

Tessella plc
Annual Report for
Year Ended 31st March 2009



Tessella
Technology & Consulting

Contents

Key points	4
Report of the directors	6
Directors' biographies	12
Business review	14
Corporate and social responsibility	18
Auditor's report	20
Financial statements	22
Company information	41
Contacting Tessella	42

Tessella successfully delivers IT and consulting services to world leaders in R&D, science and engineering.

Key points

Tessella has had another successful year, delivering 21% revenue growth, taking revenues to £17.4M, whilst maintaining good profitability, remaining 100% self-financed, operating with no bank debt and having strong cash reserves.

Our revenue growth has been achieved through an unrelenting focus on meeting our primarily blue-chip clients' needs by a combination of innovation and pragmatism, together with delivering projects on time and to budget. This is demonstrated by our high level of repeat business; currently 89% of revenue is from existing clients. We take pride in the quality of our work and the fact that our solutions are used enthusiastically by our clients.

We have made considerable progress against our strategy and are well-positioned to withstand the consequences of the economic downturn and exploit the opportunities that lie ahead. Our staff remain committed and satisfied, as illustrated by the positive results from the annual staff survey.

Innovation with dependability underpins everything we do. We have a proven 29-year history of using our unique blend of scientific, engineering and IT skills to add value to the demanding goals of public sector and commercial R&D based clients.

We are proud knowing that our work makes the world a better place to live in: aiding the fight against malaria; developing clinical trials that are more ethical, deliver better science and are more efficient to run; minimizing risk in oil and gas exploration; investigating the origin and composition of the universe by controlling the orbit and attitude of the Herschel and Planck satellites; preserving the digital heritage of nations across the globe.

Operational highlights

Maintaining and growing business with existing clients - Shell and Unilever chose to set up global preferred supplier agreements with Tessella. This has enabled Tessella to work for these organisations across a wider range of their sites.

New clients - A major systems integrator in the defence industry, IAEA and Wellcome Library, among others selected to work with Tessella over the financial year.

IP bank - Tessella increased its IP bank, resulting in the reduction of cost and risk for future projects, thereby increasing our competitiveness.

New brand to reflect consulting capability - A strategic objective was to develop our consulting capability. During the period the board undertook to refresh the company's brand to reflect the revised market positioning. As part of the initiative the company shortened its name to Tessella plc, from Tessella Support Services plc.

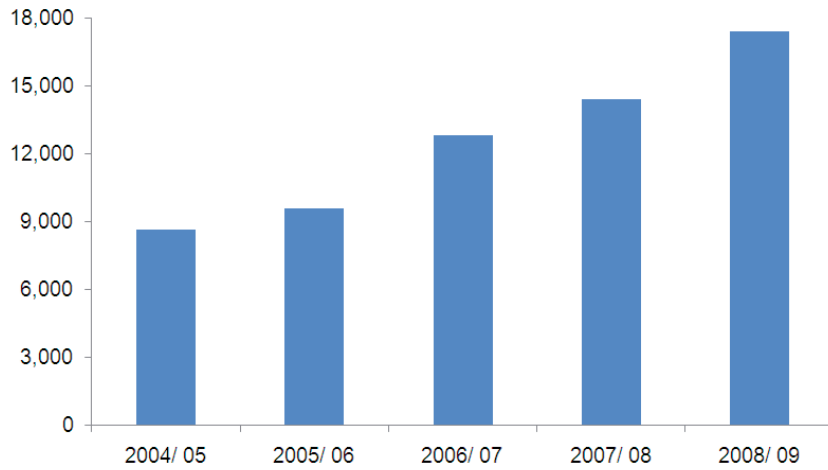
Market leading offerings - Tessella now has dedicated, world-renowned experts leading the development of adaptive clinical trials and digital archiving preservation service offerings.

Recruiting and retaining top scientific talent - The numbers of science graduates is predicted to reduce in coming years, increasing the scarcity value for onshore resources. Tessella has successfully retained and recruited top scientific talent as witnessed by our low staff attrition rate and high applicant to advert ratio. In our annual staff survey, 88% of staff said they would recommend a career at Tessella to their friends and 89% would choose Tessella again if they had a job choice to make.

New headquarters to handle expansion - Tessella leased 10,000 sq ft at The Quadrant, Abingdon Science Park to respond to the continued growth of the business.

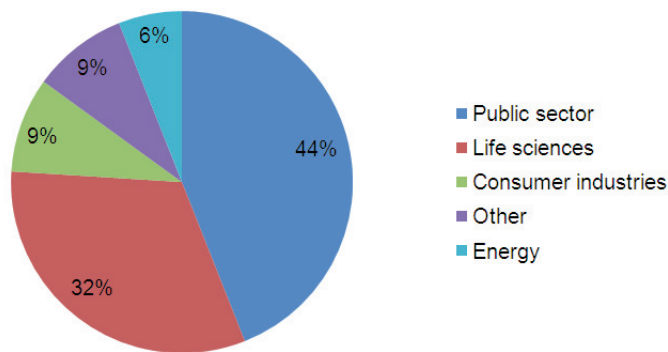
Financial highlights

Revenue £K - 5 years

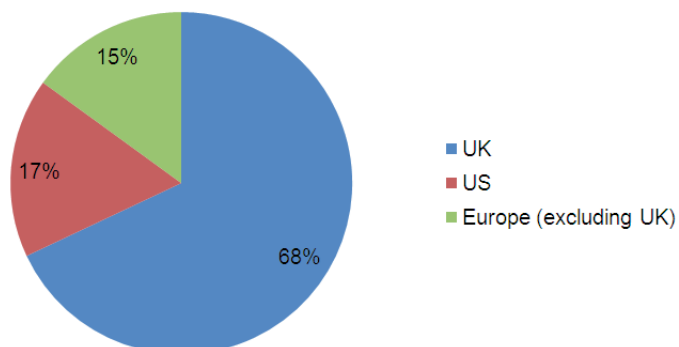


Tessella's mission is to add value to clients' operations through the application of IT and consulting services based on scientific methods and rigorous quality procedures. Our track record of long-term client relationships and high levels of repeat business bears witness to this commitment.

Revenue by market sector



Geographical distribution of revenue



We offer a vendor independent, flexible, and complete end-to-end service, from initial consultancy to identify business opportunities through to the development, deployment and ongoing support of an IT solution.

Report of the directors

Maintaining and growing business with existing clients

In line with our strategy, our focus on our excellent installed client base continued and resulted in a higher proportion of revenues being generated from existing clients than was traditionally the case. Maintaining a high level of repeat business from our current client base was, and remains a central plank of our strategy and is testimony to the tremendous quality and dedication of Tessella's staff.

During the year, we concluded a Global Supplier Agreement with Shell and consequently we have broadened the reach of Tessella, now delivering services in the UK, the Netherlands and in the U.S.

We seek innovation not just in relation to our technology solutions, but also in our client relationships and commercial arrangements. For example, during the period, Unilever spun out a business venture, MiLife. In order to support the venture through its early cash limited phase, we provided services where the fees were wholly contingent on the success of the business objectives. The objectives were, in fact, met and Tessella rewarded. With the same parent company, we have also agreed a way of engaging whereby a proportion of our future revenues is linked to the outcome of agreed key performance indicators (KPIs). These KPIs measure the value and benefits we provide, according to the client's most important measures of success, thus ensuring our aims and those of our client are completely aligned.

