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If you have sold or transferred all of your Ordinary Shares in DRS, please pass this Circular, Form of Proxy and the accompanying Interim Results immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Your attention is drawn to the letter from the Senior Independent Non-Executive Director of DRS which is set out in Part I of this document.

DRS Data & Research Services plc

Proposal to adopt an Executive Long-Term Incentive Plan

and

Approval of Waiver of Rule 9 of the City Code to be granted by

the Panel on Takeovers and Mergers

KBC Peel Hunt Ltd, which is regulated by the Financial Services Authority, is acting exclusively for DRS in connection with the proposals in this document and will not be responsible to anyone other than DRS for providing the protections afforded to customers of KBC Peel Hunt Ltd for providing advice in relation to the proposals in this document or any other matter in relation to the contents of this document.

A notice of the Extraordinary General Meeting of DRS to be held at on 4 November 2005 at noon at the offices of DRS, 1 Danbury Court, Linford Wood, Milton Keynes, MK14 6LR is set out at the end of this document.

Shareholders are requested to complete and return the enclosed Form of Proxy for use at the Extraordinary General Meeting to the Company Secretary at DRS, 1 Danbury Court, Linford Wood, Milton Keynes, MK14 6LR as soon as possible but in any event, to be valid, so as to arrive no later than noon on 2 November 2005 whether or not they intend to be present at the meeting. The return of a Form of Proxy will not preclude a member from attending and voting at the Extraordinary General Meeting in person should they subsequently decide to do so.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time for receipt of Forms of Proxy	2 November 2005 at noon
Extraordinary General Meeting	4 November 2005 at noon

PART I

LETTER FROM THE SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

DRS DATA & RESEARCH SERVICES PLC

(Registered in England and Wales No. 959401)

Directors

Malcolm Brighton *(Chairman and Non-executive director)*

Steve Beats *(Technical Director)*

Gary Brighton *(Operations Director)*

Simon Day *(Commercial Director)*

Tony Lee *(Managing Director)*

Mark Tebbutt *(Finance Director)*

Christopher Batterham *(Non-executive Director)*

Lord Kinnock of Bedwelty *(Non-executive Director)*

A Limb *(Non-executive Director)*

Nigel Turnbull *(Non-executive Director)*

Registered and Head Office:

1 Danbury Court

Linford Wood

Milton Keynes

MK14 6LR

14 October 2005

To DRS Shareholders and, for information only, holders of options under the Share Option Schemes

Dear Shareholder

ADOPTION OF EXECUTIVE LONG-TERM INCENTIVE PLAN APPROVAL OF WAIVER TO BE GRANTED BY THE PANEL

Introduction

The Board is proposing to adopt an executive long-term incentive plan, the DRS 2005 LTIP. Following the adoption of this scheme the Board will grant options over Ordinary Shares under the DRS 2005 LTIP to certain directors and employees.

Following a recent review by the Remuneration Committee of the Company's long-term incentives, it was felt that there was a requirement to introduce a new share incentive arrangement for the Company's executive Directors and senior employees. As a result of the review the Board is recommending to shareholders that the DRS 2005 LTIP be adopted. The Remuneration Committee believes that the new arrangements will genuinely incentivise the executive Directors and senior employees to pursue strategies which will increase long-term shareholder value and more closely align their interests with those of shareholders.

Full details of the DRS 2005 LTIP are set out in Part II of this document.

Gary Brighton, an executive Director of DRS, is deemed to be a member of the Concert Party. The Concert Party exists because the shareholding in DRS of Malcolm Brighton, the Chairman of the Company, and his close relatives as further described in this document represents 37.78 per cent. of the Issued Share Capital. Such persons are deemed by the Panel to be acting in concert.

Any exercise of share options by Gary Brighton would result in an increase in the proportionate interest of the Concert Party in the Company. Under Rule 9 of the City Code, unless a specific waiver is obtained from the Panel and approved by the Independent Shareholders, the Concert Party would normally be obliged to make a mandatory offer for the Company in the event that its holding of voting rights increased.

The purpose of this circular is to explain why your Board considers that the proposals are in the best interests of the Company and its shareholders as a whole and to seek the approval of the Independent Shareholders on a poll to a waiver, which the Panel has agreed to give (subject to

such approval), of the obligation that might otherwise arise under Rule 9 of the City Code for the Concert Party arising by Gary Brighton increasing his holding by exercising share options.

Grant of share options to Gary Brighton

The Board has recently reviewed the Company's remuneration policy for senior executives and as a result of advice from independent remuneration consultants is proposing to adopt an executive long-term incentive plan. The DRS 2005 Long-Term Incentive Plan will be open to all executive Directors and senior management and it is proposed to grant options over Ordinary Shares to eligible employees following shareholder approval of the scheme. As a result Gary Brighton will be granted options over 96,000 Ordinary Shares, representing 0.28 per cent. of the current issued share capital. If Gary Brighton were to exercise these options together with options over 42,627 shares which were subject to a waiver by the Panel in 2004, the aggregate percentage holding of voting rights of the Concert Party would increase from 37.78 per cent. to 38.03 of the issued share capital as enlarged by the exercise of options by Gary Brighton only, assuming no one else exercises options.

City Code on Takeovers and Mergers

Rule 9 of the City Code

Rule 9 of the City Code is designed to prevent the acquisition of control of a company without a general offer being made to all shareholders. Under Rule 9 of the City Code when a person or group of persons acting in concert, holds between 30 per cent. and 50 per cent. of the voting rights of a company to which the City Code applies, and that person or group of persons acquires additional shares carrying voting rights, then except with the consent of the Panel, such person or group of persons acting in concert must make a general offer to all other shareholders in that company to acquire the shares not held by that person or concert party. Such an offer would have to be made in cash at a price not less than the highest price paid by him or any member of the group of persons acting in concert with him for any shares in the company within the preceding 12 months.

Consequences of Rule 9

As the Concert Party beneficially owns 37.78 per cent. of the Company's Issued Share Capital, any acquisition of shares by a member of the Concert Party would normally result in the Concert Party being obliged to make an offer for the Company. Your Board believes that this obligation would not be in the best interests of the Shareholders because the Company would in practice be unable to incentivise and reward all Directors in the same way. Your Board has accordingly consulted the Panel which has agreed that, subject to the approval of the Independent Shareholders, on a poll, it will waive the obligation that would otherwise arise under Rule 9 for the Concert Party to make a general offer for the balance of the Ordinary Shares which they do not already hold as a result of the exercise of options by Gary Brighton under the DRS 2005 LTIP.

The Independent Directors believe that it is in the best interests of the Company that the Resolutions be passed so as to enable the Company to adopt the DRS 2005 LTIP Scheme and grant options over Ordinary Shares to all eligible Directors and employees.

The Concert Party

Further information on the Concert Party is given in paragraph 2.3 of Part IV of this document.

Extraordinary General Meeting

You will find set out at the end of this document a notice convening the Extraordinary General Meeting, to be held at noon on 4 November 2005 to consider, *inter alia*, resolutions seeking:

- the approval by shareholders for the Company to adopt the DRS 2005 Long-Term Incentive Plan

- the approval of the waiver by the Panel of any requirement under Rule 9 of the City Code for the Concert Party to make a general offer to other shareholders as a result of Gary Brighton acquiring Ordinary Shares following the exercise of share options by Gary Brighton under the DRS 2005 LTIP

As explained above, the waiver by the Panel of the mandatory bid obligation which would otherwise arise, is conditional upon Resolution 2 being approved by the Independent Shareholders, voting on a poll, at a general meeting of the Company.

Malcolm Brighton, Gary Brighton and the other members of the Concert Party will not be entitled to vote on Resolution 2.

