

DRS TECHNOLOGIES INC
Form 11-K
October 12, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 11-K

Annual Report Pursuant to Section 15 (d)

of the Securities Exchange Act of 1934

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 2005

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-08533

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

SYSTEMS & ELECTRONICS INC. EMPLOYEE SAVINGS INVESTMENT PLAN

B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive offices:

Engineered Support Systems, Inc.

201 Evans Lane

St. Louis, Missouri 63121

Financial Statements and Exhibits

SYSTEMS & ELECTRONICS INC.

EMPLOYEE SAVINGS INVESTMENT PLAN

December 31, 2005

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* Other schedules required by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

Report of Independent Registered Public Accounting Firm

To the Pension Committee of

Systems & Electronics Inc.

Employee Savings Investment Plan

We have audited the accompanying statement of net assets available for benefits of the Systems & Electronics Inc. Employee Savings Investment Plan (the Plan) as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the net assets available for benefits at December 31, 2005 and 2004, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Notes H and I, the Company has amended the Plan to provide for its termination effective January 30, 2006. During the plan year, the Trustees made the decision to terminate the plan. Therefore, in accordance with accounting principles generally accepted in the United States of America, the Plan has changed its basis of accounting from the ongoing plan basis to the liquidation basis.

/s/ Rubin Brown
LLP

St. Louis, Missouri

September 12, 2006

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SYSTEMS & ELECTRONICS INC.

EMPLOYEE SAVINGS INVESTMENT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31 (In Liquidation) 2005	2004
Assets:		
Investments, At Fair Value (Note C)		
Common Collective Trusts	\$	\$ 1,809,824
Registered Investment Companies	14,715,140	12,750,976
Company Stock	107,272	
Participant Loans	193,680	189,778
Stable Value (Note D)	2,552,207	
	17,568,299	14,750,578
Employee contributions receivable	105,985	96,863
Net Assets Available For Benefits	\$ 17,674,284	\$ 14,847,441

See the accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	For the Years Ended December 31, (In Liquidation)	
	2005	2004
Additions To Net Assets Attributed To:		
Investment income:		
Interest and dividend income	\$ 10,290	\$ 9,322
Net realized and unrealized gain on Engineered Support Systems, Inc. common stock	14,728	
Net appreciation from common collective trusts	24,541	
Net appreciation from registered investment companies	894,483	1,267,396
Net appreciation of the stable value fund	72,291	
Net Investment Income	1,016,333	1,276,718
Contributions:		
Salary Deferral	2,498,372	2,800,696
Rollovers	442,135	
Total Contributions	2,940,507	2,800,696
Total Additions	3,956,840	4,077,414
Deductions:		
Benefits paid directly to participants	(1,110,036)	(782,801)
Plan expenses	(19,961)	(5,135)
Total Deductions	(1,129,997)	(787,936)
Net Increase	2,826,843	3,289,478
Net Assets Available For Benefits:		
Beginning of Year	14,847,441	11,557,963
Net Assets Available For Benefits:		
End of Year	\$ 17,674,284	\$ 14,847,441

See the accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

SYSTEMS & ELECTRONICS INC.

EMPLOYEE SAVINGS INVESTMENT PLAN

December 31, 2005 and 2004

NOTE A - DESCRIPTION OF THE PLAN

The Systems & Electronics Inc. Employee Savings Investment Plan (the Plan) was established October 1, 1999 as a defined contribution plan covering the employees of Systems & Electronics Inc. (the Company). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

All employees of the Company are eligible to participate in the Plan on the date he or she commences employment with the Company. Plan participants are eligible to receive benefits commencing at age 59 ½ or upon the date the participant terminates employment with the Company and every member of the controlled group. Distributions under the Plan will be made as soon as administratively possible after retirement or termination.

Participants may elect to contribute up to 50 percent of their annual compensation (not to exceed limits established by the Internal Revenue Service) each Plan year as pre-tax contributions. There are no employer contributions to the Plan. Participant contributions are fully and immediately vested at all times.

The Plan was closed to new Participants as of December 31, 2004. No employee will become a participant after that date. Employees participating in the Plan on December 31, 2004 will be eligible to continue to make contributions.

