and the company's affairs as at 30 June 2009 and of its profit for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the parent company's affairs as at 30 June 2009;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

HLB Vantis Audit plc

Date: 16 September 2009

**Chartered Accountants
Registered Auditor**

Stoughton House
Harborough Road
Oadby
Leicester
LE2 4LP

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2009**

	Note	Period ended 30 June 2009 £000
CONTINUING OPERATIONS		
Revenue		25,741
Cost of sales		(16,710)
Gross profit		<u>9,031</u>
Administrative expenses		(5,424)
Other income		44
Operating profit	3	<u>3,651</u>
Finance income	4	70
Finance costs	5	(289)
Profit before income tax		<u>3,432</u>
Taxation	6	(837)
Profit for the period	19	<u><u>2,595</u></u>
 Earnings per share (expressed in pence per share)		
Basic (15 month trading period)	7	<u>38.0</u>
Diluted (15 month trading period)	7	<u>36.4</u>

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE PERIOD ENDED 30 JUNE 2009**

	Note	Period ended 30 June 2009 £000
Actuarial loss on post employment benefit obligations	26	(99)
Deferred tax taken to equity in relation to the above	17	28
Net expense recognised directly in equity	19	(71)
Retained profit for the financial period		2,595
Total recognised income and expense relating to the period		2,524

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009**

	Notes	2009 £000
Non-current assets		
Intangible assets	8	7,842
Property, plant and equipment	9	959
Retirement benefit scheme asset	26	51
		<u>8,852</u>
Current assets		
Inventories	11	502
Construction contract work in progress	12	989
Trade and other receivables	13	3,505
Cash and cash equivalents	13	3,302
		<u>8,298</u>
Total assets		<u>17,150</u>
Current liabilities		
Borrowings	14	690
Trade and other payables	14	5,116
Amounts due to customers for contract work	12	408
Current tax payable		736
		<u>6,950</u>
Net current assets		<u>1,348</u>
Non-current liabilities		
Long term borrowings	15	1,897
Obligations under hire purchase contracts	15	120
Deferred tax	17	38
Provisions for liabilities	16	236
		<u>2,291</u>
Total liabilities		<u>9,241</u>
Net assets		<u>7,909</u>
Equity		
Share capital	18	74
Share premium account	20	1,777
Merger reserve	20	3,410
Retained profit	19	2,648
Total equity		<u>7,909</u>

The financial statements were approved by the board of directors and authorised for issue on 16 September 2009.

T Middleton
Director
Company Registration No. 06515775

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**COMPANY BALANCE SHEET
AS AT 30 JUNE 2009**

	Notes	2009 £000
Non-current assets		
Investments	10	5,153
Current assets		
Trade and other receivables	13	3,594
Total assets		8,747
Current liabilities		
Borrowings	14	1,056
Trade and other payables	14	292
Current tax payable		-
		1,348
Net current assets		2,246
Non-current liabilities		
Long term borrowings	15	1,897
Total liabilities		3,245
Net assets		5,502
Share capital	18	74
Share premium account	20	1,777
Merger reserve	20	3,410
Retained profit	19	241
Total equity		5,502

The financial statements were approved by the board of directors and authorised for issue on 16 September 2009.

T Middleton
Director

Company Registration No. 06515775

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2009**

	Cashflow Note	Period ended 30 June 2009 £000
Cash flows from operating activities	1	2,067
Investing activities		
Interest received		70
Acquisition of property, plant and equipment		(421)
Acquisition of intangible assets		(2)
Acquisition of subsidiary undertakings		(1,681)
Net cash acquired with subsidiary undertakings		1,207
Net cash (used in)/from investing activities		<u>(827)</u>
Financing activities		
Interest and similar expenses paid		(289)
Repayment of borrowings		(2,838)
Repayment of obligations under finance leases		(100)
New debt finance acquired		3,500
Proceeds on issue of shares		1,789
Net cash (used in)/from financing activities		<u>2,062</u>
Net increase in cash and cash equivalents		3,302
Cash and cash equivalents at beginning of period		<u>-</u>
Cash and cash equivalents at period end		<u><u>3,302</u></u>

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**COMPANY CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2009**

	Cashflow Note	Period ended 30 June 2009 £000
Cash flows from operating activities	1	(3,284)
Investing activities		
Interest received		14
Acquisition of property, plant and equipment		-
Acquisition of intangible assets		-
Acquisition of subsidiary undertakings		(1,681)
Dividends received from subsidiary undertakings		459
Net cash (used in)/from investing activities		(1,208)
Financing activities		
Interest and similar expenses paid		(250)
Repayment of borrowings		(913)
New debt finance acquired		3,500
Proceeds on issue of shares		1,789
Net cash (used in)/from financing activities		4,126
Net decrease in cash and cash equivalents		(366)
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at period end		(366)