Action to be taken

Shareholders will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. Whether or not Shareholders intend to be present at the Extraordinary General Meeting, they are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, as soon as possible and in any event, to be valid, to be received by the Company Secretary of DRS at 1 Danbury Court, Linford Wood, Milton Keynes, MK14 6LR, not later than noon on 2 November 2005. Completion and return of the Form of Proxy will not prevent Shareholders from attending the Extraordinary General Meeting and voting in person should they wish to do so.

Further information

Your attention is drawn to the further information set out in Part II of this document.

Recommendation

The Directors unanimously recommend that you vote in favour of Resolution 1 as they intend to do in respect of their own beneficial holdings of shares, representing approximately 34.68 per cent of the current Issued Share Capital of the Company. Malcolm Brighton, Gary Brighton and the other members of the Concert Party will not be able to vote on Resolution 2 at the EGM as it is their aggregate shareholding which is the subject of the waiver of the Rule 9 obligation. The Independent Directors, however, consider, having been so advised by KBC Peel Hunt, that the Rule 9 waiver is fair and reasonable and is in the best interests of Shareholders as a whole. The Independent Directors therefore unanimously recommend that you vote in favour of Resolution 2 as they intend to do in respect of their own beneficial holdings of shares, representing approximately 2.68 per cent of the current Issued Share Capital of the Company.

Yours faithfully

Nigel Turnbull
Senior Independent Non-executive Director

PART II

DETAILS OF THE DRS 2005 LONG-TERM INCENTIVE PLAN (“LTIP”)

Background

Following a recent examination by the Remuneration Committee of the Company's long-term incentives with their advisers Halliwell Consulting, it was felt that there is a need to introduce a new share incentive arrangement for the Company's Executive Directors and other key senior executives (“Executives”).

The Remuneration Committee felt that it was critical that Executives have a long-term whole-share element to their package. The proposed LTIP is designed to:

- satisfy the requirement to incentivise and retain the Executives who drive the business of the Company;
- more closely align Executives' interests with those of shareholders;
- ensure a more appropriate balance in the Executives' compensation between the fixed and performance-based elements;
- adhere to corporate governance legislation and changes in the publicised opinions of institutional shareholders and their representative bodies about long-term incentives;
- reward Executives for delivering the Company's objectives and enhancing returns to shareholders; and
- ensure the best cost-v-benefit ratio for the Company and shareholders with the new P&L accounting for share schemes (contained in IFRS 2).

General

It is intended that the first grant of awards under the LTIP will be made within 42 days after the adoption of the LTIP at the EGM.

The following are the principal features of the LTIP:

- each participating Executive will be granted an annual award of conditional or nil-cost options under the LTIP;
- at the end of the Performance Period and subject to the following requirements:
 - continued employment throughout the Performance Period; and
 - the satisfaction of the Performance Conditions applying to the Performance Period;some or all of the award will vest.

Level of Awards

Although shareholder approval is being sought for a maximum annual limit of 100% of salary, it is the intention of the Remuneration Committee that the annual grant will not normally be more than 75% of salary.

Performance Conditions

Primary Performance Condition - Earnings Per Share

Performance will be based on the Company's Earnings Per Share (EPS) performance against set targets. The first set of awards will be released after three years from the date of award in accordance with the following table:

Level of EPS Performance in the most recently reported financial year	Percentage of the LTIP Award Released
< 3p	0%
3p	25% *
6p	100% *

*Straight line vesting between points.

The Remuneration Committee is of the opinion that EPS is the key performance target that will drive shareholder value. Before the grant of any future awards the Remuneration Committee will set EPS targets which are relevant and challenging for the following 3 year period. If the Committee believes that EPS is no longer the most appropriate performance measure then shareholders will be consulted on a new measure.

Underlying Performance Condition – Total Shareholder Return

No LTIP Award will be released to an Executive unless the Company's comparative Total Shareholder Return (TSR) performance is at least at the median compared to the companies constituting the FTSE All-Share Software & Computer Services Index (the "Comparator Group"). TSR is the total return of a share to an investor (capital gain plus dividends).

Principal Terms

Feature of the Plan	Detail
Overview of Plan	Executives will be granted an award subject to a three-year holding period. At the end of this holding period and subject to continued employment and the satisfaction of the performance conditions, some or all of the shares will be released.
Nature of the Right	Awards under the scheme ("LTIP Award") will be structured as either <ul style="list-style-type: none"> - a conditional right over a whole number of shares; or - a nil-cost option with the release being dependent on the satisfaction of the performance conditions over a three-year period and continued employment.
Number of Employees participating	It is the current intention that the Executive Directors will initially participate in the LTIP. It may be extended to other key individuals.
Maximum Annual Award Limit (%age of basic salary)	Although shareholder approval is being sought for a maximum annual limit of 100% it is the intention of the Remuneration Committee that the annual grant will not normally be more than 75% of salary.
Holding Period	Three years from the date of grant.
Performance Conditions	The main performance criteria will be based on the Company's Earnings Per Share ("EPS") performance taken from the latest published annual report and accounts at the end of the holding period. In addition there will be a Total Shareholder Return underpin based on the Company's comparative performance against the companies constituting the FTSE All-Share Software & Computer Index (the Comparator Group).
Corporate Dilution Limits (covering new issue shares and treasury shares)	10% in ten years under <u>all</u> share arrangements. There will be no formal flow limits on the issue of new shares. However, the Remuneration Committee will monitor the issue of new shares to ensure a balanced policy. It is the current intention that a combination of newly-issued and market-purchased shares will be used to satisfy awards.
Cessation of Employment	The award will lapse if the participant is a bad leaver. If the participant is a good leaver the amount of the award released on cessation will be pro-rated depending upon the proportion of the relevant performance period completed and proportionate satisfaction of the performance conditions.
Change of Control	On a change of control the amount of the award released will be pro-rated depending upon proportionate satisfaction of the performance conditions and the Remuneration Committee will have discretion whether to also take into account the proportion of the relevant holding period to be treated as completed.
<u>No</u> Re-Testing	No re-testing. The performance will be measured at the end of the performance periods. If the performance conditions are partially or completely satisfied some or of the entire share awards will be provided to participants (as appropriate). If the performance conditions are not satisfied or partially satisfied the award or the balance of the award (as appropriate) will lapse.

Glossary of Terms

"Close Period"	Any time when employees of the Company are prohibited from dealing in Shares by the Model Code (contained in the appendix to Chapter 16 of the Listing Rules), a Company code or any other regulation which prohibits dealing in Shares.
"Committee"	The Remuneration Committee of the Company.
"Control"	The meaning of control set out in Section 840 of the Income and Corporation Taxes Act 1988.
"Participant"	An eligible employee approved by the Committee and granted an Award.
"Rules"	The rules of the Plan setting out the terms and conditions relating to participation.
"Shares"	Ordinary shares of the Company.

Operation

The Committee, the members of which are non-executive directors, supervise the operation of the LTIP in respect of the Executives and key senior employees of the Company.

Eligible Employees

Any employee of the Company selected by the Committee, typically the executive directors and key senior executives within the business. Non-executive directors are not eligible to participate in the Plan.

Grant of Awards

LTIP Awards will normally be granted to each Participant within a 42 day period following the date of publication of the interim or annual results of the Company. No awards will be granted during a Close Period. LTIP Awards will either be conditional grants of Shares or nil cost options. No LTIP Awards shall be granted within six months of a Participant's anticipated date of retirement from the Company.

Conditions Attaching to LTIP Awards

LTIP Awards are subject to a holding period of no less than three years from the date of grant. For LTIP Awards to be granted in 2005 the holding period has been set at three years. The release of Awards will be subject to the satisfaction of performance conditions detailed above.

Limits

The maximum market value of Shares subject to an LTIP Award at the relevant date of grant shall not exceed in aggregate 100% of the Participant's salary in any calendar year.