New clients

In accordance with our stated intent of creating a balanced business by having a more equal mix of Public and Private Sector clients, we invested further in our sales capacity and this has paid immediate dividends as our Public Sector revenue has duly increased and now represents 43% of Group's Revenues. Of particular note has been a greater penetration of the UK Defence and Civil Nuclear markets. This balance of Public and Private revenues and the fact that our clients are almost exclusively blue chip or Government Departments provides some comfort in such volatile economic conditions.

Whilst always seeking to strengthen our relationships with our existing clients, we have extended our footprint by adding new blue chip clients within our core sectors of Public Sector, Life Sciences, Energy and Commercial. During the year we are pleased to report winning significant new contracts with a number of new clients including:

- International Atomic Energy Authority
- Nuclear Decommissioning Authority
- National Nuclear Laboratory
- A major systems integrator in the defence industry
- BUPA Health Dialog
- Wellcome Library

IP bank

A further strategic tenet was to find ways of assisting our clients with the exploitation of Intellectual Property (IP). This has resulted in a win-win scenario, whereby we have provided additional returns to our clients in the form of royalty payments (or equivalent benefits) and, through re-use of the IP, we have been able to reduce the cost and risk of future projects and thereby increase our competitiveness. This has led to the creation of a valuable "bank" of re-usable IP within the company.

New brand to reflect consulting capability

Another strategic objective was to develop our consulting capabilities. We aim to become the supplier of choice where R&D functions seek to achieve more value from their investments in technology and information, through better, business-aware decisions on the content, planning, conduct and supporting technologies. Consulting services have always been a part of our offering, however, we are now providing consulting services as a discrete service as opposed to our traditional approach of bundling consulting services as part of technology implementation contracts. We have strengthened our consulting capability through the hiring of experienced senior level practitioners and further developing our existing staff pool.

During the period the board also undertook to refresh the company's brand, strap line, messaging and general image to support the revised market positioning of the company. Recognising that Tessella has evolved and diversified over the years, both through organic growth and through acquisition, the revised branding is intended to help our clients, and potential clients, staff and potential recruits to understand our company more easily.

Market leading offerings

Our service offerings have also developed in the period under report. Our two market leading capabilities - Adaptive Clinical Trials focused on the Pharmaceutical Industry and Digital Preservation solutions for National Archiving Institutions - both now have dedicated world-renowned experts leading their development. In addition to these two service lines, further promising business streams have been cultivated to ensure future services can be developed and brought to market. Despite the market conditions, the board consider such investment vital to continuing to place the business at the leading edge of delivering business benefits to our clients through technology assessment and insertion programmes.

Recruiting and retaining top scientific talent

We have responded to changes in our market place and to one key driver in particular, the reducing number of highly qualified science graduates. With the prediction of reducing science graduates numbers in the Western world in the coming years, the scarcity value for onshore resource increases, particularly for the crème de la crème.

Tessella is fortunate in being able to offer challenging and engaging programmes of work, such as investigating nuclear fusion, helping to create new treatments for critical disease areas or designing the descent and landing systems for interplanetary space missions. This attraction ensures we are able to recruit and retain the very best talent from the leading universities. Two measures of success in the period have been both our low staff attrition rate and the high ratio of applicants per advertised post.

New headquarters to handle expansion

With the accelerated growth of the business in recent years, it was imperative that we expanded our office facilities. In February 09 the registered office, HQ and Abingdon branch, relocated to new larger premises in Abingdon. The office opening ceremony was conducted by the former head of Chemistry at Oxford University and founder of Oxford Molecular Ltd, Professor Graham Richards CBE, to whom we are most grateful.

Looking forward

As the economic environment continues to deteriorate, the board expects the market conditions to become more challenging. In response the board has introduced measures to align its internal cost structure and overheads with the emerging market conditions. Control of discretionary costs will continue to be exercised and investment opportunities appropriately scrutinised.

We adapt our approach to find the most cost-effective and appropriate solutions to fulfil your business goals. So our approach can range from augmenting your team at your offices for a short period on a time and materials basis, to undertaking a multi-year project with a Tessella delivery team based in our offices on a fixed price contract.

Giving you the right solution means that we always examine the solution options which might include enhancing a legacy system, integrating existing products, bespoke system development or simply moving to an improved way of working.

Whilst sensible fiscal and operational control will be exerted, the board also acknowledge the opportunity to deploy its skills and solutions to assist clients that now need to simply cut cost or “do more for less” and Tessella is well placed to do this.

The fundamental principles that underpin Tessella’s strategy, as set out in 2007 remain valid. We shall continue to:

- Focus on our chosen vertical industry sectors
- Develop ever-closer relationships with our clients
- Support our key clients on a cross-geographic basis
- Enhance our portfolio of services, particularly in terms of developing the consulting offering
- Find new ways of attracting, retaining and motivating our staff
- Increase the profile and awareness of Tessella
- Seek opportunities to acquire businesses to help achieve our ambitions

With a relatively high proportion of public sector funded business, and with our commercial clients operating in sectors such as Pharmaceuticals and Energy that are less likely to be as adversely impacted as retail or financial services, the board looks forward with cautious optimism.

In conclusion, we would like once again to thank our staff for the remarkable contribution by each and every one and for their unremitting support and sheer hard work over the past year. Without the total commitment and dedication of all our staff we would not enjoy the success we do.

Results and dividends

Group revenue for the year was up 21% to £17.4M (2008: £14.4M), PBT remained at a similar level to the last financial year: £941k (2008: £970k).

Total tax contribution 2008/09:

Taxes paid by the company:

	UK	The Netherlands	US
	£k	€k	\$k
Corporation Tax	-	11	287
Business rates	48	-	-
Employers’ social security	1,115	55	159
Total	1,163	66	446

Taxes collected by the company:

	UK	The Netherlands	US
	£k	€k	\$k
Employees’ PAYE	2,339	140	567
Employees’ social security	622	62	90
VAT	1,680	237	N/A
Total	4,641	439	657

**Our people, process,
domain expertise, and
intellectual property
set us apart.**

The directors have recommended the following dividends:

	2009	2008
	£	£
Final dividend proposed of £6 per ordinary share (2008: £5)	360,012	300,010
Interim dividend paid of £5 per ordinary share (2008: £5)	300,010	300,010
	<hr/>	<hr/>
	660,022	600,020

Principal activities

The principal activity of the group during the year was the provision of software services to leading scientific and engineering organisations in the UK, Europe and the US. The services include feasibility studies, user requirement definition, software design, software development, installation and on-going support.

Financial risk management objectives and policies

The company is exposed to a variety of financial risks which result from its operating activities. The board is responsible for coordinating the group's risk management and focuses on actively securing the company's short to medium term cash flows. The most significant financial risks to which the company is exposed are described below.

KPIs

The company uses a series of key financial performance indicators to manage the business, including;

1. revenue, gross profit and operating expenses
2. PBIT as % of revenue and
3. average revenue per customer and number of significant customers

Cash flow and liquidity risk

The Group seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and securely. Funds surplus to requirements are transferred to deposit accounts.

Credit risk

The Group's credit risk is primarily attributable to its trade debtors. The Group has no significant concentration of credit risk, with exposure spread over a large number of clients.

Currency risk

At the year end the Group did not have any financial instruments in place to hedge against exposure to foreign currencies (mainly dollar: sterling). This position will be reviewed and action will be taken to hedge against currency risk where appropriate.

Directors' and officer's liability insurance

The company, as permitted by s309A of the Companies Act 1985, maintains insurance cover on behalf of the directors and company secretary indemnifying them against certain liabilities which may be incurred by them in relation to the company.

Process: We use repeatable processes that consistently deliver results. Tessella is ISO 9001:2000 and TickIT certified, masters a range of project methodologies, and our software development and quality management procedures are proven against the most demanding regulatory standards.

