

ESTEC SYSTEMS CORP.

Interim Consolidated Financial Statements
December 31, 2010 and 2009

NOTE: These interim financial statements have been prepared by management and have NOT been reviewed by our external auditors

ESTEC SYSTEMS CORP.
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Periods Ended December 2010 and 2009

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ESTEC SYSTEMS CORP.**Interim Consolidated Statements of Comprehensive Income / Loss and Deficit****Three Months Ended December 31, 2010 and 2009**

	Note	2010	2009
REVENUE		\$ 406,038	\$ 496,125
DIRECT EXPENSES		13,933	38,653
GROSS PROFIT (97%; 2009 – 92%)		392,105	457,472
EXPENSES			
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		538,662	535,887
AMORTIZATION OF PROPERTY AND EQUIPMENT		6,820	6,688
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT		-	3,458
		545,199	546,033
NET (LOSS) INCOME		(153,377)	(88,561)
INCOME TAXES	8	(14,498)	12,650
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME		(138,879)	(75,911)
DEFICIT – BEGINNING OF PERIOD		(1,204,763)	(832,458)
DEFICIT – END OF PERIOD		\$ (1,343,642)	\$ (908,369)
BASIC AND DILUTED (LOSS) INCOME PER SHARE	14	\$ (.01)	\$ (.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	10	10,461,629	10,461,629

ESTEC SYSTEMS CORP.**Interim Consolidated Statements of Comprehensive Income / Loss and Deficit
Six Months Ended December 31, 2010 and 2009**

	Note	2010	2009
REVENUE		\$ 920,238	\$ 1,121,265
DIRECT EXPENSES		33,216	74,247
GROSS PROFIT (97%; 2009 – 93%)		887,022	1,047,018
EXPENSES			
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Schedule 1, Page 18)		984,699	1,002,293
AMORTIZATION OF PROPERTY AND EQUIPMENT		13,293	13,581
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT		-	3,701
		997,709	1,019,575
NET (LOSS) INCOME		(110,970)	27,443
INCOME TAXES	8	-	16,351
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME		(110,970)	11,092
DEFICIT – BEGINNING OF PERIOD		(1,232,672)	(919,461)
DEFICIT – END OF PERIOD		(1,343,642)	(908,369)
BASIC AND DILUTED (LOSS) INCOME PER SHARE	14	\$ (.01)	\$.0
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	10	10,461,629	10,461,629

ESTEC SYSTEMS CORP.**Interim Consolidated Balance Sheets****Period Ended December 31, 2010 and Year ended June 30, 2010**

	Note	31 Dec. 2010	30 June 2010
ASSETS			
CURRENT			
Accounts receivable		\$ 420,567	\$ 466,914
Work in progress		18,560	14,562
Prepaid expenses		32,226	62,701
		471,353	544,177
PROPERTY AND EQUIPMENT	3	108,669	112,869
DEFERRED DEVELOPMENT COSTS	4	23,633	23,633
GOODWILL	5	75,796	75,796
		\$ 679,451	\$ 756,475
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT			
Bank indebtedness	6	\$ 220,984	\$ 157,580
Accounts payable and accrued liabilities		140,180	144,980
Customer deposits		-	57,000
Income taxes payable		-	-
		361,164	359,560
ADVANCES FROM RELATED PARTIES	7	413,821	381,981
		774,985	741,541
SHAREHOLDERS' EQUITY			
Contributed surplus		15,845	15,343
Share capital	10	1,232,263	1,232,263
Deficit		(1,343,642)	(1,232,672)
		95,534	14,934
		\$ 679,451	\$ 756,475

ON BEHALF OF THE BOARD


director


director

ESTEC SYSTEMS CORP.
Interim Consolidated Statement of Cash Flow
Three Months Ended December 31, 2010 and 2009