The Company may issue 10% of its Shares within a ten-year period to satisfy awards to Participants in the LTIP and any other share plan operated by the Company under which Shares are issued. The Committee will be monitoring the issue of Shares during the ten-year period. It should be noted that where the Company uses treasury Shares to satisfy its obligations under Share arrangements they shall be added to the number of Shares issued for the purposes of these limits.

Release of LTIP Awards

LTIP Awards will normally be released at the end of the applicable holding period, subject to the satisfaction of the performance conditions, and any other conditions, determined at the date of grant of the relevant LTIP Award. The release of LTIP Awards is conditional upon the Participant paying any taxes due as a result of such a release. It is the current intention that the Company will pay employers' National Insurance contributions.

If the performance conditions are not satisfied or partially satisfied at the end of the holding period, the LTIP Award or the balance of the Award (as appropriate) not released shall lapse. There will be no re-testing of the performance conditions.

Allotment and Transfer of Shares

Shares subscribed will not rank for dividends payable by reference to a record date falling before the date on which the Shares are acquired but will otherwise rank pari passu with existing Shares. Application will be made for the admission of the new Shares to be issued to the Official List of, and to trading on, the London Stock Exchange's market for listed securities following the release of an LTIP Award.

Cessation of Employment

If a Participant leaves employment prior to the expiry of the holding period then the LTIP Award will normally lapse. If a Participant's cessation of employment is the result of specified events, for example injury, disability, ill health, retirement, redundancy or death, the Committee may determine that part or all of that Participant's LTIP Awards may be released to the Participant.

In applying this discretion the Committee shall pro-rate the number of Shares subject to the LTIP Award which shall be released dependent upon the proportion of the relevant holding period completed on the date of cessation. Further, LTIP Awards shall only be released if the attached performance conditions are proportionately satisfied on the date of cessation.

Change of Control

In the event of a takeover, reconstruction, amalgamation or winding up of the Company, then the number of Shares subject to the LTIP Awards which will be released shall be dependent upon the extent to which the attached performance conditions have been satisfied on the date of the occurrence of the event.

In addition, the Remuneration Committee will have discretion as to whether or not to take into account the amount of the relevant Holding Periods of LTIP Awards to be treated as completed on the change of Control in determining the number of Shares released.

In certain circumstances, Awards may be exchanged for awards over shares in the acquiring company.

It should be noted that LTIP Awards will only be released on a reconstruction or amalgamation of the Company in circumstances where the reconstruction or amalgamation amounts to a proper change in Control of the Company, i.e. new ownership of the Company. In the event of a merger or demerger of the Company, the Committee may determine that all LTIP Awards may be released provided that the above change of control provisions are applied. Further, for these provisions to apply, the merger or demerger must amount to a proper change in Control of the Company. Alternatively, the number of Shares comprised in an LTIP Award may be adjusted, as the Committee in its discretion shall determine and the advisors of the Company confirm to be fair and reasonable.

Adjustment of Awards

On a variation of the capital of the Company, the number of Shares subject to an LTIP Award may be adjusted in such manner as the Committee determines and the advisors of the Company confirm to be fair and reasonable.

Duration

The Committee may not grant awards under the LTIP more than five years after its approval unless the Plan is extended pursuant to shareholder authority for a further period of up to five years.

Amendments

Amendments to the Rules may be made at the discretion of the Committee. However, the provisions governing eligibility requirements, equity dilution, share utilisation and individual participation limits and the adjustments that may be made following a rights issue or any other variation of capital together with the limitations on the number of Shares that may be issued cannot be altered to the advantage of Participants without prior shareholder approval, except for minor amendments to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or for the group.

The Committee may add to, vary or amend the Rules of the LTIP by way of a separate schedule in order that the LTIP may operate to take account of local legislative and regulatory treatment for Participants or the relevant group company, provided that the parameters of these arrangements will provide no greater benefits than the rules of the LTIP as summarised above.

General

Shares acquired, Awards and any other rights granted pursuant to the LTIP are non-pensionable.

Non-Transferability of LTIP Awards

LTIP Awards are not transferable except in the case of a Participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the Participant.

Note: This Part II summarises the main features of the LTIP but does not form part of it and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the Rules. Copies of the Rules will be available for inspection at the Company's registered office and at the offices of Halliwell Consulting, 1 Threadneedle Street, London EC2R 8AW, during usual office hours (Saturdays, Sundays and bank holidays excepted) from the date of despatch of this Notice up to and including the date of the EGM and at the meeting itself. The Directors reserve the right, up to the time of the meeting, to make such amendments and additions to the Rules as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Part II.

PART III

FINANCIAL INFORMATION ON DRS

The financial information in this Part III does not constitute statutory accounts within the meaning of section 240 of the Act. The information for the three years ended 31 December 2004 is extracted without material adjustment from the audited consolidated accounts of DRS. Audited statutory accounts for each of the three years ended 31 December 2002, 2003 and 2004, on which unqualified audit reports (not constituting a statement under section 237(2) or (3) of the Act) have been given by the auditors of DRS have been delivered to the Registrar of Companies in England and Wales.

Principal Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The principal accounting policies have remained unchanged from the prior year except where stated.

Turnover

Turnover is the total amount receivable by the Company for goods supplied and services provided, excluding VAT and trade discounts.

Rental income is recognised on a straight-line basis over the period of the lease.

In the case of long-term contracts, turnover is recognised to the extent that the Company has obtained the right to consideration, and is primarily the proportion of total contract value that costs incurred to date bear to total expected contract costs.

Long-term Contracts

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long-term contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover. Long-term contract balances included in stocks are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Tangible Fixed Assets and Depreciation

Depreciation is calculated to write down the cost, less estimated residual value, of tangible fixed assets except freehold land by annual instalments over their expected useful lives.

The rates generally applicable are:

<i>Freehold buildings</i>	2% straight line
<i>Computer equipment</i>	33⅓% straight line
<i>Fixtures and fittings</i>	20% reducing balance or 20% straight line
<i>Plant and machinery</i>	20% reducing balance or between 10% and 33⅓% straight line
<i>Rental machines</i>	33⅓% straight line

Investments

Investments are stated at cost less amounts written off.

Share schemes and options

The Accounting Standards Board issued UITF Abstract 38, "Accounting for ESOP Trusts", in December 2003 and is effective for accounting periods ending on or after 22 June 2004. The Abstract requires that shares which have been issued, but which are held by the employee share trust, are deducted from shareholders' funds rather than shown as an asset on the balance sheet. This represents a change in accounting policy for the company and as a result, an adjustment of £92,000 has been made in the prior year to restate 580,529 shares previously disclosed within Fixed Asset Investments. There is no impact on the profit and loss account in the financial year.

Unallocated shares are stated at cost less any provision for permanent diminution in value. The cost of shares conditionally gifted to employees under the terms of the Restricted Share Scheme is amortised over the relevant qualifying period. Finance costs and administration expenses are charged to profit as they accrue.

In respect of share option schemes the difference between the fair value of the shares at the date of the grant and the amount of consideration required to be paid by the participants is charged to the profit and loss account on a straight line basis over the period to which performance criteria relate or if not performance related, over the period from award to the date the employee becomes unconditionally entitled to exercise the option. Where the options are performance related, the amounts are based on a reasonable expectation of the extent to which performance criteria will be met, subject to subsequent adjustments.

Deferred Taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Financial Instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.

Interest receivable/payable is accrued, and credited/charged, to the profit and loss account in the period to which it relates.

Operating Leases

Total payments made as a lessee under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Research and Development

Research and development expenditure is written off as incurred.

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.

Contributions to Pension Funds

The pension costs charged against profits represent the amount of the contributions payable to the defined contribution schemes in respect of the accounting period.

Liquid Resources

Liquid resources within the cash flow statement are term deposits and government securities.

Treasury Shares

Own shares held in treasury are stated at cost and included as a deduction in arriving at shareholders' funds.