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE CONSOLIDATED AND COMPANY CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2009**

1. **Reconciliation of operating profit to net cash inflow from operating activities**

	2009 Group £000	2009 Company £000
Operating profit for the period	3,651	(190)
Adjustments for		
Defined benefit scheme adjustments	(13)	-
Depreciation of property, plant and equipment	329	-
Amortisation of intangible assets	9	-
Share-based payment transaction	124	124
	<hr/>	<hr/>
Operating cash flows before movements in working capital	4,100	(66)
Decrease in inventories	44	-
Decrease/(increase) in receivables	804	(3,510)
(Decrease)/Increase in payables	(2,067)	292
Decrease in provisions	(212)	-
Taxation	(602)	-
	<hr/>	<hr/>
Net cash from operating activities	2,067	(3,284)
	<hr/>	<hr/>

KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED) AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE PERIOD ENDED 30 JUNE 2009

1 Accounting policies

1.1 Presentation of financial statements

These consolidated and company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as endorsed by the International Accounting Standards Board and adopted by the EU ("adopted IFRS"). They have been prepared in accordance with those parts of the Companies Act 1985 applicable to companies preparing accounts under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company (and its subsidiaries) made up to 30 June 2009. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenditure are eliminated on consolidation.

In accordance with the Companies Act 1985, Section 230, a separate income statement of Key Technologies plc (formerly Ensco 658 Limited) is not presented. The profit after tax of Key Technologies plc (formerly Ensco 658 Limited) for the period ended 30 June 2009 was £116,765.

1.3 Goodwill and other intangible assets

Goodwill arising on consolidation represents the excess of the fair value of the consideration and any associated costs for investment in subsidiary undertakings over the group's interest in the fair value of identifiable assets and liabilities acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is reviewed annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Licences are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal instalments over their estimated useful life of between 3 and 5 years.

1.4 Revenue recognition

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

Revenue is recognised when goods are delivered and title has passed.

1.5 Investments

Non-current investments are stated at cost less provision for impairment. A review is carried out at the end of each financial period end to determine if any assets have suffered an impairment loss.

KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED) AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE PERIOD ENDED 30 JUNE 2009

1.6 Inventories and work in progress

Inventories and work in progress are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs are allocated on a first in first, out basis.

Net realisable value represents the estimated selling price less estimated costs to completion and costs to be incurred in marketing, selling and distribution.

A provision is made for obsolete and slow moving inventory.

1.7 Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion at the balance sheet. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the income of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost over its expected useful lives, using the straight-line method, as follows:

Leasehold improvements - over the length of the lease

Plant and equipment – 20% per annum straight line

Motor vehicles – 25% per annum straight line

Fixtures, fittings and equipment - 20% per annum straight line.

1.9 Leasing and hire purchase commitments

Where assets are financed by leasing agreements and the risks and rewards are substantially transferred to the group ("finance leases") the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation is charged to the income statement on the same basis as owned assets.

Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income statement.

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases and are accounted for on a straight line basis over the term of the lease.

KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED) AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE PERIOD ENDED 30 JUNE 2009

1.10 Impairment of assets

A review is carried out at the end of each financial period to determine if any assets have suffered an impairment loss. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Impairment losses are recognised in the income statement when an asset's carrying value exceeds its recoverable amount.

1.11 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

1.12 Research and development

Research expenditure is written off to the income statement in the period in which it is incurred. Development expenditure is written off to the income statement in the period in which it is incurred unless the expenditure meets the criteria within IAS 38 for capitalisation.

1.13 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

The group operates two defined benefit retirement benefit plans, both of which require contributions to be made to separately administered funds. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with interim actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses immediately are recognised in full. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

1.14 Warranty provision

Provision is made for the estimated future cost of fulfilling the company's warranty obligations, based upon historical warranty experience.

1.15 Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the balance sheet liability method. Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the balance sheet. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date.

KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED) AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE PERIOD ENDED 30 JUNE 2009

1.15 Taxation (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

1.16 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the income statement over the expected useful life of the assets. Grants towards revenue expenditure are released to the income statement as the related expenditure is incurred.

1.17 Financial instruments

Financial assets and liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

- Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

- Borrowings

Interest bearing borrowings and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement of redemption and incremental costs directly attributable to the issue, are accounted for on an accruals basis as part of finance expenses in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period that they arise.

1.18 Trade receivables

Trade receivables are reflected net of estimated provisions for doubtful client accounts. The provision is based in historic collection patterns and with reference to the ageing of certain balances.