	Note	2010	2009
OPERATING ACTIVITIES			
Net (loss) income		\$ (138,879)	\$ (75,911)
Items not affecting cash;			
Amortization of property and equipment		6,820	6,688
Loss on disposal of property & equipment		-	3,458
Stock based compensation		-	-
		(132,059)	(65,765)
Changes in non-cash working capital		65,351	14,656
Cash flow (used by) from operating activities		(66,708)	(51,109)
Cash flows used by investing activity			
Purchase of property and equipment		(9,093)	(2,954)
Cash flows used by financing activity			
Advances from (to) related parties		23,625	-
(DECREASE) INCREASE IN CASH FLOW		(52,176)	(54,063)
CASH (DEFICIENCY) – BEGINNING OF PERIOD		(168,808)	30,464
CASH (DEFICIENCY) – END OF PERIOD	6	(220,984)	(23,599)
CASH FLOWS SUPPLEMENTARY INFORMATION			
Interest paid		2055	44
Income taxes paid		0	0

ESTEC SYSTEMS CORP.
Interim Consolidated Statement of Cash Flow
Six Months Ended December 31, 2010 and 2009

	Note	2010	2009
OPERATING ACTIVITIES			
Net (loss) income		\$ (110,970)	\$ 11,092
Items not affecting cash;			
Amortization of property and equipment		13,293	13,581
Loss on disposal of property & equipment		-	3,701
Stock based compensation		502	2,510
		(97,175)	30,884
Changes in non-cash working capital	15	11,024	(63,426)
Cash flow (used by) from operating activities		(86,151)	(32,542)
Cash flows used by investing activity			
Purchase of property and equipment		(9,093)	(8,327)
Cash flows used by financing activity			
Advances from (to) related parties		31,840	804
(DECREASE) INCREASE IN CASH FLOW		(63,404)	(40,065)
CASH (DEFICIENCY) – BEGINNING OF PERIOD		(157,580)	16,466
CASH (DEFICIENCY) – END OF PERIOD	6	(220,984)	(23,599)
CASH FLOWS SUPPLEMENTARY INFORMATION			
Interest paid		3,656	111
Income taxes paid		0	0

ESTEC SYSTEMS CORP.
Notes to the Consolidated Financial Statements
Periods Ended December 31, 2010 and 2009

1. DESCRIPTION OF BUSINESS

ESTec Systems Corp. ("the Company") owns and operates an engineering consulting firm. The principal operating subsidiary of the Company is Allan R. Nelson Engineering (1997) Inc.

The Company was incorporated under the Alberta Business Corporations Act and is traded on the TSX Venture Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. As the precise determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of financial statements includes the use of estimates and approximations which have been made using careful judgment. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Basis of consolidation

These consolidated financial statements are expressed in Canadian dollars and include the accounts of the Company and its wholly-owned subsidiary, Allan R. Nelson Engineering (1997) Inc. All intercompany balances have been eliminated.

Revenue recognition

Sales revenue is comprised of revenues from consulting and engineering contracts. It is recorded when the related service is provided, in the amount as determined by the contract for services with the customer, and collectability is reasonably assured. Customer deposits are occasionally received, and are not recognized as income until performance has been achieved.

Work in progress

Costs recoverable for services provided but not yet billed are shown as work in progress. Cost is measured based on the number of hours allocated to the job multiplied by the hourly payroll rate of the professional and the actual cost of associated disbursements.

Deferred development costs

Costs related to the development of new products are deferred until commercial production has begun. Upon commencement of commercial production, the related costs of the product are amortized on a straight-line basis over five years.

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ESTEC SYSTEMS CORP.
Notes to the Consolidated Financial Statements
Periods Ended December 31, 2010 and 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Changes to the balances are recognized in income when they are expected to occur. A valuation allowance is provided to the extent that it is more likely than not that future tax assets may not be realized in the near term.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Expenditures on major replacements, extensions and improvements are capitalized. The cost of maintenance, repairs and renewals or replacements, other than those of a major nature, are charged to expense as incurred. The Company provides for amortization at an annual rate, which will amortize the original cost to the estimated salvage value over the useful life of the assets.