Directors

The directors who served the company during the year were as follows:

Mr K J Gell BSc ACMA CEng MBCS

Mrs J A Gell BSc PGCE

Dr P J Townsend ARCS BSc DPhil (Oxon)

Mr J Tilbury BA

Mr R Walker BSc

Mr A Gaby

Mr G Stephen BEng MBA

Directors' responsibilities

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

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year.

In preparing these financial statements, the directors are required to:

Select suitable accounting policies, as described on page 22, and then apply them consistently;

- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the 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.

In so far as the directors are aware:

- There is no relevant audit information of which the group's auditor is unaware; and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors' are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD

K J Gell
Director

28th July 2009

People: Our projects can be fast moving, uncertain and complex, this is why Tessella employs scientists with first class academic minds; over 50% of Tessella staff holds PhDs. All our employees have demonstrated high performance in their early careers in an R&D, Science or IT environment, and are fully trained and experienced in software engineering.

Directors' biographies



Kevin Gell **Managing Director of Tessella plc**

Kevin Gell founded Tessella in 1980. He has led the business through 29 years of profitable growth, moving its emphasis from systems support and applications development to become a leading provider of technology and consulting services to government organisations and some of the world's most successful companies. Kevin was responsible for developing operations across the UK and Tessella's expansion into mainland Europe and the US. His passion for delivering solutions that exceed clients' expectations and his commitment to excellence runs deep within Tessella's culture.

Prior to founding Tessella, Kevin obtained a Physics degree from Birmingham University and worked for IBM for ten years, during which time he qualified with the Chartered Institute of Management Accountants. Kevin has played an active role within the CBI and is a member of the Industrial Advisory Board for the UK's Knowledge Transfer Network.



Peter Townsend **Commercial Director of Tessella plc**

Dr Peter Townsend is Tessella's Commercial Director and is responsible for developing and implementing the company's overall business strategy. This includes managing Tessella's central Marketing & Sales and HR functions. Over the past few years Peter has been responsible for moving Tessella's focus from being a supplier of IT skills to being a provider of sophisticated software solutions to scientific, technical and engineering problems.

Peter gained a Bachelors Degree in Botany from Imperial College, London, followed by a Doctorate from Oxford University. He joined Tessella in 1980 and has held various technical and managerial roles, playing a key role in the growth of the company. He was appointed to the Tessella board in 1989, initially as Director responsible for the company's ISO 9001 quality programme and subsequently as Marketing & Sales Director in 1996. Peter is also Vice President, Commercial of Tessella Inc.



Grant Stephen **CEO of Tessella Inc; Director of Tessella plc**

Grant Stephen has been Chief Executive Officer of Tessella Inc since its foundation in 2003, and was appointed to the board of parent Tessella plc in 2006. He has built up Tessella's organisation in the United States since late 2001, growing the client base across a range of sectors, attracting top-flight staff and spreading the word about Tessella's specialised services throughout the US market. From our offices in Boston and Washington DC, he manages the rapidly expanding activities of Tessella across the United States. Grant is also Chair of the Life Science Informatics Committee at the Massachusetts Biotechnology Council.

Grant qualified with a Bachelors Degree in Engineering from the University of Glasgow and later went on to attain his MBA. He joined Tessella in 1996 as a sales executive, looking after existing clients and growing new accounts in sectors as diverse as biotechnology, instrumentation and chemicals. His role as CEO of Tessella Inc involves him in all aspects of the US business, ranging from staff management, financial performance and resource allocation through to marketing and business development.

Jon Tilbury **Director of Tessella plc**

Jon Tilbury is the Director responsible for Tessella's Abingdon Division. Jon has been with Tessella for over 20 years and has worked in many roles within the company including programming, system design, project management, technical management and business development in many different industry sectors.

This experience means Jon appreciates all aspects of Tessella's business and how we serve our clients. It has enabled him to make significant improvements to processes and service offerings, and led to an excellent understanding of the issues confronting Tessella's clients. Under Jon's leadership, his division has demonstrated significant growth.

Jon joined Tessella in 1986, after a degree in Materials Science from Oxford. He is a member of the Institute of Directors, completing his Certificate in Company Direction in 2000.



Alan Gaby **Director of Tessella plc**

Alan Gaby is the Director responsible for Tessella's Burton, Cambridge, Stevenage, Warrington and Den Haag branches. Alan joined Tessella in November 2006 with 20 years' experience in the IT industry, where he has led business transformation and high growth (organic and acquisition) strategies.

Prior to joining Tessella, Alan held the position of Chief Operating Officer and Main Board Director with the European consulting and technology company VEGA Group plc and contributed to the significant turn-round and growth of the business during his tenure. Alan joined VEGA in 1998 from the Global IT services firm, EDS, where he was Commercial Director, having previously been part of the management team of software development and systems integrator SD-Scicon plc, that was ultimately acquired by EDS. Alan is a member of the Institute of Directors and has participated in a number of IT sector trade associations, representative bodies and policy making committees.



Rob Walker **Operations Director of Tessella plc**

Rob Walker is the Director responsible for Tessella's administration, finance, quality, training and IT support departments. He previously managed Tessella's Winchester branch for five years, achieving consistently high rates of profit growth and establishing a centre of excellence for high value fixed price projects. Rob is now primarily responsible for improving the efficiency of all aspects of Tessella's business and for facilitating the move to higher value projects.

Before joining Tessella in 2001, Rob spent twelve years with Scicon, SD-Scicon and EDS in the roles of project manager, consultant and business development manager, gaining considerable experience in the software, systems and support aspects of IT. Prior to Scicon, Rob served for 16 years with the Royal Air Force. He is a GD Aerosystems course graduate and holds a degree in Metallurgy from Birmingham University.



Judith Gell **Director of Tessella plc**

Judith has been involved with Tessella since its inception and has undertaken various administrative and support roles. She was responsible for developing the HR and payroll department, including setting up the Dutch and US offices. She has always been closely involved in the accounts functions and continues to use her in depth knowledge of Tessella systems working in the administration and finance team.

After obtaining a BSc in Physics from Birmingham University, Judith gained a PGCE in Science Education. She taught Physics for 8 years before joining Tessella.



**Domain expertise:
After 25 plus years of
working with some
of the biggest names
in Life Sciences,
Energy, Consumer
Goods and the Public
Sector we have
developed a keen
understanding of the
issues our clients
face.**

Business review

Clinical trials innovations

The biggest problem facing the pharmaceutical industry today is the falling number of new medicines coming to market and the spiralling cost of developing them. Tessella has made significant progress during 2008/09 in establishing the use of innovative statistical techniques to speed up and lower the cost of clinical drug trials without sacrificing safety.

We have worked extensively with major pharmaceutical companies including:

- Wyeth Research
- Eli Lilly

to prove the value of using Adaptive Clinical Trials (ACT) and to develop software tools which can be used more widely. ACT increases the efficiency of clinical trials by allowing the trial to adapt to the data being gathered as the trial runs, allowing more effective use to be made of the subjects treated, and enabling better informed and quicker decisions to be made.

By using ACT, our clients have made savings ranging from \$1.5M to \$11M per clinical trial.

Wyeth were successful in winning the recent BioIT World Best Practice Award for Clinical Trials Management for their ACT work with Tessella.

Tessella and our partners, Berry Consultants, have launched the Fixed and Adaptive Clinical Trials Simulator (FACTS™) to help biostatisticians and managers in the area of designing and supporting clinical trials.

Several other leading pharmaceutical companies as well as smaller biotechs are promising to be new users of ACT.