1.19 Trade payables

Trade payables are measured at fair value

1.20 Share based payment

The group issues equity-settled share-based payments to certain employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. At each balance sheet date, the group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimated, if any, in the income statement, with a corresponding adjustment to equity.

Fair value is measured using the Black-Scholes model.

KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED) AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE PERIOD ENDED 30 JUNE 2009

1.21 Comparative figures

The company was incorporated on 27 February 2008 and acquired the STS International group of companies on 1 April 2008. This is the first period of trading from 1 April 2008 to 30 June 2009, hence there are no comparative figures.

1.22 Standards or interpretations issued but not yet effective

At the date of issue of these accounts the following Standards and interpretations which have not been applied in these accounts were in issue but not yet effective:–

IFRS 1 Revised IFRS 1 First-time adoption of IFRS

IFRS 2 Share based payments – Amendment, vesting conditions and cancellations

IFRS 3 Business Combinations – Comprehensive revision on applying the acquisition method

IFRS 7 Financial Instruments: Disclosures – Amendment; Reclassification of Financial Assets

IFRS 8 Operating segments

IAS 1 Presentation of Financial Statements – comprehensive revision including requiring a statement of comprehensive income

IAS 23 Borrowing costs – Comprehensive revision to prohibit immediate expensing

IAS 27 Consolidated and Separate Financial Statements – Amendments arising from IFRS 3

IAS 27 Consolidated and Separate Financial Statements – Amendment, cost of an investment in a subsidiary, jointly controlled entity or associate

IAS 28 Investment in Associates – Consequential amendments arising from IFRS 3

IAS 39 Financial Instruments: Recognition and Measurement – Amendment; Reclassification of Financial Assets

IAS 39 Financial Instruments: Recognition and Measurement – Amendment; Eligible hedged items

The directors anticipate that the adoption of these Standards and Interpretations in future years will have no material impact on the accounts of the Group.

1.23 Critical accounting judgements and key sources of estimation uncertainty

The preparation of accounts in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The key source of estimation uncertainty at the balance sheet date derives from management assumptions in relation to the level of completion of construction contracts. The accounting policy in relation to this item is disclosed in note 1.7 above.

2. Segmental information

The directors consider that the business operates within three operating divisions, defence and security services, construction products and rail products. These divisions are the basis on which the group reports its primary segment information. The directors consider that the group operates materially within the UK and therefore has not presented any further information in respect of geographical segments.

Principal activities are as follows:

Defence and security services – Design and manufacture of industrial and scientific equipment and the supply of technical services.

Rail products - Design, manufacture and repair of electronic and electro-mechanical equipment for railway applications.

Construction products – Design, manufacture and installation of switchgear.

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

2. Segmental information (continued)

Segmental information about these businesses is presented below.

	Defence and security services period ended 30/06/09 £000	Construction products period ended 30/06/09 £000	Rail products period ended 30/06/09 £000	Eliminations period ended 30/06/09 £000	Consolidated period ended 30/06/09 £000
Revenue					
External sales	12,855	6,163	6,723	-	25,741
Inter-segment sales	39	-	-	(39)	-
Total Revenue	<u>12,894</u>	<u>6,163</u>	<u>6,723</u>	<u>(39)</u>	<u>25,741</u>

Inter-segment sales are charged at cost.

Result

Segment result	<u>2,316</u>	<u>1,005</u>	<u>1,294</u>	<u>-</u>	<u>4,615</u>
Unallocated corporate Expenses					964
Profit from operations					<u>3,651</u>
Finance costs					(289)
Income from investments					70
Profit before tax					<u>3,432</u>
Income tax expense					(837)
Profit for period					<u>2,595</u>

Other information

	Defence and security services period ended 30/06/09 £000	Construction products period ended 30/06/09 £000	Rail products period ended 30/06/09 £000	Eliminations period ended 30/06/09 £000	Consolidated period ended 30/06/09 £000
Capital additions	161	256	215	5	637
Depreciation and Amortisation	94	61	146	37	338

Balance sheet

	Defence and security services period ended 30/06/09 £000	Construction products period ended 30/06/09 £000	Rail products period ended 30/06/09 £000	Eliminations period ended 30/06/09 £000	Consolidated period ended 30/06/09 £000
Assets					
Segment assets	5,905	3,219	4,229	(5,251)	8,102
Unallocated assets					9,048
Consolidated total assets					<u>17,150</u>
Liabilities					
Segment liabilities	3,311	1,710	1,618	(465)	6,174
Unallocated liabilities					3,067
Consolidated total Liabilities					<u>9,241</u>