Profit and Loss Account for the three years ended 31 December 2004

	Notes	2004 £'000	2003 £'000	2002 £'000
Turnover	1	14,408	13,528	12,782
Change in stocks of finished goods and work in progress		(168)	289	122
Own work capitalised		-	6	55
		14,240	13,823	12,959
Operating charges	2	(13,964)	(11,895)	(11,232)
Operating profit		276	1,928	1,727
Net interest	3	176	176	49
Profit on ordinary activities before taxation	1	452	2,104	1,776
Tax on profit on ordinary activities	5	5	(568)	(524)
Profit for the financial year		457	1,536	1,252
Dividends	6	(482)	(512)	(422)
(Loss)/profit transferred to reserves	19	(25)	1,024	830
Earnings per share	7			
- basic		1.38p	4.54p	3.74p
- diluted		1.35p	4.50p	3.68p

All operations are continuing.

Balance Sheet at 31 December 2004

	Notes	£'000
Fixed assets		
Tangible assets	8	4,523
Current assets		
Stocks	9	1,751
Debtors	10	1,978
Investments	11	3,419
Cash at bank and in hand		1,478
		8,626
Creditors: amounts falling due within one year	12	(3,642)
Net current assets		4,984
Total assets less current liabilities		9,507
Creditors: amounts falling due after more than one year	12	(1,000)
Provisions for liabilities and charges	14	(14)
		8,493
Capital and reserves		
Called up share capital	17	1,731
Share premium account	18	5,377
Capital redemption reserve	18	115
Own shares reserve	18	(122)
Profit and loss account	18	1,392
Shareholders' funds	19	8,493

Cash Flow Statement for the year ended 31 December 2004

	Notes	2004 £'000
Net cash flow from operating activities	20	(66)
Returns on investment and servicing of finance		
Interest received		230
Interest paid		(54)
Net cash flow from returns on investment and servicing of finance		176
Taxation		(649)
Capital expenditure and financial investment		
Payments to acquire tangible assets		(307)
Receipts from sales of fixed assets		36
Net cash flow from capital expenditure		(271)
Equity dividends paid		(502)
Cash flow before use of liquid resources		(1,312)
Management of liquid resources		
(Purchase)/sale of term deposits		(650)
Sale/(purchase) of current asset investments		2,893
Net cash flow from management of liquid resources		2,243
Financing		
Purchase of share capital		(1,166)
Net cash flow from financing		(1,166)
(Decrease)/increase in cash in the year	21	(235)

Notes to the Financial Statements for the year ended 31 December 2004

1. Turnover and profit on ordinary activities before taxation

Geographical and segmental information required by the Companies Act 1985 and SSAP 25 'Segmental Reporting' has not been disclosed. The Directors are of the opinion that disclosure of this information would be seriously prejudicial to the Company.

Turnover by origin is all UK turnover, and includes £559,000 (2003: £641,000) of rental income.

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation is stated after:		
Auditors' remuneration:		
- audit services	24	23
- non audit services (other assurance services)	20	5
Hire of plant and machinery	260	29
Other operating lease rentals	316	295
Research and development costs	1,544	796

2. Operating charges

	2004 £'000	2003 £'000
Raw materials and consumables	2,481	2,158
Other external charges	3,452	1,795
Staff costs	5,484	5,202
Depreciation and amortisation of Restricted Share Scheme shares	821	888
Other operating charges	1,726	1,852
	<u>13,964</u>	<u>11,895</u>

3. Net interest

	2004	2003
	£'000	£'000
Interest receivable and similar income	230	223
Interest payable on bank loans	(54)	(47)
	176	176

4. Directors and employees

Staff costs during the year were:

	2004	2003
	£'000	£'000
Wages and salaries	4,712	4,526
Social security costs	505	455
Other pension costs	267	221
	<u>5,484</u>	<u>5,202</u>

The average number of employees of the Company during the year was:

	2004	2003
Management and administration	75	71
Manufacturing	64	59
Sales and Marketing	23	23
	<u>162</u>	<u>153</u>

Remuneration in respect of Directors was as follows:

	2004	2003
	£000	£'000
Emoluments	532	639
Gains made on the exercise of share options	-	113
Pension contributions to money purchase pension schemes	81	72
	<u>613</u>	<u>824</u>

Further details on Directors' remuneration and share options are set out in the Directors' Remuneration Report.

5. Tax on profit on ordinary activities

The tax charge represents

	2004	2003
	£'000	£'000
United Kingdom corporation tax at 30%	66	636
Adjustment in respect of prior period	(25)	-
Total current tax	41	636
Origination and reversal of timing differences	(46)	(68)
Total deferred tax	(46)	(68)
Tax on profit on ordinary activities	<u>(5)</u>	<u>568</u>

The tax assessed for the period is lower/higher than the standard rate of corporation tax in the United Kingdom of 30%. The differences are explained as follows:

	2004	2003
	£'000	£'000
Profit on ordinary activities before tax	452	2,104
Profit on ordinary activities multiplied by standard rate of United Kingdom tax of 30%	136	631
Effect of:		
Expenses not deductible for tax purposes	24	21
Additional relief of R&D expenditure	(125)	(92)
Depreciation for the period in excess of capital allowances	63	76
Effect of marginal rate	(32)	-
Adjustment in respect of prior periods	(25)	-
	<u>41</u>	<u>636</u>

6. Dividends

	2004 £'000	2003 £'000
Dividends on Ordinary shares		
Interim paid of 0.5p per share (2003: 0.5p)	173	173
Final proposed of 1.0p per share (2003:1.0p)	346	346
	519	519
Less: dividend on shares held by restricted share scheme	(8)	(7)
dividend on Treasury shares held	(29)	-
	482	512

7. Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. Shares held in employee share trusts are treated as cancelled for the purposes of this calculation.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Earnings £	2004 Weighted average number of shares	per share	Earnings £	2003 Weighted average number of shares	per share
Basic earnings per share						
Earnings attributable to ordinary shareholders	457,000	33,093,359	1.38p	1,536,000	33,838,879	4.54p
Dilutive effect of shares in restricted share scheme		323,919			222,647	
Dilutive effect of options under unapproved share option scheme		67,334			59,216	
Dilutive effect of options under the Enterprise Management Incentive Scheme		331,904				
Dilutive earnings per share	457,000	33,816,516	1.35p	1,536,000	34,120,742	4.50p

8. Tangible fixed assets

	Total	Freehold Land and Building	Computer Equipment	Fixtures & Fittings	Plant & Machinery	Rental Machines
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 Jan 2004	9,271	3,146	1,789	1,472	2,273	591
Additions	307	-	143	51	70	43
Disposals	(111)	-	(91)	(1)	(9)	(10)
At 31 Dec 2004	9,467	3,146	1,841	1,522	2,334	624
Depreciation						
At 1 Jan 2004	4,266	88	1,394	964	1,410	410
Provided in the year	787	35	258	176	198	120
Disposals	(109)	-	(90)	(2)	(9)	(8)
At 31 Dec 2004	4,944	123	1,562	1,138	1,599	522
Net book amount						
At 31 Dec 2004	4,523	3,023	279	384	735	102
At 31 Dec 2003	5,005	3,058	395	508	863	181

9. Stocks

	2004 £'000
Raw materials and consumables	757
Short term work in progress	137
Finished goods and goods for resale	857
	<u>1,751</u>

Finished goods are stated net of a provision of £485,000 against 100 PS900 scanning machines that were built for the GLA contract and are deemed to be in excess of anticipated sales.

10. Debtors

	2004 £'000
Trade debtors	1,347
Amounts recoverable on contracts	254
Other debtors	-
Prepayments and accrued income	377
	<u>1,978</u>

11. Current asset investments

	2004	
	Book Value £'000	Market Value £'000
Bonds	2,388	2,388
Liquidity Fund	1,031	1,031
	<u>3,419</u>	<u>3,419</u>

The Bonds have been reflected at market value in the accounts as the reduction in their value is not expected to be recovered prior to their redemption date.