Digital archiving & preservation

The ability to preserve computer-generated information reliably over periods of many years is a critical business and cultural issue. During 2008/09 Tessella further established itself as the leading innovator of technology for digital archiving and long-term record preservation.

Tessella's Safety Deposit Box technology (SDB) was developed in partnership with the UK National Archives and has been in use for over 4 years. SDB was showcased at the International Congress on Archives 2008 in Kuala Lumpur and has subsequently been used as the core of digital archiving systems developed by Tessella for:

- The British Library
- Schweizerisches Bundesarchiv (Swiss Federal Archives)
- Nationaal Archief (Dutch National Archives)
- The Wellcome Library (for the history of medicine)

SDB incorporates the proven Active Preservation engine that allows file formats to be refreshed in a sophisticated and controlled manner ensuring long-term access to the digital records.

Tessella's archiving work with Lockheed Martin in the USA reached a milestone in July 2008 when The National Archives and Records Administration (NARA) announced Initial Operational Capability (IOC) of the Electronic Records Archives (ERA) system. This milestone sets the foundation for a permanent archival system to take in, preserve, manage, and provide access to electronic records created by the federal government.

Tessella is also a key partner in two European Union funded research projects into digital archiving: PLANETS and KEEP.

Oil and gas

Tessella has won a 3 year contract with Shell Global Solutions, to provide scientific software services, covering Europe, North America, and Asia. Tessella specialises in projects with a high scientific content or high complexity. The key areas we work in within this sector include:

- Risk Assessment and Mitigation
- Asset Condition Management
- IT ecosystems

For BP, Tessella has further improved the Offshore Major Accident Risk tool (OMAR), which helps their engineers to prevent the occurrence of serious accidents on offshore facilities.

OMAR models the risks involved in fire and explosion events, blowouts, riser failures, ship collisions, helicopter collisions and earthquakes. It allows the user to see a 3D representation of the facility with the ability to zoom and fly through the model. This gives a much better feel for the 3D nature of offshore facilities, and how the elements hang together. Tessella's 3D developments to OMAR provide a major improvement on other available safety models.

Through our partners Risktec, Tessella continues the development of a Risk Assessment solution for AGIP KCO for use in their Caspian Sea fields. It considers onshore and offshore hazards, sour gas and ice.

Nuclear energy

Tessella is supporting the International Atomic Energy Agency (IAEA) with its work to regulate the use of nuclear technology to achieve a safer world.

The UK Nuclear Decommissioning Authority has commissioned Tessella to work on its Managing Radioactive Waste Safely programme.

A key component of this is the Geosphere Characterisation Programme (GCP) which will comprise detailed surface and subsurface investigations required to acquire and interpret information on the geological, hydrogeological and environmental conditions at potential geological repository sites selected for the safe disposal of nuclear waste.

Tessella is developing the data architecture for the GCP, combining our detailed technical knowledge of software engineering with 30 years experience of working in the nuclear sector.

Science research

Tessella's software engineering expertise and our strong scientific credentials allow us to bring high quality standards of software development to the scientific research establishments.

ISIS, located at the prestigious Rutherford Appleton Laboratory in the UK, is the world's leading pulsed neutron and muon source. When ISIS received funding to build a second Target Station, they saw the opportunity to invest in external professional software and project management expertise to help them develop an innovative new instrument-independent data analysis framework, MANTID.

Tessella developed MANTID to provide support for data visualization and data transformation. It allows the users to implement their own tailored analysis algorithms, and maintains a full, virtual instrument geometry.

**Intellectual Property:
Tessella owns
software assets and
unique intellectual
property that
solve key industry
and technology
challenges. We
deploy them to reduce
risk, cost and time in
meeting your specific
requirements.**

The successful collaboration with Tessella has enabled ISIS to provide its global scientific community with higher levels of overall user experience and service. The project has also been made available under open source licence for other neutron scattering facilities to use and extend (www.mantidproject.org).

During 2008 Tessella won contracts to provide software services to the next-generation ITER fusion reactor being built in France.

Tessella's work in fusion technology spans more than 20 years. Tessella's scientific software specialists have worked on many of the key systems at the Joint European Torus (JET) experiment at UKAEA Culham in the UK, the world's leading centre for research into fusion power. At JET teams of scientists from all over Europe have been given the important remit of conducting fusion experiments with a view to generating a plentiful and environmentally safe energy source for the future. ITER continues that quest.

The Diamond Light Source is a scientific facility in South Oxfordshire on the Harwell Science and Innovation Campus. It is a giant synchrotron which produces intense beams of light and X-rays. Diamond will ultimately host up to 40 cutting-edge research stations, called beamlines, which can be used in applications from determining the structure of new alloys, to helping design new drugs.

Tessella provides Diamond with professional software developers with physics backgrounds, who have a sound understanding of the science behind the instrument and its application. This facilitates communications, allowing us to understand Diamond's requirements and to develop robust beamline control and data acquisition systems.

Defence

Tessella provides complex mathematical support in the Defence arena, both directly to the MoD and to Defence prime contractors.

The Defence Ordnance Safety Group (DOSG) is the MoD's focal point for ordnance, munitions and explosives safety. They are responsible for the licensing of MoD ordnance storage sites in the UK. In certain cases this requires a detailed risk assessment to be performed on a site, requiring extensive data capture and risk calculation.

Tessella has defined and developed software tools to support DOSG in this task. These updated tools improve DOSG's assessment efficiency and accuracy, promote more detailed understanding of the risks involved within the agency, and equip DOSG with greater capabilities and services than they could previously provide.

Healthcare

Within the Wellcome Trust for Human Genetics, the Kwiatkowski group is coordinating the efforts of the Worldwide Anti-malarial Resistance Network (WARN) in delivering a proof of concept for a global system with the ability to monitor geographical and temporal trends in clinical efficacy of drugs that are being used, as well as new drugs that are being evaluated. Such information will facilitate the early recognition of problems with anti-malarial efficacy as they first emerge in affected areas and, perhaps more importantly, before they appear in adjacent areas.

During 2008 Tessella has worked on design and implementation of a prototype web based system to manage data relating to anti-malarial drug resistance as part of the WARN framework. The development of the full system should be carried out during 2009.

Tessella has supported the Health Protection Agency's (HPA) radiation dosimeter management system ARKID for many years. During 2008 we won the contract to develop its replacement, the Dosimetry and Records Information System (DORIS).

One of the main drivers was to maintain service reliability, but the new system has the potential for new features to be added in the future. We have taken great care to make sure that every function of the old system, as well as the integrity of the dose record data, is preserved in the new system.

One of the new capabilities of the system is that it will be able to provide web access for self-service access to dose summaries. This is an important capability in the context of the nuclear renaissance and the expected increase in the number of outside workers. Thanks to Tessella, the HPA is well set to provide a standalone record keeping service to this growing group.

MiLife Coaching Ltd has been spun out of Unilever with venture funding from Unilever Ventures, to promote and develop the MiLife concept.

The MiLife system provides a cost-effective means of helping people to feel better now and stay healthy into old age by reducing life-style related risks. It incorporates activity and nutritional coaching within a holistic framework that directly addresses the consumer's feeling of well-being and a healthy lifestyle.

Tessella has supported Unilever in the development of MiLife from early prototypes to the commercial system available today. The success of the project has depended on the excellent communications between Tessella and the Unilever staff and our ability to manage the project in a highly flexible way, using a 3rd party offshore developer.

Premex Ltd produces medico legal reports that are a tool used within the personal injury claims industry which allows medical experts to assess an injured party's injuries as a consequence of an accident.