Amortization is calculated using the declining balance method at the following annual rates:

Computer hardware	20%
Computer software	30%
Equipment	20%
Office equipment	20%
Inspection equipment	20%

The Company regularly reviews its property and equipment to eliminate obsolete items.

Impairment of property and equipment

Property and equipment are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value. No impairment has been recorded in the current fiscal year.

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ESTEC SYSTEMS CORP.
Notes to the Consolidated Financial Statements
Periods Ended December 31, 2010 and 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Financial Instruments

The Company has designated its financial assets and liabilities as follows:

<u>Financial Statement item</u>	<u>Classification</u>	<u>Measurement</u>
Cash (bank indebtedness)	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Advances from related parties	Other financial liabilities	Amortized cost

Transaction costs

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception except for held-for-trading securities where the costs are expensed immediately.

Comprehensive income

Comprehensive income consists of net earnings and other comprehensive income (OCI). OCI represents changes in shareholders' equity during a period arising from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as available for sale and changes in the fair value of the effective portion of cash flow hedging instruments.

Goodwill

Goodwill represents the excess of the purchase price paid for Allan R. Nelson Engineering (1997) Inc. over the fair value of the net assets acquired. Management annually reviews the valuation of this goodwill based on the estimated future cash flows of Allan R. Nelson Engineering (1997) Inc. Management will also review the valuation in the event of any circumstances which might have impaired the fair value. It was concluded that no impairment exists in the value of the goodwill at December 31, 2010 or 2009.

Stock based compensation

The Company has a stock option plan that provides for the issuance of stock options to key employees, directors and officers as described in Note 12. The value is recognized over the applicable vesting period as an increase to compensation expense and contributed surplus. When the options are exercised, the proceeds received by the Company, together with the amount in contributed surplus, are credited to share capital.

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ESTEC SYSTEMS CORP.
Notes to the Consolidated Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Earnings and loss per share

Earnings and loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted earnings and loss per share is calculated using the treasury stock method. Under the treasury stock method, deemed proceeds from potentially dilutive securities are considered to be used to acquire common shares at an average stock price during the year.

Shares provided as security for any share purchase financing agreement are excluded from the calculation for the basic earnings and loss per share. These shares have not been included in diluted earnings and loss per share as the result is anti-dilutive.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the year-end exchange rate and non-monetary assets at the exchange rates prevailing when the assets are required. Foreign currency denominated revenue and expense items have been translated at the rate of exchange in effect at the time of the transaction.

Foreign exchange gains and losses are included in the determination of earnings.

Statements of Cash Flows

The Company is using the indirect method in its presentation of the Statements of Cash Flows.

Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease; all other leases are accounted for as operating leases. At the time the Company enters into a capital lease, an asset is recorded with its related long-term obligation to reflect the acquisition and financing. Rental payments under operating leases are expensed as incurred.

Pension plan

The pension plan is a defined contribution (money purchase) plan, funded wholly by contributions. Pension costs relate to current employee services and are charged to operations on a current basis.

Investment tax credits

The Company annually incurs costs on activities that relate to research and development of new products. The Company plans to apply for scientific research and experimental development ("SRED") income tax credits to assist in cost recovery. If successful, the Company will begin accruing these benefits using the cost reduction approach, when there is reasonable assurance that the credits will be realized.

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ESTEC SYSTEMS CORP.
Notes to the Consolidated Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from those estimates. The significant estimates pertain to the physical and economic lives of property and equipment, the calculation of stock compensation expenses, and the recoverability of accounts receivable.

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2010 Net book value
Computer hardware	65,952	27,684	38,268
Computer software	128,506	93,166	35,340
Equipment	55,912	29,225	26,687
Office equipment	26,169	19,113	7,056
Inspection equipment	8,694	7,376	1,318
	285,233	176,564	108,669

Amortization provided for in the current period totaled \$13,293; (2009 - \$13,581).