The Liquidity Fund has been reflected in the current year at cost in the accounts, which is the same as the market valuation.

Details of investments held are shown in Note 13.

12. Creditors

	2004
	£'000
Amounts falling due within one year	
Payments received on account	39
Trade creditors	592
Current taxation	66
Social security and other taxes	265
Proposed dividends	321
Accruals and deferred income	2,359
	<hr/> 3,642
Amounts falling due after more than one year	
Secured loans	1,000
	<hr/> 1,000

The secured loan was taken out in June 2001 to purchase the freehold land and buildings of the Company. The loan of £1m at 31 December 2004 was secured by a fixed charge against the freehold land and buildings. The £1m was borrowed at a variable rate of 1% over base rate with a 6.5% cap repayable June 2006.

13. Financial instruments

The Company uses financial instruments, comprising bank loans, cash, term deposits, fixed interest corporate bonds and fixed interest funds, and various items such as trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the financial instruments are interest rate risk and liquidity risk with a minimal capital risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Fixed interest corporate bonds and fixed interest funds are readily convertible into cash if required, but are primarily held for the short to medium term.

Term deposits are structured so as to enable cash to be available when required, Most are on fixed interest rates. No transactions in derivatives are undertaken.

Short term debtors and creditors

Short term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

Interest rate risk

The Company finances its operations through a mixture of shareholders' funds and bank loans. The Company exposure to interest rate fluctuations on its borrowings is managed by the use of capped floating facilities. The Company mixes the duration of its deposits to reduce the impact of interest rate fluctuations.

At the year end £Nil (2003: £Nil) of the Company's term deposits were at fixed interest rates.

Details of the interest rate exposure on the bank loan is set out in Note 12.

Investments set out in Note 11 consisted of:

Sterling fixed interest corporate bonds and fixed interest funds confined to investment grade defined minimum rating of "BBB+", where average rating of the portfolio is 'A' or above, giving an average weighted fixed interest rate of 5.2% (2003: 4.7%). Redemption dates for the corporate bonds and fixed interest funds range between May 2005 and December 2008.

Sterling Liquidity Fund is a UCITS certified open-ended fund with an investment objective of providing investors with daily liquidity and security of capital in a diversified portfolio of short-term securities, instruments and obligations which carry a minimum rating of A1/P1.

Liquidity risk

The Company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Maturity of financial liabilities

The Company's financial liabilities analysis at 31 December 2004 was as follows:

	2004 £'000
Bank and other borrowings	
In one to two years	1,000
In more than two years but less than five years	-
	<u>1,000</u>

Borrowing facilities

The Company has no overdraft facilities. Details of the loan facilities are set out in Note 12.

Currency risk

The Company operates in overseas markets and is subject to currency exposures on transactions undertaken during the year. The Company does not hedge any transactions, and foreign exchange differences on retranslation of foreign assets and liabilities are taken to the profit and loss account.

The tables below show the extent to which the Company has monetary assets in currencies other than Sterling.

	US Dollars £'000	Other currencies £'000
Sterling equivalent	23	19

Fair values

The fair value of the Company's financial instruments are considered equal to their book value.

14. Provisions for liabilities and charges

	Deferred taxation (Note 15) £'000
At 1 January 2004	60
Release for the year	(46)
At 31 December 2004	14

15. Deferred taxation

Deferred taxation is provided in full at 30% (2003: 30%) as follows:

	2004 £'000	2003 £'000
Accelerated capital allowances	28	60
Other timing differences	(14)	-
	<u>14</u>	<u>60</u>

16. Share options

During the year the Company had in existence various share option schemes. The 1994 Executive Share Option Scheme and the 1994 Employee Share Option Scheme have expired, details of which are set out below.

The details to the 1995 Restricted Share Scheme are given in Note 18. The details to the DRS Enterprise Management Incentive Plan and the DRS Executive Share Option Plan 2003 are given on page 17 in the Report on Directors' Remuneration.

	Date of grant	At 01/01/2004	Number lapsed in year	At 31/12/2004	Exercise price	Exercise period from	Exercise period to
1994 Employee Scheme	24/04/1994	172,800	172,800	-	83.33	22/04/1997	22/04/2004
1994 Executive Scheme	24/04/1994	159,450	159,450	-	83.33	22/04/1997	22/04/2004

Options granted under the 1994 Executive Share Option Scheme were subject to performance criteria based on the real growth in earnings per share as a condition on the exercise of the options. Determination of such criteria was the responsibility of the Remuneration Committee. The options granted under the 1994 Employee Share Option Scheme were not subject to any performance criteria.

17. Share capital

Ordinary shares of 5p each at 31 December 2004		
	Number	£'000
Authorised	46,000,000	2,300
Allotted, issued, called up and fully paid	34,621,600	1,731

18. Reserves

	Share premium £'000	Capital redemption £'000	Own share reserve £'000	Profit and loss account £'000
As previously reported	5,377	115	-	2,520
Prior year adjustment	-	-	(122)	30
As restated	5,377	115	(122)	2,550
Purchase of treasury shares	-	-	-	(1,166)
Amortisation of shares granted under RSS scheme	-	-	-	33
Retained loss	-	-	-	(25)
At 31 December 2004	<u>5,377</u>	<u>115</u>	<u>(122)</u>	<u>1,392</u>

The Own Share Reserve represents the cost of shares purchased under the Restricted Share Scheme, less those unconditionally vested in employees. At 31 December 2004, 580,529 (2003:580,529) shares with a market value of £248,176 (2003: £349,769) were held. Of these 450,000 (2003: 310,000) had been conditionally gifted to employees and a further 100,000 (2003:100,000) are vested to a director at an option price of 18p. The Scheme authorises the Trustees to purchase up to 5% of the issued share capital, funded by loans from the Company. Shares so acquired, are conditionally gifted to employees at the discretion of the Board.

At the year end the Company held 1,930,000 Treasury shares with an aggregate nominal value of £96,500. These shares were purchased for cash at a cost of £1,166,000.

19. Reconciliation of movement in shareholders' funds

	2004 £'000
Profit for financial year	457
Dividends	<u>(482)</u>
	<u>(25)</u>
Amortisation of shares granted under RSS scheme	33
Purchase of treasury shares	(1,166)
Net (decrease)/increase in shareholders' funds	(1,158)
Opening shareholders' funds after prior year adjustment of £92,000	9,651
Closing shareholders' funds	<u>8,493</u>

20. Reconciliation of operating profit to net cash inflow from operating activities

	2004 £'000
Operating profit	276
Depreciation and amortisation	821
Profit on sale of fixed assets	(34)
Decrease/(Increase) in stock	356
Decrease in debtors	21
(Decrease)/increase in creditors	<u>(1,506)</u>
	<u>(66)</u>

21. Reconciliation of net cash flow to movement in net funds

	2004
	£'000
(Decrease)/increase in cash in the period	(235)
Cashflow from management of liquid resources	(2,243)
Change in net funds resulting from cash flows	<u>(2,478)</u>
Net funds at 1 January	6,375
Net funds at 31 December	<u>3,897</u>

22. Analysis of net funds

	1 Jan 2004	Cash flow	31 Dec 2004
	£'000	£'000	£'000
Cash at bank and in hand	563	(235)	328
Term deposits	500	650	1,150
	<u>1,063</u>	<u>415</u>	<u>1,478</u>
Current asset investments	6,312	(2,893)	3,419
Secured loan	(1,000)	-	(1,000)
	<u>6,375</u>	<u>(2,478)</u>	<u>3,897</u>

23. Capital commitments

There were no capital commitments at 31 December 2004.