Tessella has developed specialist report writing software to streamline the process of compiling medico legal reports. It allows medical experts to create a report that is flexible to the circumstances of an individual injured party, that can be completed in real time during an examination and that can be submitted to medico legal agencies within moments of the completion of an examination.

This in turn will allow the processing and handling of the reporting element of the personal injury claim process to be faster, more accurate, more efficient and less costly, in an environment where speed, accuracy, efficiency and cost are key elements of a profitable business.

Transport

The Train Automatic Performance Analysis System (TAPAS), developed by Tessella for HSBC Rail and Southern Railway, goes from strength to strength.

In 2008 Southern increased the Class 455 reliability from 6,000 to over 15,000 miles per failure, making it the most improved fleet in its class. A significant factor in this improvement has been the use of TAPAS which has enabled a transition to an information-centred, condition-based maintenance approach, with impressive results.

To date, TAPAS has received no less than four industry awards for excellence.

There are opportunities to utilize the TAPAS approach not only on other railways, but also in other industries where timely preventative maintenance can help avoid costly equipment failures.

Corporate and social responsibility

Tessella believes making a profit and growing our business goes hand in hand with responsibility to local communities, the environment, employees, clients, partners and suppliers.

Supporting our local communities and environment

Each year Tessella sponsors prizes within the science departments of several top universities.

We encourage our employees to participate in local community initiatives. 48 Tessella employees from Abingdon helped clear overgrowth as part of conservation efforts at two sites in Oxford; the Oxford Urban Wildlife Trust's 6-acre Boundary Brook Nature Reserve and the Ss. Mary and John Churchyard Project. Our Burton and Warrington branches helped restore UK National Trust sites, while Stevenage and Cambridge helped a local hospital by giving their garden a makeover.



Tessella volunteers get stuck in

Tessella and JANET UK took part in the Dragon Boat Race 2009 organised by the The Rotary Club of Abingdon Vesper, to raise money for Cancer Research UK and the Rotary Club of Abingdon Vesper.

Tessella staff took part in Swimathon 2009 held at the Hitchin Swimming Centre to raise money for Marie Curie Cancer Care. Two teams from Tessella, plus a third team made up of Tessella staff and clients managed to raise over £1,200. Each team, consisting of 4 people, swam 200 lengths (5km).



Matthew Pigg of Tessella at the Swimathon

Our Netherlands team helped Den Haag Stichting Voedselbank prepare parcels of food and household supplies. The volunteer-run association works to reduce the hidden poverty in the Netherlands.

Engaging employees

Our employees are our greatest asset and our success has been built on recruiting, retaining and developing the best possible technical and non-technical staff. We have a significantly lower staff churn rate than our industry sector average.

Via our Investors in People programme, our employees are encouraged to develop to their full potential. We offer them 20 training days per year, three times the industry norm. This reaps rewards for them, our company and our clients.

Our offices are safe places to work; we comply with all relevant health and safety legislation and regulations, together with best practice guidelines recommended by national health and safety authorities. All employees attend a half-day first aid course.

We are an equal opportunities employer.

Respecting our clients

On each of our of client's projects, our objective is to address their real business need, bring value to their business, to be cost effective, and to behave ethically at all times.

Respecting our partners and suppliers

We strive to build ethical relationships with our business partners and suppliers, to mutually support each others' businesses. We pay our bills promptly and treat our suppliers fairly. The average number of days which the company took to pay creditors was 28 (2008: 27). We value their contribution to our business.



Report of the independent auditor to the members of Tessella plc (formerly Tessella Support Services plc)

We have audited the group and parent company financial statements (“the financial statements”) of Tessella plc (formerly Tessella Support Services plc) for the year ended 31 March 2009 which comprise the principal accounting policies, group profit and loss account, group balance sheet and company balance sheet, group cash flow statement, statement of total recognised gains and losses and notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company’s members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors’ responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors 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 Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Report of the independent auditor to the members of Tessella plc (formerly Tessella Support Services plc) (continued)

Basis of 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2009 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
and
- the information given in the Report of the Directors is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
OXFORD
29th July 2009

Financial statements

Principal accounting policies

Basis of accounting

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

The principal accounting policies of the group have remained unchanged from the previous year and are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised. The results of companies acquired or disposed of are included in the group profit and loss account after or up to the date that control passes respectively.

Related parties transactions

The company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" from disclosing transactions with other group members.

Turnover

Turnover is recognised as earned when, and to the extent that, the group obtains the right to consideration in exchange for its performance under these contracts. It is measured at the fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements but excluding VAT.

Turnover is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts the amount of turnover reflects the accrual of the right to consideration by reference to the value of the work performed. Turnover not billed to clients is included in debtors as unbilled receivables.

Goodwill

Goodwill, representing the excess of the fair value of the consideration given on an acquisition of a business over the fair values of the identifiable net assets acquired, is capitalised. An annual impairment review is carried out on goodwill balances held. Such purchased goodwill is amortised over 8 years, previously 10 years, on a straight line basis.

In 2007 the trade and assets of the company's subsidiary Analyticon Limited were hived up into Tessella plc. This resulted in goodwill being recognised in Tessella plc which is being amortised over a remaining 7 years to ensure that the goodwill in the company and the group relating to Analyticon is written off over the same useful economic life.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	-	8 years
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Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold property	-	2.5% - straight line basis
Leasehold improvements		10% - straight line basis
Fixtures and fittings	-	25% per annum - reducing balance basis
Equipment	-	33.3% per annum - reducing balance basis

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The group operates defined contribution schemes for its employees. The assets of the schemes are held separately from those of the group. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Investments

Investments are recorded at cost, less any permanent diminution in value.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Share based payments

The group issues share options to its employees. In accordance with FRS 20, the payments are measured at fair value at date of grant, using an option pricing model. The fair value is then expensed on a straight line basis over the vesting period, based on the group's estimate of the number of shares that will eventually vest, updated at each balance sheet date.

Group profit and loss account

	Note	2009 £	2008 £
Group turnover	1	17,402,290	14,405,369
Cost of sales		(485,554)	(231,472)
Gross profit		16,916,736	14,173,897
Other operating charges	2	(16,045,689)	(13,296,810)
Operating profit	3	871,047	877,087
Interest receivable		70,215	93,004
Interest payable and similar charges	6	–	(276)
Profit on ordinary activities before taxation		941,262	969,815
Tax on profit on ordinary activities	7	178,445	(114,372)
Profit for the financial year		1,119,707	855,443

All of the activities of the group are classed as continuing.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

Group balance sheet

	Note	2009 £	2008 £
Fixed assets			
Intangible assets	10	109,363	136,703
Tangible assets	11	708,442	549,057
		<u>817,805</u>	<u>685,760</u>
Current assets			
Debtors	13	4,065,900	3,575,736
Cash at bank		2,957,051	2,344,121
		<u>7,022,951</u>	<u>5,919,857</u>
Creditors: amounts falling due within one year	14	5,600,590	4,965,256
Net current assets		<u>1,422,361</u>	<u>954,601</u>
Total assets less current liabilities		<u>2,240,166</u>	<u>1,640,361</u>
Provisions for liabilities			
Deferred taxation	16	13,870	28,055
		<u>2,226,296</u>	<u>1,612,306</u>
Capital and reserves			
Called-up equity share capital	20	60,002	60,002
Share premium account	21	207,991	207,991
Other reserves	21	48	48
Profit and loss account	21	1,958,255	1,344,265
Shareholders' funds	22	<u>2,226,296</u>	<u>1,612,306</u>

These financial statements were approved by the directors and authorised for issue on 28th July 2009, and are signed on their behalf by:

K J Gell
Director

The accompanying accounting policies and notes form part of these financial statements.