	Cost	Accumulated amortization	2009 Net book value
Computer hardware	74,775	32,566	42,209
Computer software	132,544	91,823	40,721
Equipment	31,135	22,865	8,270
Office equipment	26,695	17,847	88,48
Inspection equipment	17,296	14,450	2,846
	282,445	179,551	102,894

4. DEFERRED DEVELOPMENT COSTS

Deferred development costs consist of work in progress incurred to develop a new top drive designed to conform to the current American Petroleum Institute's standards. The manufacturing and distribution rights for this top drive have been licensed to a third party under a 15 year licensing agreement. As commercial production has not begun, no amortization has been taken on development costs for this project.

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5. GOODWILL

	2010	2009
Goodwill, at cost	\$ 133,150	\$ 133,150
Accumulated amortization (prior to 2002)	(57,354)	(57,354)
	\$ 75,796	\$ 75,796

6. CASH AND BANK INDEBTEDNESS

Cash and bank indebtedness is comprised of the following:

	2010	2009
Cash in bank	9,198	30,341
Cheques written in excess of bank balance	(32,420)	(53,940)
Bank operating line	(205,000)	-
	(220,984)	(23,599)

The bank operating lines are authorized to a total of \$250,000 with interest payable at prime plus 2.00% (2009 - prime plus 2.00%). A general security agreement and limited guarantees from directors and related parties in the amount of \$187,500 have been pledged as collateral for the bank operating lines.

7. RELATED PARTY TRANSACTIONS AND BALANCES

During the period, the Company had business transactions with corporations controlled by certain directors of the Company. These transactions, which were in the normal course of operations and measured at the exchange value agreed between the parties, are as follows:

	2010	2009
Payment of rent to a company controlled by certain directors	45,000	45,000
Advances from related parties:		
Advances from directors, non-interest bearing, unsecured	166,911	166,911
Advances from corporations controlled by directors, non-interest bearing, unsecured	246,910	198,893
	413,821	365,804

Advances from related parties have no fixed terms of repayment and the parties have waived their right to receive any repayment in the current fiscal year, therefore these amounts have been classified as long term.

Included in trade accounts payable is \$4,192 (2009 - \$9,877) owing to a director.

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Notes to the Consolidated Financial Statements
Periods Ended December 31, 2010 and 2009

8. INCOME TAXES

Income taxes for the quarters are estimated by taking the profit of the company and using the statutory rate of 28.5% (2009 – 29.5%).

9. CONTRIBUTED SURPLUS

The Company uses the fair value based method to account for stock-based compensation. Fair values are determined using the Black Scholes Model. Compensation costs are recognized over the vesting period as an increase to compensation expense and contributed surplus. When options are exercised, the proceeds received by the Company, together with the fair value amount in contributed surplus, are credited to capital stock.

	2010	2009
Opening Contributed surplus	\$15,343	\$12,833
Fair value of options granted – recorded as compensation expense	502	2,510
	\$15,845	\$15,343

10. SHARE CAPITAL

Authorized:
200,000,000 Common shares without par value

Issued:

	2010		2009	
	Number of Shares	Stated Capital	Number of Shares	Stated Capital
Balance – end of period	10,461,629	\$ 1,232,363	10,461,629	\$1,232,363

ESTEC SYSTEMS CORP.
Notes to the Consolidated Financial Statements
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11. PENSION PLAN

	2010	2009
Employer contributions expensed during the current year	\$17,386	\$ 6,650
Estimated value of the plan	95,548	13,943
Total active members	9	12

Pension costs related to current services are charged to operations on current basis and are calculated as a percentage of employees' earnings. The pension plan is a defined contribution plan and is funded wholly by contributions from the employer and employees. The plan inception date was October 1, 2009. The Company's contribution to the plan, on behalf of key management employees, totaled \$2,640 for the period.