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
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**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

3. Operating profit	2009 £000
Operating profit is stated after charging:	
Depreciation of property, plant and equipment	329
Research and development	88
Operating lease rentals	1,014
Amortisation of licences	9
Fees payable to company's auditor for the audit of the company's annual accounts.	17
Fees payable to company's auditor for other services:	
-The audit of the company's subsidiaries pursuant to legislation	41
Fees payable to associates of the auditor -Other services	45
And other crediting:	
Release of dilapidation provision	(90)
Government grants received	(14)
Profit on foreign exchange	(9)
	<hr/> <hr/>
4. Finance income	2009 £000
Bank interest	66
Other interest	4
	<hr/> <hr/>
	70
	<hr/> <hr/>
5. Finance costs	2009 £000
Interest on bank loans and overdrafts	269
Interest on other loans	2
Amortisation of debt issue costs	13
Other interest	5
	<hr/> <hr/>
	289
	<hr/> <hr/>

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

6. Taxation	2009
	£000
Domestic current period tax	
UK Corporation tax	780
Adjustment for prior period	32
	<hr/>
Current tax charge	812
Deferred tax	
Deferred tax charge current period	25
	<hr/>
Taxation for the period	837
	<hr/> <hr/>
Factors affecting taxation for the period	
Profit on ordinary activities before taxation	3,432
	<hr/>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28%	961
Unprovided deferred tax	(30)
Non-deductible expenses	8
Non taxable income	(25)
Research and development adjustment	(27)
Industrial buildings allowances claimed	(15)
Small companies relief	(48)
Other tax adjustments	(19)
Adjustments to prior year	32
	<hr/>
Taxation for the period	837
	<hr/> <hr/>

7. Earnings per share

The calculation of the basic and diluted earnings per share for the trading period 1 April 2008 period to 30 June 2009 is based on the following:

	Group
	£000
Earnings	
Earnings for the purpose of basic and diluted earnings per share	2,595
	<hr/>
Number of shares	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	6,831,163
	<hr/>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	7,128,176
	<hr/>

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

8. Intangible assets	Licences	Goodwill	Total
Group	£000	£000	£000
Cost			
Acquired	32	-	32
Additions	2	7,825	7,827
	<u>34</u>	<u>7,825</u>	<u>7,859</u>
At 30 June 2009	<u>34</u>	<u>7,825</u>	<u>7,859</u>
Amortisation			
Acquired	8	-	8
Provided during the period	9	-	9
	<u>17</u>	<u>-</u>	<u>17</u>
At 30 June 2009	<u>17</u>	<u>-</u>	<u>17</u>
Net book value			
At 30 June 2009	<u>17</u>	<u>7,825</u>	<u>7,842</u>

On 1 April 2008 the company acquired the entire share capital of STS International Limited. The fair value of the consideration and the net liabilities acquired is shown below:

	£000
Fixed assets	675
Stock	2,336
Debtors	3,508
Cash	1,207
Creditors and provisions for liabilities	(10,497)
Pension scheme assets	99
	<u> </u>
Fair value and book value of identifiable assets and liabilities acquired	(2,672)
Goodwill arising	7,825
	<u> </u>
Fair value of consideration received	5,153
	<u> </u>
The fair value of consideration is made up as follows:	
Cash paid for shares and warrants	1,624
Shares issued in Key Technologies plc in exchange for shares in STS International Limited	62
Fair value adjustment to reflect true value of share for share exchange	3,410
Legal costs incurred in relation to acquisition	57
	<u> </u>
	5,153
	<u> </u>

The fair value of the shares issued in Key Technologies plc was deemed to be £28 per share. This was based on the cash price paid for the remaining shares.

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

9. Property, plant and equipment - Group only

	Leasehold improvements £000	Plant, office equipment and vehicles £000	Total £000
Cost			
Acquired	630	1,610	2,240
Additions	5	632	637
Disposals	-	(25)	(25)
At 30 June 2009	<u>635</u>	<u>2,217</u>	<u>2,852</u>
Depreciation			
Acquired	577	1,012	1,589
Disposals	-	(25)	(25)
Charge for period	15	314	329
At 30 June 2009	<u>592</u>	<u>1,301</u>	<u>1,893</u>
Net Book Value			
At 30 June 2009	<u>43</u>	<u>916</u>	<u>959</u>

Included above are assets held under finance leases or hire purchase contracts as follows:

	Net book value 2009 £000	Depreciation charge for the period 2009 £000
Plant, office equipment and vehicles	<u>266</u>	<u>78</u>

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

**10. Fixed asset investments
Company**

**Shares in
subsidiary undertakings
£000**

Additions

Cost at 30 June 2009 5,153

Interests in group undertakings

Name of undertaking	Country of Incorporation	Description of shares held	Proportion of nominal value of issued shares held by the group %
STS International Ltd	England and Wales	Ordinary	100
STS Rail Ltd (formerly STS Signals Ltd)*	England and Wales	Ordinary	100
STS Motors Ltd*	England and Wales	Ordinary	100
STS Defence Ltd*	England and Wales	Ordinary	100
STS Switchgear Ltd*	England and Wales	Ordinary	100

The shares of subsidiary undertakings marked * are held by STS International Limited. A description of the activities of each company is given on page 1.