Company balance sheet

	Note	2009 £	2008 £
Fixed assets			
Intangible assets	10	433,750	520,500
Tangible assets	11	670,600	522,257
Investments	12	250,982	250,982
		<u>1,355,332</u>	<u>1,293,739</u>
Current assets			
Debtors	13	3,771,674	3,436,788
Cash at bank		2,558,808	1,767,442
		<u>6,330,482</u>	<u>5,204,230</u>
Creditors: amounts falling due within one year	14	<u>5,655,156</u>	<u>4,764,644</u>
Net current assets		<u>675,326</u>	<u>439,586</u>
Total assets less current liabilities		<u>2,030,658</u>	<u>1,733,325</u>
Provisions for liabilities			
Deferred taxation	16	13,870	28,055
		<u>2,016,788</u>	<u>1,705,270</u>
Capital and reserves			
Called-up equity share capital	20	60,002	60,002
Share premium account	21	207,991	207,991
Other reserves	21	48	48
Profit and loss account	21	1,748,747	1,437,229
Shareholders' funds		<u>2,016,788</u>	<u>1,705,270</u>

These financial statements were approved by the directors and authorised for issue on 28th July 2009, and are signed on their behalf by:

K J Gell
Director

Group cash flow statement

	Note	2009 £	2008 £
Net cash inflow from operating activities	23	1,496,431	1,718,055
Returns on investments and servicing of finance			
Interest received		70,215	93,004
Interest paid		–	(276)
Net cash inflow from returns on investments and servicing of finance		70,215	92,728
Taxation		(123,189)	(257,163)
Capital expenditure			
Payments to acquire tangible fixed assets		(328,593)	(133,886)
Receipts from sale of fixed assets		3,783	9,911
Net cash outflow from capital expenditure		(324,810)	(123,975)
Equity dividends paid		(600,020)	(750,025)
Cash inflow before financing		518,627	679,620
Financing			
Issue of equity share capital		–	1,424
Share premium on issue of equity share capital		–	74,570
Net cash inflow from financing		–	75,994
Increase in cash	23	518,627	755,614

The accompanying accounting policies and notes form part of these financial statements.

Other primary statements

Statement of total recognised gains and losses

	2009	2008
	£	£
Profit for the financial year attributable to the shareholders of the parent company	1,119,707	855,443
Currency translation differences on foreign currency net investments	<u>94,303</u>	<u>52,738</u>
Total gains and losses recognised for the year	<u>1,214,010</u>	<u>908,181</u>

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	2009 £	2008 £
United Kingdom	11,870,948	10,594,039
United States	2,915,247	2,690,432
Europe	2,606,095	1,100,898
Other	10,000	20,000
	<u>17,402,290</u>	<u>14,405,369</u>

2 Other operating charges

	2009 £	2008 £
Administrative expenses	<u>16,045,689</u>	<u>13,296,810</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2009 £	2008 £
Amortisation	27,340	38,276
Depreciation of owned fixed assets	117,434	110,347
Loss on disposal of fixed assets	47,991	7,719
Operating lease costs:		
Land and buildings	384,360	307,633
Net profit on foreign currency translation	(231,035)	(28,334)
Auditor's remuneration - audit of the financial statements	17,500	17,000
Auditor's remuneration - other fees	<u>15,995</u>	<u>54,220</u>

	2009 £	2008 £
Auditor's remuneration - audit of the financial statements	<u>17,500</u>	<u>17,000</u>
Auditor's remuneration - other fees:		
- For the audit of the Group's subsidiaries pursuant to legislation	-	500
- Taxation services	8,700	15,619
- Other services	7,295	38,101
	<u>15,995</u>	<u>54,220</u>

4 Particulars of employees

The average number of staff employed by the group during the financial year amounted to:

	2009 No	2008 No
Number of billable staff	192	160
Number of administrative staff	40	46
	<u>232</u>	<u>206</u>

The aggregate payroll costs of the above were:

	2009 £	2008 £
Wages and salaries	11,856,358	9,863,783
Social security costs	1,288,997	1,088,729
Other pension costs	475,437	381,090
	<u>13,620,792</u>	<u>11,333,602</u>

5 Directors

Remuneration in respect of directors was as follows:

	2009 £	2008 £
Emoluments receivable	2,158,897	1,884,725
Value of company pension contributions to money purchase schemes	62,944	57,523
	<u>2,221,841</u>	<u>1,942,248</u>

Emoluments of highest paid director:

	2009 £	2008 £
Total emoluments (excluding pension contributions)	<u>722,104</u>	<u>508,580</u>

5 Directors (continued)

The number of directors who accrued benefits under company pension schemes was as follows:

	2009 No	2008 No
Money purchase schemes	<u>5</u>	<u>5</u>

6 Interest payable and similar charges

	2009 £	2008 £
Interest payable on bank borrowing	<u>–</u>	<u>276</u>

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2009 £	2008 £
Current tax:		
UK Taxation In respect of the year:		
UK Corporation tax based on the results for the year at 28% (2008 - 30%)	74,167	71,176
Adjustment in respect of prior year	<u>(242,639)</u>	<u>(137,162)</u>
	(168,472)	(65,986)
Foreign tax		
Current tax on income for the year	<u>4,212</u>	<u>192,893</u>
Total current tax	(164,260)	126,907
Deferred tax:		
Origination and reversal of timing differences	<u>(14,185)</u>	<u>(12,535)</u>
Tax on profit on ordinary activities	<u>(178,445)</u>	<u>114,372</u>

The adjustment relating to prior periods relates primarily to the utilisation of losses in Tessella Inc which reduced the estimated tax liability for the prior year.

7 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2008 - 30%).

	2009 £	2008 £
Profit on ordinary activities before taxation	<u>941,262</u>	<u>969,815</u>
Profit on ordinary activities by rate of tax	263,553	290,945
Expenses not deductible for tax purposes	41,405	17,045
Depreciation for period in excess of capital allowances	11,372	(8,823)
Marginal relief	(9,684)	(11,833)
Adjustments to tax charge in respect of previous periods	(242,639)	(137,162)
Adjustment in respect of Overseas subsidiaries	4,212	72,836
Other timing differences	12,902	16,165
Deduction for R&D expenditure	(245,381)	(112,266)
Total current tax (note 7(a))	<u>(164,260)</u>	<u>126,907</u>

8 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £873,315 (2008 - £649,835).

9 Dividends

Dividends on shares classed as equity

	2009 £	2008 £
Paid during the year: Equity dividends on ordinary shares	<u>600,020</u>	<u>750,025</u>

10 Intangible fixed assets

Group	Goodwill £
Cost At 1 April 2008 and 31 March 2009	<u>218,724</u>
Amortisation At 1 April 2008	82,021
Charge for the year	27,340
At 31 March 2009	<u>109,361</u>
Net book value At 31 March 2009	<u>109,363</u>
At 31 March 2008	<u>136,703</u>

10 Intangible fixed assets (continued)

Company	Goodwill £
Cost	
At 1 April 2008 and 31 March 2009	<u>607,250</u>
Amortisation	
At 1 April 2008	86,750
Charge for the year	86,750
At 31 March 2009	<u>173,500</u>
Net book value	
At 31 March 2009	<u>433,750</u>
At 31 March 2008	<u>520,500</u>