12. STOCK OPTION PLAN

The Company has a stock option plan that provides for the issuance of stock options to employees, directors, and officers. Stock options allow the holder to obtain one common share for each stock option exercised. Options granted to Directors vest immediately. Options granted to employees vest over a 4-year period, with 25% of options vesting on each anniversary of the date the options were granted. Outstanding stock options will expire over a period ending no later than July 24, 2014. The Company has reserved 1,046,162 shares in Treasury to meet share options outstanding, less options already issued.

The Company makes options available to all employees, directors and officers in tiered levels based on salary compensation and performance. As options expire or are exercised, new options are issued.

	Shares	Weighted Average Exercise Price 2010	Shares	Weighted Average Exercise Price 2009
Beginning of period	835,000	\$ 0.10	870,000	\$ 0.10
Granted	-		-	
Cancelled or expired	275,000	0.10	-	
Outstanding at end of period	560,000	\$ 0.10	870,000	\$ 0.10

At the end of the period there were 560,000 options, with an exercise price of \$0.10 and weighted average remaining contractual life of 2.71 years, outstanding.

ESTEC SYSTEMS CORP.
Notes to the Consolidated Financial Statements
Periods Ended December 31, 2010 and 2009

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and advances from related parties

Fair Value

The Company's carrying value of accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximates its fair value due to the immediate or short-term maturity of these instruments.

The fair value of the advances from related parties are less than carrying value, as the amounts are non-interest bearing. As the advances have no terms of repayment, are not marketable, and do not have terms and conditions typical of arm's length transactions, the fair value cannot be calculated with any degree of certainty. Therefore, fair value has not been estimated.

The fair value of bank indebtedness is measured under level 1 of the fair value hierarchy. The three levels of the fair value hierarchy are described as follows:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Value based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Company is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives for growth and stakeholder returns. The principal risks to which the Company is exposed, and the actions taken to manage them, are described below.

Credit Risk

Credit risk arises from the potential that a counter party will fail in its obligations. The Company is exposed to credit risk through trade receivables and work in progress. In the normal course of business, the Company evaluates the financial condition of its customers on a continuing basis and reviews the credit worthiness of all new customers. Management assesses the need for allowances for potential credit losses by considering the credit risk of specific customers, historic trends, and other information.

Management believes that credit risk is mitigated in the insurance claim work they perform, due to insurance companies being required to sequester funds when a claim is pending. Credit risk is mitigated in other segments of their business by progress billing, limiting work for overdue clients, and occasionally requiring deposits.

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ESTEC SYSTEMS CORP.
Notes to the Consolidated Financial Statements
Periods Ended December 31, 2010 and 2009

13. FINANCIAL INSTRUMENTS *(continued)*

Concentration of credit risk arises from exposure to a single customer or to groups of customers having similar characteristics such as industry or geographic area in which the customers operate. The Company is subject to a concentration of credit risk with respect to \$127,703 in accounts receivable from the Company's largest customer at December 31, 2010. Concentration of credit risk is mitigated by having concentrations with credit worthy customers.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company does not enter into derivative financing contracts for speculative purposes. The Company is exposed to interest rate risk primarily through its floating interest rate operating line. Based on the amount of the operating line at December 31, 2010, fluctuations in interest rate would not materially affect the operating results of the Company. A change in the Canadian prime rate by 0.25% will increase or decrease interest expense by approximately \$500 per annum.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due, or can only do so at excessive cost. The Company's growth is financed through a combination of cash flows from operations and borrowings under the existing credit facilities. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure the Company has financing sources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company establishes budgets and cash estimates to ensure it has the necessary funds to fulfil its obligations.

The following monetary liabilities are current in nature, and therefore mature in less than one year:

\$ 32,420	Cheques written in excess of bank balance
\$ 205,000	Bank operating line
<u>\$ 140,180</u>	Accounts payable and accrued liabilities
\$ 377,600	Total

Long term monetary liabilities of \$413,821 consist of advances from related parties with no terms of repayment. Therefore, the effective maturity date is undetermined. The parties have waived their right to payment in the current fiscal year.