All the above subsidiary undertakings have been consolidated in the financial statements using the acquisition method.

During the period a 100% subsidiary of STS International Limited, STS Fabrication Limited, was dissolved.

During the period a 100% subsidiary of STS Defence Limited, Space Technology Systems Limited, was dissolved.

11. Inventories

**2009
Group
£000**

Raw materials and consumables 502

In the opinion of the directors there is no significant difference between the replacement cost and the value disclosed for inventories.

12. Construction contracts

The breakdown of the amounts included in the balance sheet is as follows:

	2009 Group
Construction contracts	3,139
Invoicing account to customers	(2,558)
	<u>581</u>
Of which amounts are disclosed:	
Under Assets	989
And under liabilities	(408)
	<u>581</u>

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

13. Other financial assets

	2009	
	Group £000	Company £000
Trade and other receivables		
Trade receivables	2,936	-
Provision for doubtful debts	(100)	-
	<u>2,836</u>	<u>-</u>
Related party receivables	-	3,286
Other debtors	60	37
Prepayments and accrued income	609	271
	<u>3,505</u>	<u>3,594</u>
 Cash and cash equivalents		
Cash on hand and balances with banks	<u>3,302</u>	<u>-</u>

Cash, cash equivalents and bank overdrafts include the following for the purpose of the cash flow statement:

	2009	
	Group £000	Company £000
Cash and cash equivalents	5,773	-
Bank overdrafts	(2,471)	(366)
	<u>3,302</u>	<u>(366)</u>

As the group has a pooling arrangement with regard to the individual company bank balances the net position has been shown as an asset within the group financial statements.

14. Other financial liabilities

	2009	
	Group £000	Company £000
Trade and other payables		
Payments received on account	408	-
Trade payables	2,280	14
Other taxation and social security	810	-
Net obligations under hire purchase contracts	84	-
Related party payables	-	-
Other creditors	979	-
Accrued expenses and deferred income	963	278
	<u>5,524</u>	<u>292</u>
Bank loans and overdrafts	690	1,056
	<u>6,214</u>	<u>1,348</u>

For details on borrowings see note 15.

For information on security see note 15.

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

15. Non current liabilities

	2009	
	Group £000	Company £000
Bank loans	1,897	1,897
Net obligations under hire purchase contracts	120	-
	<u>2,017</u>	<u>1,897</u>
The borrowings are repayable as follows:		
On demand or within one year	700	700
Within one to two years	700	700
Within two to five years	1,225	1,225
After five years	-	-
	<u>2,625</u>	<u>2,625</u>
Included in current liabilities	(700)	(700)
Less: unamortised issue costs	(28)	(28)
	<u>1,897</u>	<u>1,897</u>

Amounts included within current liabilities in respect of the bank loans are as follows:

	2009	
	Group £000	Company £000
Bank loans	700	700
Unamortised issue costs	(10)	(10)
	<u>690</u>	<u>690</u>

	2009	
	Group £000	Company £000
Net obligations under hire purchase contracts		
Repayable within one year	84	-
Repayable between one and five years	120	-
	<u>204</u>	<u>-</u>
Included in current liabilities	(84)	-
	<u>120</u>	<u>-</u>

Interest on bank loans accrues at a variable rate based upon LIBOR.

Bank loans and overdrafts totalling £5,058,000 are secured by fixed and floating charges over assets and group companies.

Net obligations under hire purchase contracts totalling £204,000 are secured on the individual assets to which they relate.

The costs of raising the above debt finance are being amortised over the period of the relevant loan. £12,606 was amortised during the period to 30 June 2009.

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

16. Provisions for liabilities	Group £000	Company £000
Acquired	448	-
Profit and loss account	(212)	-
	<hr/>	<hr/>
Balance at 30 June 2009	236	-
	<hr/>	<hr/>

The provisions relate to the costs of dilapidation or contractual repairs to properties held under current or expired leases or costs expected to be incurred in relation to rectifying goods sold under contracts.