11 Tangible fixed assets

Group	Leasehold property £	Fixtures and fittings £	Equipment £	Total £
Cost				
At 1 April 2008	294,599	408,456	633,202	1,336,257
Additions	120,623	34,854	173,116	328,593
Disposals	–	(241,740)	(149,115)	(390,855)
At 31 March 2009	<u>415,222</u>	<u>201,570</u>	<u>657,203</u>	<u>1,273,995</u>
Depreciation				
At 1 April 2008	71,914	331,619	383,667	787,200
Charge for the year	11,378	12,013	94,043	117,434
On disposals	–	(204,009)	(135,072)	(339,081)
At 31 March 2009	<u>83,292</u>	<u>139,623</u>	<u>342,638</u>	<u>565,553</u>
Net book value				
At 31 March 2009	<u>331,930</u>	<u>61,947</u>	<u>314,565</u>	<u>708,442</u>
At 31 March 2008	<u>222,685</u>	<u>76,837</u>	<u>249,535</u>	<u>549,057</u>

11 Tangible fixed assets (continued)

Company	Leasehold property £	Fixtures and fittings £	Equipment £	Total £
Cost				
At 1 April 2008	294,599	403,771	589,024	1,287,394
Additions	120,623	34,854	160,345	315,822
Disposals	–	(238,663)	(159,400)	(398,063)
At 31 March 2009	<u>415,222</u>	<u>199,962</u>	<u>589,969</u>	<u>1,205,153</u>
Depreciation				
At 1 April 2008	71,914	328,840	364,383	765,137
Charge for the year	11,378	11,496	84,230	107,104
On disposals	–	(201,287)	(136,401)	(337,688)
At 31 March 2009	<u>83,292</u>	<u>139,049</u>	<u>312,212</u>	<u>534,553</u>
Net book value				
At 31 March 2009	<u>331,930</u>	<u>60,913</u>	<u>277,757</u>	<u>670,600</u>
At 31 March 2008	<u>222,685</u>	<u>74,931</u>	<u>224,641</u>	<u>522,257</u>

12 Investments

Company	Group companies £
Cost	
At 1 April 2008 and 31 March 2009	<u>250,982</u>
Net book value	
At 31 March 2009	<u>250,982</u>
At 31 March 2008	<u>250,982</u>

At 31 March 2009 the company held 100% of the ordinary share capital of Analyticon Limited, a company incorporated in England and Wales. This company is dormant following the hive up of its trade and assets into Tessella plc during 2007.

At 31 March 2009 the company held 100% of the ordinary share capital of Tessella Inc., a company incorporated in the United States whose principal activity is similar to that of the parent company. At 31 March 2009 Tessella Inc. had capital and reserves of £178,627 and made a profit of £175,463 for the year then ended.

13 Debtors

	2009	The group	2009	The company
	£	2008	£	2008
		£		£
Trade debtors	3,168,380	2,901,995	2,814,336	2,547,590
Amounts owed by group undertakings	–	–	192,045	254,580
Corporation tax repayable	20,185	–	–	–
Unbilled receivables	385,107	386,587	326,365	381,525
Other debtors	155,468	198,293	129,217	173,057
Prepayments and accrued income	336,760	88,861	309,711	80,036
	<u>4,065,900</u>	<u>3,575,736</u>	<u>3,771,674</u>	<u>3,436,788</u>

14 Creditors: amounts falling due within one year

	2009	The group	2009	The company
	£	2008	£	2008
		£		£
Payments received on account	899,645	812,434	656,504	552,391
Trade creditors	185,431	113,574	177,723	107,086
Amounts owed to group undertakings	–	–	572,861	572,999
Corporation tax	–	267,264	45,379	65,371
Other taxation and social security	1,140,944	1,056,871	1,130,685	1,038,055
Other creditors	271,460	39,297	253,502	19,909
Accruals and deferred income	3,103,110	2,675,816	2,818,502	2,408,833
	<u>5,600,590</u>	<u>4,965,256</u>	<u>5,655,156</u>	<u>4,764,644</u>

15 Pensions

The group operates defined contribution pension plans in UK, NL and USA.

16 Deferred taxation

The movement in the deferred taxation provision during the year was:

	The group		The company	
	2009	2008	2009	2008
	£	£	£	£
Provision brought forward	28,055	40,590	28,055	40,590
Decrease in provision	(14,185)	(12,535)	(14,185)	(12,535)
Provision carried forward	<u>13,870</u>	<u>28,055</u>	<u>13,870</u>	<u>28,055</u>

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2009		2008	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>13,870</u>	<u>-</u>	<u>28,055</u>	<u>-</u>

The company's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Company	2009		2008	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>13,870</u>	<u>-</u>	<u>28,055</u>	<u>-</u>

17 Commitments under operating leases

At 31 March 2009 the group had annual commitments under non-cancellable operating leases as set out below.

The group	Land and buildings	
	2009	2008
	£	£
Operating leases which expire:		
Within 1 year	97,469	185,184
Within 2 to 5 years	349,748	155,630
	<u>447,217</u>	<u>340,814</u>

17 Commitments under operating leases (continued)

At 31 March 2009 the company had annual commitments under non-cancellable operating leases as set out below.

The company	Land and buildings	
	2009	2008
	£	£
Operating leases which expire:		
Within 1 year	18,788	133,745
Within 2 to 5 years	349,748	155,630
	<u>368,536</u>	<u>289,375</u>

18 Contingencies

The company and the group had no contingent liabilities at 31 March 2009 or 31 March 2008.

19 Related party transactions

The company rents two properties owned by the Tessella Executive Retirement and Death Benefit Scheme. Two of the trustees, K J Gell and J A Gell, are also directors of the company. Rent charged in the year ended 31 March 2009 amounted to £57,250 (2008 £57,250). No amounts remained unpaid at 31 March 2009 (2008 £nil).

The company and the group is ultimately controlled by Mr K J Gell by virtue of his shareholding in the company.

20 Share capital

Authorised share capital:

	2009	2008
	£	£
250,000 Ordinary shares of £1 each	250,000	250,000
10,000 A Ordinary shares of £0.001 each	10	10
	<u>250,010</u>	<u>250,010</u>

Allotted, called up and fully paid:

	2009		2008	
	No	£	No	£
Ordinary shares of £1 each	60,002	60,002	60,002	60,002
A Ordinary shares of £0.001 each	112	-	112	-
	<u>60,114</u>	<u>60,002</u>	<u>60,114</u>	<u>60,002</u>

20 Share capital (continued)

Share options

	Number of shares	Exercise price per share £
Exercisable once certain performance criteria are met but before 31 August 2017	824	0.001

There has been no charge recognised in the current year regarding these share options as it has been deemed insignificant to the financial statements.

21 Reserves

Group	Share premium account £	Other reserve £	Profit and loss account £
At 1 April 2008	207,991	48	1,344,265
Profit for the year	–	–	1,119,707
Equity dividends	–	–	(600,020)
Foreign currency translation differences	–	–	94,303
At 31 March 2009	<u>207,991</u>	<u>48</u>	<u>1,958,255</u>
Company	Share premium account £	Other reserve £	Profit and loss account £
At 1 April 2008	207,991	48	1,437,229
Profit for the year	–	–	873,315
Equity dividends	–	–	(600,020)
Foreign currency translation differences	–	–	38,223
At 31 March 2009	<u>207,991</u>	<u>48</u>	<u>1,748,747</u>

22 Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Profit for the financial year	1,119,707	855,443
New equity share capital subscribed	–	1,424
Premium on new share capital subscribed	–	74,570
Equity dividends	(600,020)	(750,025)
Foreign currency translation differences	94,303	52,738
Net addition to shareholders' funds	<u>613,990</u>	234,150
Opening shareholders' funds	1,612,306	1,378,156
Closing shareholders' funds	<u>2,226,296</u>	<u>1,612,306</u>

23 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2009	2008
	£	£
Operating profit	871,047	877,087
Amortisation	27,340	38,276
Depreciation	117,434	110,347
Loss on disposal of fixed assets	47,991	7,719
(Increase)/decrease in debtors	(467,703)	292,968
Increase in creditors	900,322	391,658
Net cash inflow from operating activities	<u>1,496,431</u>	<u>1,718,055</u>

Reconciliation of net cash flow to movement in net funds

	2009	2008
	£	£
Increase in cash in the period	518,627	755,614
Translation differences	94,303	80,480
Movement in net funds in the period	<u>612,930</u>	<u>836,094</u>
Net funds at 1 April 2008	2,344,121	1,508,027
Net funds at 31 March 2009	<u>2,957,051</u>	<u>2,344,121</u>

Analysis of changes in net funds

	At 1 Apr 2008	Cash flows	Exchange movement	At 31 Mar 2009
	£	£	£	£
Net cash:				
Cash in hand and at bank	2,344,121	518,627	94,303	2,957,051
Net funds	<u>2,344,121</u>	<u>518,627</u>	<u>94,303</u>	<u>2,957,051</u>

24 Capital commitments

There were no capital commitments at 31 March 2009 or 31 March 2008.