Plan participants are permitted to borrow from their accounts. Participants may borrow a minimum of \$1,000 up to a maximum of 50 percent of their vested balance, not to exceed \$50,000 (less the highest outstanding loan balance for the one-year period ending on the day before a new loan is made minus the outstanding balance of existing loans to the participant on the date of the new loan). Both the principal and interest are repaid via payroll deductions. Interest rates range from 4.25 percent to 9 percent on all outstanding loans. The final installments are due at various dates through November 2011.

Upon death, termination of service, or attainment of age 70 ½, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, a single annuity, the purchase of a joint and survivorship annuity with various survivor options, or a series of installment payments.

Each participant's account is credited with the participant's contributions and an allocation of Plan earnings. The allocation of earnings is determined by the earnings of the participant's investment selection based on each participant's account balance, as defined in the Plan agreement. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

The Pension Committee, appointed by the Company, serves as the Plan administrator, and the Company pays all administrative expenses of the Plan, except for a nominal holding fee charged to each participant's account. In 2005, the Plan incurred \$19,961 in trustee fees or other administrative expenses. In 2004, the Plan incurred \$5,135 in trustee fees or other administrative expenses.

Information about the Plan, including provisions for vesting, allocation of earnings, withdrawal provisions and the impact of Plan termination is contained in the Plan document and Summary Plan Description. Copies of the Summary Plan Description are available from the Company.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Certain 2004 figures have been reclassified, where appropriate, to conform to the financial statement presentation used in 2005.

The financial statements of the Systems & Electronics Inc. Employee Savings Investment Plan (the Plan) are presented on the liquidation basis of accounting, except that benefits due to participants are recorded as a reduction in net assets available for Plan benefits when paid.

Investments in the Engineered Support Systems, Inc. (the Company) common stock are stated at fair value based on the last reported sales price on December 31, 2005 and 2004, respectively. Investments in registered investment companies, including the EuroPacific Growth Fund, the Alliance Bernstein Growth & Income Fund-Class A, the Janus Twenty Fund, the Jennison Growth Fund-Class Z, the Jennison US Emerging Growth Fund-Class Z, Vanguard Morgan Growth (Admiral Class), Vanguard Total Stock Market (Admiral Class), Vanguard Windsor (Admiral Class), Vanguard Institutional Index (Institutional Class), American Funds Balanced Fund-Class A, Vanguard 500 Index-Class A, Lord Abbett Small Cap Blend-Class A, PIMCO Total Return-Class A, Vanguard International Growth Fund, Vanguard LifeStrategy Conservative Growth Fund, Vanguard LifeStrategy Growth Fund, Vanguard LifeStrategy Income Fund, Vanguard LifeStrategy Moderate Growth Fund, Vanguard Prime Money Market Fund, Vanguard Small-Cap Index Fund, Vanguard Total Bond Market Index Fund, and Vanguard US Growth Fund are stated at the fair value of the underlying portfolio of securities as of December 31, 2005 and 2004 respectively, as determined by the respective manager. Investments in common collective trusts including the Vanguard Retirement Savings Trust (managed by Vanguard Fiduciary Trust Company, VFTC) are stated at the fair value as of December 31, 2005 and 2004 respectively, of the underlying portfolio of securities, as determined by the respective manager. Investments in the Guaranteed Income Fund are stated at fair value, which approximates contract value (principal plus accrued interest) as of December 31, 2005 as determined by the respective manager.

Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Net realized appreciation or depreciation on security transactions represent the difference between proceeds received and cost. The Plan presents in the Statement of Changes in Net Assets Available for Plan Benefits the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near-term could materially affect the amounts reported in the Statement of Net Assets Available for Plan Benefits.

Participant loans are valued at their outstanding principal amount. These notes bear interest at a rate equal to the prime interest rate as of the effective date of the loan plus one percentage point.

Administrative expenses of the Plan are paid by the Participants.

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and changes in net assets during the reporting period. Actual results could differ from these estimates.

NOTE C INVESTMENTS

Participants may direct the investment of their contributions among a number of investment options. The following schedule presents information regarding assets held for investments:

	December 31, 2005 Fair Value	December 31, 2004 Fair Value
Engineered Support Systems, Inc.		
common stock, 2,576 shares in 2005	\$ 107,272	\$
Alliance Bern Growth & Income Fund-Class A,		
837 shares in 2005	3,214	
Janus Twenty Fund,		
2,692 shares in 2005	131,694	
EuroPacific Growth Fund,		
29,385 shares in 2005	1,207,743	*
Jennison US Emerging Growth Fund Class Z,		