17. Deferred taxation	Group £000	Company £000
Deferred tax liability to be recovered after more than 12 months	26	-
Deferred tax liability to be recovered within 12 months	12	-
	<hr/>	<hr/>
Deferred tax liabilities	38	-
	<hr/>	<hr/>

The gross movement on the deferred tax account is as follows:

Acquired with subsidiary undertakings	41	-
Income statement charge	25	-
Deferred tax credited directly to equity	(28)	-
	<hr/>	<hr/>
Balance at 30 June 2009	38	-
	<hr/>	<hr/>

Group deferred tax is provided as follows:

	Accelerated tax depreciation £000	Retirement benefit £000
Acquired with subsidiary undertakings	2	39
Income statement charge/(credit)	21	4
Credited directly to equity	-	(28)
	<hr/>	<hr/>
	23	15
	<hr/>	<hr/>

18. Share capital	2009 £000
Group and Company Authorised	
20,000,000 Ordinary shares of 1p each	200
	<hr/>
Allotted, called up and fully paid	
7,383,431 Ordinary shares of 1p each	74
	<hr/>

On 1 April 2008 124,000 50p shares were allotted to shareholders of STS International Limited in exchange for their shares in that company.

During the period the authorised and issued shares of 50p each were sub-divided into shares of 1p each.

During the period 1,183,431 1p shares were allotted and issued at a price of £1.69 per share.

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

19. Retained profits/(losses)

	Group £000	Company £000
Profit for the period	2,595	117
Share based payment transaction (see note 27)	124	124
Actuarial loss on post employment benefit obligations	(71)	-
	<u>2,648</u>	<u>241</u>
Balance at 30 June 2009	2,648	241

20. Other capital reserves

	Group		Company	
	Merger reserve £000	Share premium account £000	Merger reserve £000	Share premium account £000
Premium on shares issued during the period	-	1,988	-	1,988
Costs of share issue	-	(211)	-	(211)
Difference between fair value and nominal value of shares issued	3,410	-	3,410	-
	<u>3,410</u>	<u>1,777</u>	<u>3,410</u>	<u>1,777</u>
Balance at 30 June 2009	3,410	1,777	3,410	1,777

21. Contingent liabilities

Company only

There is a cross company guarantee in place which ensures that each company within the group is jointly and severally liable for any amounts owed to the bank. At the period end the contingent liability of Key Technologies plc (formerly Ensco 658 Limited) in respect of this amounted to £2,105,671.

22. Financial commitments

At 30 June 2009 the group had total commitments for future minimum lease payments under under non-cancellable operating leases as follows:

	2009 £000
Falling due within one year	819
Falling due between two and five years	3,071
Falling due after five years	3,619
	<u>7,509</u>

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

23. Directors' remuneration	Group 2009 £000
Emoluments for qualifying services	221
Share option scheme	124
Contributions to money purchase pension schemes	6
Benefits in kind	1
	<hr/>
	351
	<hr/> <hr/>

Highest paid director

Emoluments for qualifying services	134
Share option scheme	47
Contributions to money purchase pension schemes	5
Benefits in kind	1
	<hr/>
	120
	<hr/> <hr/>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1.

24. Staff costs

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

	2009
	Group Company
Manufacturing	197 -
Sales and administration	45 4
	<hr/>
	242 4
	<hr/> <hr/>

Staff costs during the period (including directors) were as follows.

	2009
	Group Company
	£000 £000
Wages and salaries	5,917 2
Social security costs	559 -
Other pension costs	107 -
Costs of share option scheme (see note 27)	124 124
	<hr/>
	6,707 126
	<hr/> <hr/>

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

25. Financial instruments

Sales invoices are denominated in sterling and consequently there are no material net money assets or liabilities that are not denominated in sterling. The financial instruments of the group principally comprise short-term debtors and creditors, loans, finance lease agreements for the purchase of certain non-current assets, an overdraft and cash. There is no difference between the book value and fair value of any of the financial assets or liabilities.

**26. Retirement benefit plans
Defined contribution**

The group operates a defined contribution scheme. The assets of the scheme are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds.

	2009 £000
Contributions payable by the group for the period	70
Contributions accrued and payable at the period end	7

Defined benefit

The group provides pension arrangements through two funded defined benefit schemes. Both schemes are closed to new members.

Spectar Switchgear Limited Retirement Benefits Scheme

The pension costs relating to this scheme are assessed every three years in accordance with the advice of a qualified actuary using the projected unit method. The most recent valuation at 1 July 2007, indicates that, on the basis of service to date and current salaries, the schemes' assets were sufficient to meet liabilities.