Market Risk

The Company is exposed to market risk through its reliance on the oil industry. Management believes the risk faced by the Company with regard to market risk is an acceptable risk faced in the ordinary course of business.

ESTEC SYSTEMS CORP.
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14. DILUTED LOSS PER SHARE

Options to purchase 560,000 common shares that were outstanding as of December 31, 2010 were not included in the computation of diluted earnings per share, since the effect of these options was anti-dilutive.

15. CHANGES IN NON-CASH WORKING CAPITAL

	2010	2009
Prepaid expenses	30,475	34,746
Income taxes payable	-	16,351
Accounts payable and accrued liabilities	(4,800)	(50,968)
Deferred development costs	-	
Accounts receivable	46,347	(71,004)
Work in progress	(3,998)	7,449
Customer Deposits	(57,000)	
	11,024	(63,426)

16. CAPITAL DISCLOSURES

The Company's objectives in managing capital are:

- i. to safeguard its ability to operate as a going concern, and
- ii. to maintain a strong financial position, and
- iii. to maintain a low cost of debt

Through its subsidiary Allan R. Nelson Engineering (1997) Inc. the Company has a \$250,000 line of credit with ATB Financial Services (ATB). ATB has placed conditions on Allan R. Nelson Engineering (1997) Inc. with regards to working capital, debt to equity and debt service. Allan R. Nelson Engineering (1997) Inc. is fully compliant with these conditions at December 31, 2010.

	2010	2009
Related Party Loans	(413,821)	(365,804)
Total Debt	(413,821)	(365,804)
(Bank indebtedness) Cash	(220,984)	(23,599)
Net Debt	(634,805)	(389,403)
Shareholders' equity	95,534	(339,237)
Total Capitalization	(539,271)	(728,640)

ESTEC SYSTEMS CORP.
Notes to the Consolidated Financial Statements
Periods Ended December 31, 2010 and 2009

17. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

18. FUTURE ACCOUNTING STANDARDS

The Canadian Institute of Chartered Accountants (CICA) has issued several new accounting standards which will affect the Company's financial statements in subsequent fiscal years.

a) Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Board ("AcSB") establishes financial accounting and reporting standards for use by Canadian entities. It also participates in the development of internationally accepted accounting standards. The AcSB is accountable to the Accounting Standards Oversight Council, an independent body established in September 2000 by the CICA. On February 13, 2008, the AcSB announced that the use of International Financial Reporting Standards ("IFRS") is required for fiscal years beginning on or after January 1, 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP. Entities will be required to provide comparative IFRS information for the previous fiscal year. The Company is evaluating the impact of the adoption of IFRS.

b) Business Combinations, Consolidated Financial Statements and Non-Controlling Interest

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations ("Section 1582"), Section 1601, Consolidations ("Section 1601"), AND Section 1602, Non-Controlling Interests ("Section 1602"). These sections replace the former Section 1581, Business Combinations, and Section 1600, Consolidated Financial Statements, and establish a new section for accounting for a non-controlling interest in a subsidiary.

Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

ESTEC SYSTEMS CORP.**Consolidated Schedule of Selling, General and Administrative Expenses (Schedule 1)
Periods Ended December 31, 2010 and 2009**

	Note	2010	2009
Salaries and benefits		780,480	761,522
Rent	7	45,000	45,000
Professional fees		34,072	40,761
Insurance		24,023	29,010
Advertising and promotion		22,050	18,367
Repairs and maintenance		16,638	31,354
Supplies and maintenance		16,314	19,373
Travel		12,130	20,334
Technology and telecommunications		10,326	10,551
Dues, memberships and business taxes		6,620	4,258
Public company compliance		5,239	3,826
Bank charges and interest		5,169	1,886
Training		3,580	15,301
Courier and freight		1,923	750
Bad debts		633	-
Stock based compensation	12	502	-
		984,699	1,002,293