24. Leasing commitments

Operating lease payments due within one year amount to £223,000. The leases to which these amounts relate expire during the following years:

	Lease of land and buildings		Other leases	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Within one year	-	29	24	40
Within two to five years	92	-	68	76
Over five years	39	131	-	-
	<u>131</u>	<u>160</u>	<u>92</u>	<u>116</u>

25. Pension commitments

During 2003 and 2004 the Company operated separate defined contribution schemes for the benefit of employees and Executive Directors respectively. In all cases the assets of the schemes are administered by trustees in funds independent of the Company. Pension contributions are shown in Note 4.

PART IV

ADDITIONAL INFORMATION

The Directors, whose names appear below in paragraph 1.1, accept responsibility for the information contained in this document other than that relating to the Concert Party. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The members of the Concert Party, whose names are set out in paragraph 2.3 below, accept responsibility for the information contained in this document relating to the Concert Party.

1. DRS

1.1 Directors

Malcolm Brighton (*Non-executive Chairman*)
S M Beats (*Technical Director*)
Gary Brighton (*Operations Director*)
S J Day (*Commercial Director*)
A C Lee (*Managing Director*)
A M Tebbutt (*Finance Director and Company Secretary*)
C M Batterham (*Non-executive Director*)
Lord Kinnock (*Non-executive Director*)
A G Limb (*Non-executive Director*)
N V Turnbull (*Senior Independent Non-executive Director*)

The business address of each of the Directors is 1 Danbury Court, Linford Wood, Milton Keynes, MK14 6LR.

1.2 Principal activities of the Group

The principal activities of the Group are the provision of data capture services, the manufacture and sale of optical and image scanning equipment and complementary services.

2. Interests and Dealings

2.1 Directors

(a) At the close of business on 13 October 2005 (being the latest practicable date prior to the publication of this document) the interests of the Directors and their families and the interests of persons connected with them (within the meaning of section 346 of the Act) in the Issued Share Capital of the Company are as follows:

<i>Beneficial</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of Issued Share Capital</i>
Malcolm Brighton	9,079,697	26.22
S M Beats	95,295	0.28
Gary Brighton	2,000,000	5.78
S J Day	101,140	0.29
A C Lee	102,833	0.30
A M Tebbutt	462,547	1.33
C M Batterham	-	-
Lord Kinnock	-	-
A G Limb	15,000	0.04
N V Turnbull	150,000	0.43
	<u>12,006,512</u>	<u>34.68</u>

- (b) At the close of business on 13 October 2005 (being the latest practicable date prior to the publication of this document) options over Ordinary Shares have been granted to Directors under the Share Option Schemes and remain outstanding. These were granted as follows:

<i>Name of Director and Scheme</i>	<i>No. of Ordinary Shares</i>	<i>Exercise Price</i>	<i>Date of Grant</i>	<i>Exercise Period</i>
<i>A.C. Lee</i>				
Unapproved Restricted Share Scheme	100,000	18p	10/09/00	10/09/03 to 09/09/10
Approved EMI Scheme	239,437	35.5p	29/05/03	29/05/06 to 28/05/13
Approved EMI Scheme	24,793	60.5p	26/03/04	26/03/07 to 25/03/14
ESOP 2004	53,719	60.5p	26/03/04	26/03/07 to 25/03/14
<i>Gary Brighton</i>				
Approved EMI Scheme	20,000*	Nil	01/11/02	01/11/05
Approved EMI Scheme	140,017*	35.5p	29/05/03	29/05/06 to 28/05/13
Approved EMI Scheme	42,627	60.5p	26/03/04	26/03/07 to 25/03/14
<i>S.M. Beats</i>				
Approved EMI Scheme	186,413	35.5p	29/05/03	29/05/06 to 28/05/13
Approved EMI Scheme	41,322	60.5p	26/03/04	26/03/07 to 25/03/14
ESOP 2004	11,605	60.5p	26/03/04	26/03/07 to 25/03/14
<i>S.J. Day</i>				
Approved EMI Scheme	180,691	35.5p	29/05/03	29/05/06 to 28/05/13
Approved EMI Scheme	43,239	60.5p	26/03/04	26/03/07 to 25/03/14
ESOP 2004	7,672	60.5p	26/03/04	26/03/07 to 25/03/14
<i>A.M. Tebbutt</i>				
Approved EMI Scheme	186,413	35.5p	29/05/03	29/05/06 to 28/05/13
Approved EMI Scheme	41,322	60.5p	26/03/04	26/03/07 to 25/03/14
ESOP 2004	17,889	60.5p	26/03/04	26/03/07 to 25/03/14

*These options cannot be exercised because they were not subject to a waiver from the Panel at the time of grant.

- (c) The maximum percentage shareholdings of each of the Directors in the event that Gary Brighton exercises the share options to be approved at the EGM and existing options over 42,627 Ordinary Shares is set out in the table below:

<i>Director</i>	<i>No. of Ordinary Shares</i>	<i>Shareholding assuming Gary Brighton exercises 138,627 share options</i>	<i>%</i>
Malcolm Brighton	9,079,697	9,079,697	26.12
Steve Beats	95,295	95,295	0.27
Gary Brighton	2,000,000	2,138,627	6.15
Simon Day	101,140	101,140	0.29
Tony Lee	102,833	102,833	0.30
Mark Tebbutt	462,547	462,547	1.33
Chris Batterham	-	-	-
Lord Kinnock	-	-	-
Ann Limb	15,000	15,000	0.04
Nigel Turnbull	150,000	150,000	0.43

- (d) During the period of 12 months preceding the date of this document, there have been no dealings for value in relevant securities by the Directors except for the following:

<i>Date</i>	<i>Director</i>	<i>Nature of transaction</i>	<i>No. of Ordinary Shares</i>	<i>Price per share</i>
23/11/04	A M Tebbutt	Purchase	1,284	32.0p
23/11/04	A M Tebbutt	Purchase	5,500	33.0p
10/05/05	S J Day	Purchase	484	38.6p
10/05/05	A C Lee	Purchase	484	38.6p
10/05/05	A M Tebbutt	Purchase	484	38.6p
25/05/05	A M Tebbutt	Purchase	9,858	31.74p
10/06/05	S M Beats	Purchase	555	33.75p
10/06/05	S J Day	Purchase	557	33.75p
10/06/05	A C Lee	Purchase	557	33.75p
10/06/05	A M Tebbutt	Purchase	557	33.75p
11/07/05	S M Beats	Purchase	408	46.0p
11/07/05	S J Day	Purchase	406	46.0p
11/07/05	A C Lee	Purchase	406	46.0p
11/07/05	A M Tebbutt	Purchase	406	46.0p
11/08/05	S M Beats	Purchase	400	46.7p
11/08/05	S J Day	Purchase	402	46.7p
11/08/05	A C Lee	Purchase	402	46.7p
11/08/05	A M Tebbutt	Purchase	405	46.7p
10/10/05	S M Beats	Purchase	552	34.0p
10/10/05	S J Day	Purchase	552	34.0p
10/10/05	A C Lee	Purchase	552	34.0p
10/10/05	A M Tebbutt	Purchase	552	34.0p

2.2 KBC Peel Hunt and the KBC Group

- (a) At the close of business on 13 October 2005 (being the latest practicable date prior to the publication of this document), KBC Peel Hunt held no Ordinary Shares as a non-exempt market maker. No other member of the KBC Group held any Ordinary Shares in the Company.
- (b) During the period of 12 months preceding the date of this document, there have been no dealings for value in relevant securities by KBC Peel Hunt or any other member of the KBC Group.

2.3 The Concert Party

- (c) The Concert party consists of:

Malcolm Brighton

Malcolm Brighton was Managing Director from the Company's establishment in 1969. The Company was floated on the London Stock Exchange with a full listing in April 1994.