At 30 June 2009 the scheme, which is contracted out of the state scheme, had assets of approximately £4,011,000 at market value.

STS Field Grant Limited Pension Scheme

The pension costs relating to this scheme are assessed every three years in accordance with the advice of a qualified actuary using the project unit method. The most recent valuation at 1 July 2006, indicates that, on the basis of service to date and current salaries, the schemes' assets were sufficient to meet liabilities.

At 30 June 2009 the scheme, which is contracted out of the state scheme, had assets of approximately £1,359,000 at market value.

Contributions to both schemes by employees and the group have been maintained in accordance with the recommendations of the actuary in their previous valuations.

International Accounting Standard 19 'Retirement Benefits' disclosures

The group operates two defined benefits schemes, the Spectar Switchgear Limited Retirements Benefits Scheme and the STS Field Grant Limited Pension Scheme. A full valuation was undertaken as at 1 July 2007 and 1 July 2006 respectively and updated to 30 June 2009 by a qualified independent actuary. The group schemes were acquired by Key Technologies plc (formerly ENSCO 658 Limited) on 1 April 2008. The assumptions used by the actuary in their valuation of the scheme at 30 June 2009 are given below, as well as a breakdown of the schemes assets and liabilities at that date.

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

26. Retirement benefit plans (continued)

The major assumptions used by the Actuary were as follows:

	Spectar Switchgear Limited Retirement Benefits Scheme At 30 June 2009	STS Field Grant Limited Pension Scheme At 30 June 2009
Discount rate	6.5%	6.5%
Retail price inflation	2.5%	2.5%
Salary increase rate	2.5%	2.5%
Pensions increases (at Limited Price Indexation)	2.5%	2.5%
Deferred pension revaluation	2.5%	2.5%

Mortality sales follow the standard table know as PA92 projected to the current calendar year with a reduction of 0.3% to the discount rate to allow for mortality improvements. The mortality assumptions are set out below.

Assuming retirement at age 65, the life expectancies in years are as follows:

	At 30 June 2009
For a male aged 65 now	19.6
At 65 for a male member aged 45 now	20.8
For a female aged 65 now	22.8
At 65 for a female member aged 45 now	24.2

The market value of the assets held, and the expected rates of return assumed are as follows:

Spectar Switchgear Limited Retirement Benefits Scheme

	Expected rate of return, period commencing 30 June 2009	Value at 30 June 2009 £000's
Equities	7.8%	3,160
Bonds	5.8%	562
Cash	3.75%	289
Total		<u>4,011</u>

STS Field Grant Limited Pension Scheme

	Expected rate of return, period commencing 30 June 2009	Value at 30 June 2009 £000's
Equities	7.8%	566
Bonds	5.4%	100
Cash	3.75%	693
Total		<u>1,359</u>

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

26. Retirement benefit plans (continued)

The amounts recognised in the balance sheet are as follows:

	Spectar Switchgear Limited Retirement Benefits Scheme At 30 June 2009 £000's	STS Field Grant Limited Pension Scheme At 30 June 2009 £000's
Total fair value of assets	4,011	1,359
Value of Scheme liabilities	(2,302)	(1,155)
Surplus in the scheme	<u>1,709</u>	<u>204</u>
Unrecognised asset due to surplus restriction	(1,709)	(153)
Recognised surplus in the scheme	<u>-</u>	<u>51</u>

The retirement benefit asset has been restricted to the present value of the scheme's future pension costs, in accordance with IAS 19.

	Total At 30 June 2009 £000's
Total market value of assets	5,370
Value of Scheme liabilities	(3,457)
Surplus in the scheme	<u>1,913</u>
Unrecognised asset due to surplus restriction	(1,862)
Surplus in the scheme	<u>51</u>

The amounts recognised in the income statement are as follows:

	Spectar Switchgear Limited Retirement Benefits Scheme At 30 June 2009 £000's	STS Field Grant Limited Pension Scheme At 30 June 2009 £000's	Total At 30 June 2009 £000's
Current service cost	(3)	23	20
Interest on obligation	148	79	227
Expected return on plan assets	(344)	(94)	(438)
Restriction on above	199	(-)	199
Total operating income	<u>-</u>	<u>8</u>	<u>8</u>
Actual return on assets	<u>(642)</u>	<u>(94)</u>	<u>(736)</u>

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

26. Retirement benefit plans (continued)

Employee contributions to the two schemes totaling £10,000 have been offset against company service costs.