25 Post balance sheet events

After the year end a dividend of £6 per share has been declared.

Company information

Company registration number

1466429

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Dr P J Townsend
Mr G Stephen
Mr A Gaby
Mr R Walker
Mr J Tilbury

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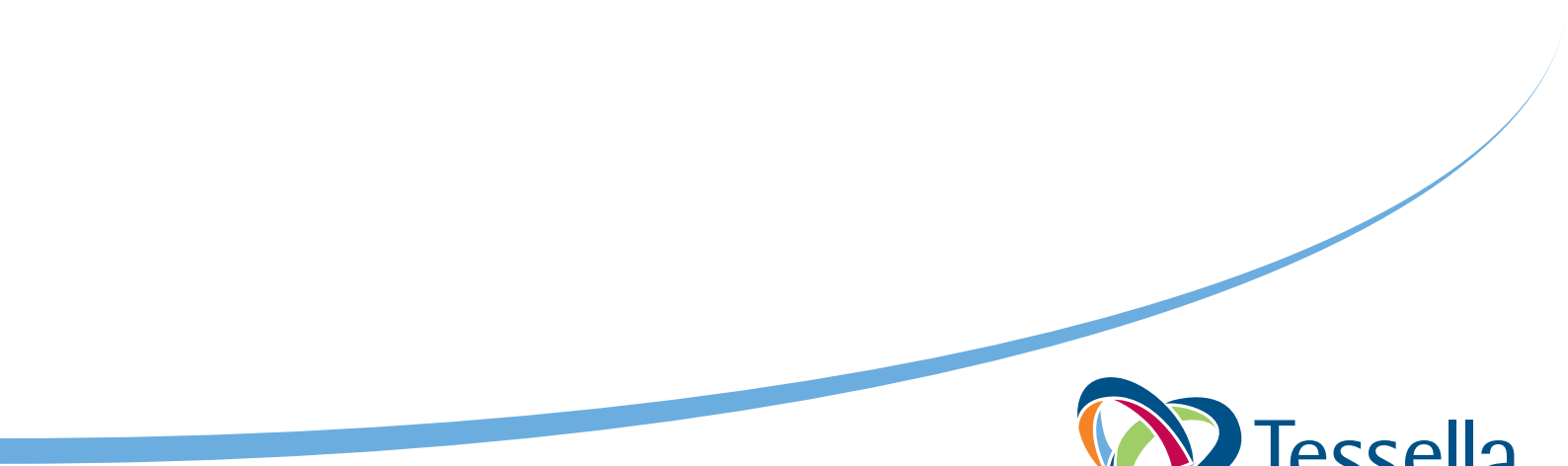
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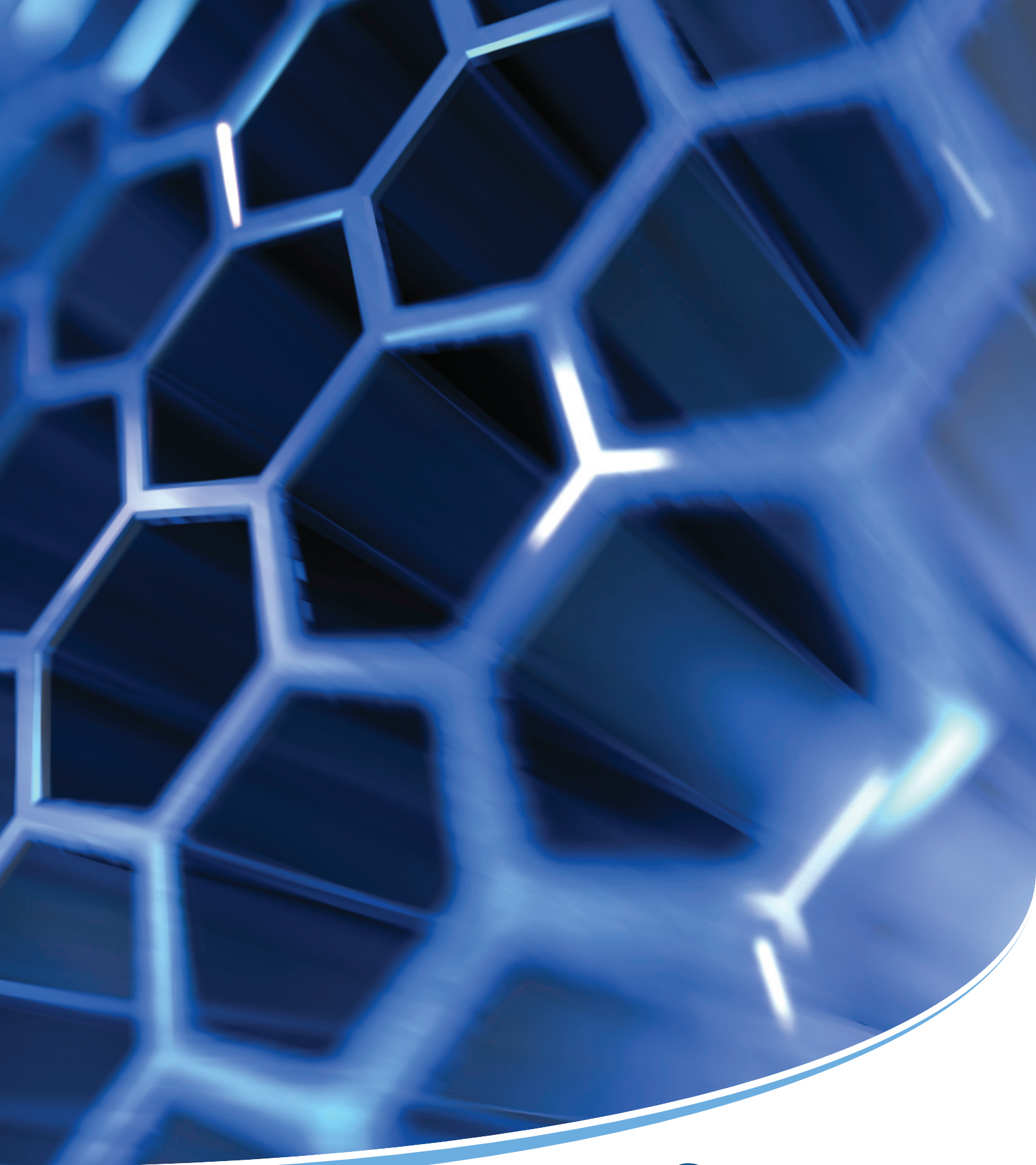
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