When DRS was floated Malcolm Brighton owned or had a beneficial interest in 16,680,000 Ordinary Shares. On the first day of dealings he sold 2,410,500 shares to be left with a holding of 14,269,500 Ordinary Shares. This represented a holding of 40.04 per cent. of the issued share capital of the Company at that time.

Malcolm Brighton retired as Managing Director in 2001 and is now the Company's Non-executive Chairman. He currently owns or has a beneficial interest in 7,079,697 Ordinary Shares, representing 20.45 per cent. of the present issued share capital.

Malcolm Brighton holds no directorships or significant interests in any other quoted public companies.

An Economics graduate, Malcolm Brighton previously worked in market research and served as Vice Chairman of the British Market Research Society. He is currently Chairman of Milton Keynes Primary Care Trust. He is a Non-executive Director of two small companies; Daybright Limited and Hintlesham Hall Limited.

Malcolm Brighton's address is The Barn, Home Farm, Milton Keynes Village, Milton Keynes MK10 9AJ.

Mrs J A Brighton

Mrs J A Brighton is the wife of Malcolm Brighton. She currently holds 2,000,000 Ordinary Shares.

Mrs J A Brighton's address is The Barn, Home Farm, Milton Keynes Village, Milton Keynes MK10 9AJ.

Gary Brighton

Gary Brighton is the son of Malcolm Brighton. He has been with the Company since 1 December 1997 and became a Director on 17 March 2003. He holds 2,000,000 Ordinary Shares.

Gary Brighton's address is 10 Winstanley Lane, Shenley Lodge, Milton Keynes MK5 7BT.

Mark Brighton

Mark Brighton is the son of Malcolm Brighton. He is not employed by DRS plc or any of its associates or subsidiaries. He is currently Technical Director of NECTAR. He holds 2,000,000 Ordinary Shares in the Company.

Mark Brighton's address is 22 The Vale, Oakley, Basingstoke RG23 7LB.

- (b) At the close of business on 13 October 2005 (being the latest practicable date prior to the publication of this document) the interests of the members of the Concert Party and their families and the interests of persons connected with them (within the meaning of section 346 of the Act) in the Issued Share Capital of the Company are as follows:

<i>Name</i>	<i>Current shareholding</i>	<i>%</i>	<i>Shareholding assuming Gary Brighton exercises options over 138,627 shares</i>	<i>%</i>
Malcolm Brighton	7,079,697	20.45	7,079,697	20.37
Mrs J A Brighton	2,000,000	5.78	2,000,000	5.75
Gary Brighton	2,000,000	5.78	2,138,627	6.15
Mark Brighton	2,000,000	5.78	2,000,000	5.75
Total	13,079,697	37.78	13,169,697	38.03

- (c) During the period of 12 months preceding the date of this document, there have been no dealings for value in the relevant securities by the members of the Concert Party.

- (d) Malcolm Brighton and the other members of the Concert Party have no intentions to alter the business, the fixed assets or employment arrangements of the employees of the Company as a result of the increase in their percentage holding pursuant to the proposed purchase by the Company of its Ordinary Shares.

2.4 At the close of business on 13 October 2005 (being the latest practicable date prior to the publication of this document) the Company has outstanding options pursuant to the Share Option Schemes over 1,777,159 Ordinary Shares (representing approximately 5.13 per cent. of the Issued Share Capital).

2.5 General

Save as disclosed above in paragraph 2;

- (a) no Director, nor any member of the Concert Party nor any person acting in concert with a Director or a member of the Concert Party is interested in any relevant securities;
- (b) no Director, nor any member of the Concert Party nor any person acting in concert with a Director or a member of the Concert Party has dealt for value in relevant securities during the period of 12 months preceding the date of this document;
- (c) neither the Company nor so far as the Directors are aware, any member of or associate of a member of the Concert Party has any arrangement with any other person in relation to relevant securities.
- (d) neither:
 - (i) any subsidiary or fellow subsidiaries and associated companies of DRS, or companies of which such companies are associated companies, or any pension fund of DRS or any of its subsidiaries, or any bank or other financial or professional adviser of DRS (including stockbrokers but excluding exempt market-makers), including any person controlling, controlled by or under the same control as any such bank or financial or other professional adviser;
 - (ii) any discretionary fund manager (other than an exempt fund manager) connected with DRS or any subsidiary or fellow subsidiaries and associated companies of DRS, and companies of which such companies are associated companies; nor
 - (iii) any employee benefit trust of DRS or any of its subsidiaries and fellow subsidiaries and its associated companies, and companies of which such companies are associated companies

owns or controls any relevant securities or has dealt for value in any such securities in the 12 months prior to the date of this document.

In this paragraph references to:

- (a) "bank" do not apply to a bank whose sole relationship with DRS is the provision of normal commercial banking services;
- (b) "control" mean holdings, or aggregate holdings, of shares carrying 30 per cent or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether or not the holding(s) give(s) de facto control; and
- (c) "relevant securities" mean Ordinary Shares and securities convertible into, rights to subscribe for, derivatives referenced to and options (including traded options) in respect of, Ordinary Shares.

3 Directors' service agreements

The following are service agreements between the Directors and the Company or any of its subsidiaries:

- 3.1 A C Lee was appointed to the Board on 15/09/97. His current service contract dated 13/09/03 has a rolling six-month notice period with remuneration comprising: basic annual salary of £95,000; annual performance-related cash bonus based on the Company's financial performance in respect of turnover, EPS and residual income, plus an assessment of personal performance including non-financial criteria; share options at the discretion of the Remuneration Committee, with a market value up to 100% of basic salary related to the company's growth in EPS; contribution of 20% of basic salary to the Company's money purchase pension scheme; and benefits comprising a company car fully funded for business mileage or a cash allowance in lieu of company car, settlement by the Company of professional fees in respect of personal tax affairs, private healthcare arrangements, life assurance cover and permanent health insurance.
- 3.2 S J Day was appointed to the Board on 14/09/99. His current service contract dated 13/09/03 has a rolling six-month notice period with remuneration comprising: basic annual salary of £76,500; annual performance-related cash bonus based on the Company's financial performance in respect of turnover, EPS and residual income, plus an assessment of personal performance including non-financial criteria; share options at the discretion of the Remuneration Committee, with a market value up to 100% of basic salary related to the company's growth in EPS; contribution of 20% of basic salary to the Company's money purchase pension scheme; and benefits comprising a company car fully funded for business mileage or a cash allowance in lieu of company car, settlement by the Company of professional fees in respect of personal tax affairs, private healthcare arrangements, life assurance cover and permanent health insurance.
- 3.3 S M Beats was appointed to the Board on 19/05/01. His current service contract dated 14/03/03 has a rolling six-month notice period with remuneration comprising: basic annual salary of £78,000; annual performance-related cash bonus based on the Company's financial performance in respect of turnover, EPS and residual income, plus an assessment of personal performance including non-financial criteria; share options at the discretion of the Remuneration Committee, with a market value up to 100% of basic salary related to the company's growth in EPS; contribution of 20% of basic salary to the Company's money purchase pension scheme; and benefits comprising a company car fully funded for business mileage or a cash allowance in lieu of company car, settlement by the Company of professional fees in respect of personal tax affairs, private healthcare arrangements, life assurance cover and permanent health insurance.
- 3.4 A M Tebbutt was appointed to the Board on 25/03/02. His current service contract dated 13/09/03 has a rolling six-month notice period with remuneration comprising: basic annual salary of £82,500; annual performance-related cash bonus based on the Company's financial performance in respect of turnover, EPS and residual income, plus an assessment of personal performance including non-financial criteria; share options at the discretion of the Remuneration Committee, with a market value up to 100% of basic salary related to the company's growth in EPS; contribution of 20% of basic salary to the Company's money purchase pension scheme; and benefits comprising a company car fully funded for business mileage or a cash allowance in lieu of company car, settlement by the Company of professional fees in respect of personal tax affairs, private healthcare arrangements, life assurance cover and permanent health insurance.
- 3.5 Gary Brighton was appointed to the Board on 19/05/03. His current service contract dated 16/09/03 has a rolling six-month notice period with remuneration comprising: basic annual salary of £70,000; annual performance-related cash bonus based on the Company's financial performance in respect of turnover, EPS and residual income, plus an assessment of personal performance including non-financial criteria; share options at the discretion of the Remuneration Committee, with a market value up to 100% of basic salary related to the company's growth in EPS; contribution of 20% of basic salary to the Company's money purchase pension scheme; and benefits comprising a company car fully funded for business mileage or a cash allowance in lieu of company car, settlement by the Company of professional fees in respect of personal tax affairs, private healthcare arrangements, life assurance cover and permanent health insurance.