Changes in the value of the defined benefit obligation are as follows:

	Spectar Switchgear Limited Retirement Benefits Scheme	STS Field Grant Limited Pension Scheme	Total
	At 30 June 2009 £000's	At 30 June 2009 £000's	At 30 June 2009 £000's
Opening defined benefit obligation	2,284	1,215	3,499
Current service cost	7	23	30
Interest on obligation	148	79	227
Actuarial gains on obligation	(82)	(65)	(147)
Benefits paid	(55)	(97)	(152)
	<u>2,302</u>	<u>1,155</u>	<u>3,457</u>

Changes in the market value of the plan assets are as follows:

	Spectar Switchgear Limited Retirement Benefits Scheme	STS Field Grant Limited Pension Scheme	Total
	At 30 June 2009 £000's	At 30 June 2009 £000's	At 30 June 2009 £000's
Opening fair value of plan assets	4,698	1,529	6,227
Expected return	344	94	438
Actuarial gains/(losses)	(986)	(188)	(1,174)
Contributions	10	21	31
Benefits paid	(55)	(97)	(152)
	<u>4,011</u>	<u>1,359</u>	<u>5,370</u>

The group expects to contribute £19,000 to these defined benefit pension plans in the year to 30 June 2010.

Amounts recognised in the statement of recognised income and expenditure (SORIE):

	Spectar Switchgear Limited Retirement Benefits Scheme	STS Field Grant Limited Pension Scheme	Total
	At 30 June 2009 £000's	At 30 June 2009 £000's	At 30 June 2009 £000's
Actual return less expected return on assets	(986)	(188)	(1,174)
Experience on (losses)/gains scheme liabilities	(5)	(8)	(13)
Gain arising from changes in assumptions	87	73	160
Effects of restricted surplus	904	24	928
	<u>(-)</u>	<u>(99)</u>	<u>(99)</u>

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2009**

26. Retirement benefit plans (continued)

Experience adjustments are as follows:

	Spectar Switchgear Limited Retirement Benefits Scheme 2009	STS Field Grant Limited Retirement Benefits Scheme 2009
Experience adjustments on liabilities Amount (£000's)	873	65
Experience adjustments on assets Amount (£000's)	(986)	(188)

27. Share based payment

STS International, the immediate subsidiary of Key Technologies plc (formerly ENSCO 658 Limited) set up a share option scheme on 21 January 2008 for a certain employee who received 6,000 options. The options could be exercised at any time within 6 months of the auditors confirming that the profits before tax, interest and depreciation of STS Switchgear Limited were in excess of £275,000. The exercise price was £2.50 per share and the share options were valued at a total of £153,000 based on the estimated market value of £28 per share at the balance sheet date using the Intrinsic value method. On acquisition of STS International Limited the agreement was replaced by an equivalent scheme for options in shares of Key Technologies plc (formerly ENSCO 658 Limited). On 7 April 2009 the options lapsed without being exercised, accordingly no amounts have been recognised within these financial statements in respect of the share base payment transaction.

Key Technologies plc set up a share option scheme on 18 February 2009 for certain directors who received 227,187 options. The options could be exercised on the achievement of 40.49% growth in the earnings per share from the end of the financial year following the option date and within 36 months, with the directors having indicated that the options are likely to be taken up in full. The exercise price was 1 pence and the share options were valued at a total of £372,000 based on the market value at grant date of £1.69 using the Black Scholes option valuation method. This value is to be recognised over the vesting period and accordingly, £124,000 has been recognised in the income statement with a corresponding increase in equity reserves.

**KEY TECHNOLOGIES PLC (FORMERLY ENSCO 658 LIMITED)
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
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28. Related party transactions

During the period the following transactions were made between Key Technologies plc and its subsidiaries:

	2009
	£000
Dividends received from subsidiaries	459
Amounts owed to subsidiaries	-
Amounts due from subsidiaries	3,286

Amounts owed to and by subsidiaries are interest free and have no fixed terms of repayment.

GIL Investments Limited is a related party through common directors and shareholders. GIL Investments Limited charges during the period in respect of finance arrangement and management fees were £74,759.

Miller Management Services Limited is a related party through common directors and shareholders. Miller Management Services Limited charges in the period were £139,075.

During the period STS International Limited advanced £5,300 to Mr P. D. Miller. This amount is outstanding at 30 June 2009.

29. Capital Management

The Board maintains a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Board monitors shareholder return on capital, which the Group defines as total shareholders equity and the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There are bank covenants associated with the Groups facilities. The Group comfortably complied with these covenants.

There were no changes in the Groups approach to capital management during the period.

30. Control

There is no ultimate controlling party as no shareholder individually holds more than 50% of the issued share capital.

31. Post balance sheet events

Since the year end the directors have proposed a final dividend of 1.2p per share on the ordinary shares. This dividend is to be approved at the AGM on 18 November 2009.