- 3.6 Malcolm Brighton was appointed to the Board on 16/09/69. His remuneration comprises a fixed sum of £30,000 per annum.
- 3.7 N V Turnbull was appointed to the Board on 11/06/01. His current consultancy agreement with the Company has a rolling three-month notice period and his remuneration is a fixed fee of £20,000 per annum.
- 3.8 A G Limb was appointed to the Board on 19/05/03. Her current letter of appointment is dated 22 December 2003 has a rolling three-month notice period and her remuneration comprises a fixed sum of £20,000 per annum.
- 3.9 Lord Kinnock was appointed to the Board on 14/03/05. His current letter of appointment is dated 14 March 2005 has a rolling three-month notice period and his remuneration comprises a fixed sum of £20,000.
- 3.10 C M Batterham was appointed to the Board on 12/09/05. His current letter of appointment is dated 1 September 2005 has a rolling three-month notice period and his remuneration comprises a fixed sum of £20,000.

Save as described above none of the service agreements have been amended within the last six months.

Save as described above neither the Company nor any of its subsidiaries has entered into any service agreements with Directors that have more than 12 months to run.

4 Material contracts

No contracts have been entered into by the Company or any of its subsidiaries since since 13 October 2003 (being the date two years prior to the date of this document) which are or may be material and which have not been entered into in the ordinary course of business.

5 Material Changes

There has been no material change in the financial or trading position of the Company subsequent to the publication of the last audited financial statements of the Company, for the year ended 31 December 2004.

6 Middle Market Quotations

The following table sets out the middle market quotations for an Ordinary Share, as derived from the Daily Official List of the London Stock Exchange, for the first business day of each of the six months immediately preceding the date of this document and for 13 October 2005 (being the latest practicable date prior to the publication of this document):

<i>Date</i>	<i>Price per Ordinary Share(p)</i>
3 May 2005	38.5
1 June 2005	32.5
1 July 2005	34
1 August 2005	47
1 September 2005	44
3 October 2005	37
13 October 2005	33.5

7 General

- 7.1 KBC Peel Hunt has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name and its advice to the Directors in the form and context in which they are included.
- 7.2 No agreement, arrangement or understanding (including any compensation arrangement) exists between the Concert Party, (including persons acting in concert with the Concert Party), the Directors, recent directors, Shareholders or recent shareholders in the Company having any connection with or dependence upon the proposals set out in this document.

8 Documents available for inspection

Copies of the following documents will be made available for inspection at 1 Danbury Court, Linford Wood, Milton Keynes, MK14 6LR, during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this letter up to the date of the Extraordinary General Meeting and at the place of meeting for 15 minutes prior to the meeting and during the meeting:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited consolidated accounts of the Company for the two years ended 31 December 2003 and 31 December 2004;
- (c) the consent letter from KBC Peel Hunt referred to in paragraph 7.1 above; and
- (d) the directors' service contracts referred to in paragraph 3 above; and
- (e) the Rules of the DRS 2005 Long-Term Incentive Plan.

Dated 14 October 2005

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

'Act'	Companies Act 1985 (as amended)
'Annual Report and Accounts'	the report and accounts of the Company for the year ended 31 December 2003
'Approved EMI Scheme'	DRS 2002 Enterprise Management Incentive Scheme
'City Code'	the City Code on Takeovers and Mergers
'Concert Party'	together Mr. Malcolm Brighton, Mrs Jennifer Ann Brighton, Mr Gary Brighton and Mr Mark Brighton
'Directors' or the 'Board'	the Directors of the Company whose names are set out on page 3 of this document with, where the context so requires, their families and persons connected with them (within the meaning of section 346 of the Act)
'DRS' or 'the Company'	DRS Data & Research Services plc
'DRS 2005 LTIP'	the DRS 2005 Long-Term Incentive Plan
'Extraordinary General Meeting' or 'EGM'	the extraordinary general meeting of the Company to be held on 4 November 2005 notice of which is set out at the end of this document
'Form of Proxy'	the form of proxy accompanying this document is for use at the EGM
'Group'	the Company and its subsidiary undertakings
'Independent Directors'	the Board excluding Malcolm Brighton and Gary Brighton
'Independent Shareholders'	Shareholders in the Company other than the members of the Concert Party
'Issued Share Capital'	Ordinary Shares in issue from time to time
'KBC Peel Hunt'	KBC Peel Hunt Ltd
'London Stock Exchange'	London Stock Exchange plc
'Ordinary Shares'	ordinary shares of 5p each in the capital of the Company
'Panel'	the Panel on Takeovers and Mergers
'Resolutions'	together, Resolutions 1 and 2
'Resolution 1'	the ordinary resolution set out in the notice of the Extraordinary General Meeting at the end of this document
'Resolution 2'	the ordinary resolution set out in the notice of the Extraordinary General Meeting at the end of this document
'Rule 9'	Rule 9 of the City Code
'Shareholders'	holders of Ordinary Shares

DRS Data & Research Services plc

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of DRS Data & Research Services plc (the "Company") will be held at noon on 4 November 2005, for the purpose of considering and, if though fit, passing the following ordinary resolutions:

Ordinary Resolution

1. THAT the DRS 2005 Long-Term Incentive Plan (the "Plan"), the principal terms of which are set out in Part II of this Circular, be and are hereby approved and that the Directors be and are hereby authorised (i) to carry the Plan into effect in such manner as they shall, in their discretion, determine, and (ii) to establish further plans based on the Plan, but modified to take account of local tax, employment, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans shall count against any relevant limit in the Plan.
2. THAT the waiver by the Panel on Takeovers and Mergers described in the circular to the shareholders of the Company dated 14 October 2005 (the "Circular") of any requirement under Rule 9 of the City Code on Takeovers and Mergers for the Concert Party (as defined in the Circular) to make a general offer to Shareholders of the Company as a result of Mr Gary Brighton exercising options over 96,000 shares to be granted under the Plan and therefore causing the Concert Party to increase its proportionate holding in the Issued Share Capital.

Registered and Head Office:

1 Danbury Court
Linford Wood
Milton Keynes
MK14 6LR

By order of the Board

A M Tebbutt
Company Secretary

14 October 2005

Notes

1. A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person.
2. A form of proxy is enclosed which shareholders of the Company are invited to complete and return. The instrument appointing a proxy, together with a power of attorney or other authority (if any) under which it is signed, or a notorially certified copy of such power or authority, must be completed, signed and returned so as to reach, by hand or by post, the Company Secretary of DRS Data & Research Services plc, 1 Danbury Court, Linford Wood, Milton Keynes MK14 6LR no later than noon on 2 November 2005.
3. The ordinary resolutions set out in this notice will be taken on a poll in accordance with the requirements of the Panel on Takeovers and Mergers for dispensation from Rule 9 of the City Code on Takeovers and Mergers and the Concert Party (as defined in the Circular) will not vote on the resolutions.
4. As provided by Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered in the register of members of the Company 48 hours before the time set for the Meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after that time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.