

**OXLEY DEVELOPMENTS COMPANY LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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# **OXLEY DEVELOPMENTS COMPANY LIMITED**

## **COMPANY INFORMATION**

### **Directors**

Mrs A S Oxley  
P W Cotterill (appointed 1/10/2006)  
D R Norrie  
T G Bushell  
M E Sloan  
B W Wray (appointed 20/01/2006)  
M Pritchard (appointed 13/11/2006)

### **Secretary**

M Pritchard

### **Company number**

376071

### **Registered office**

Priory Park  
Ulverston  
Cumbria  
LA12 9QG

# **OXLEY DEVELOPMENTS COMPANY LIMITED**

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# **OXLEY DEVELOPMENTS COMPANY LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

The directors submit their report and the financial statements for the year ended 30 September 2006

### **Results and dividends**

The loss for the year, after taxation, amounted to £1,951,177 (2005 - Loss £875,897)

The loss for the year is stated after exceptional charges of £926,906 relating to the reorganisation of the business. The underlying loss for the year after taxation amounted to £1,024,471 (2005 - Loss £875,897)

### **Principal activity and review of the business**

The company's activities consist of the design, development and manufacture of components, systems and technologies for the electronics and avionics industry

The company continues to focus on innovative and state of the art technology recognising the increasing complexity in the products and services we offer to our customers. Major aerospace OEMs continue to demand increasing levels of technical data in support of development and production contracts with strident demands for on-time delivery and financial metrics

### **Risks and uncertainties**

The principal risks and uncertainties facing the business relate to changes in government defence spending policies in key markets, including the USA. The group has a broad customer base across many countries throughout the World which provides a degree of protection against this risk. Key growth markets are being targeted to further protect the business.

The company faces the challenge of moving from three sites to one in the UK during 2007/2008. When completed, the business will benefit from economies of scale and operational efficiencies by managing the business from a single site.

### **Development of the business**

The company underwent significant change during the financial year. Changes in senior management and a programme of severe cost cutting and reorganisation means that, despite the size of the loss reported for 2006, the company returned to profit in December 2006. The cost base of the company is now structured to ensure profitability is achieved at the directors' minimum expected level of monthly sales. Profits have now been reported for 4 consecutive months, with the cash generated enabling the business to ensure that trade creditors are being paid to terms.

The future strategy for the company is based upon growing sales by restructuring the production capabilities of the business to fulfil customer requirements from a growing order book.

The company is forecast, and on target, to report a profit in 2007.

### **Future outlook**

The directors believe that the company is now stable, with modest profits & cash generation being noted in monthly management accounts. Forecasts & the company's order book support the directors' view that this stability will continue for the foreseeable future.

From the stable position achieved, the directors intend to grow the business through a combination of internal efficiencies, targeted sales growth of existing products and markets, development of new products and development of new markets. The company is well placed to take advantage of favourable market conditions by using the power of its brand strength built on a reputation for quality and innovation.

## **OXLEY DEVELOPMENTS COMPANY LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

#### **Research and development**

The company continues to undertake substantial research and development to develop its existing product range and to design new products in order to compete in an increasingly competitive international market

In February 2007 a Technical Director was appointed. This is a new role, specifically created to drive forwards the group's research and development efforts. The Technical Director assumes responsibility for the development of our technology base, new products and processes. The Technical Director will monitor technology and new product development in our competitors and engage in discussions with our major customers to ensure we understand the part we play in their Technology Road Map.

#### **Financial instruments**

The company's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. Its policy is to finance working capital through retained reserves and through borrowings at prevailing market interest rates, and to fix the sterling cost of imported components by entering into forward exchange contracts at the time of ordering. The company does not use hedge accounting.

The company's exposure to the price risk of financial instruments is therefore minimal. As the counterparty to all financial instruments is its bankers, it is also exposed to minimal credit and liquidity risks in respect of these instruments. Its cash flow risk in respect of forward currency purchases is also minimal as it aims to pay suppliers in accordance with their stated terms, matching the maturity of the currency purchases.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit.

#### **Directors**

The directors who served during the year were

Mrs A S Oxley  
M E Sloan  
P W Cotterill (appointed 1/10/2006)  
D R Norrie  
T G Bushell  
B W Wray (appointed 20/01/2006)  
M Pritchard (appointed 13/11/2006)

The following resignations occurred during the year

M N Atkinson - resigned 31 May 2006  
T Armistead - resigned 31 May 2006  
G S Edwards - resigned 16 June 2006

The directors' interests in the ordinary share capital of Oxley Group Plc are disclosed in the annual report of that company.

**OXLEY DEVELOPMENTS COMPANY LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

**Employee involvement and employment of disabled persons**

The importance of employee communication and participation is recognised by the company, subject to the constraints of commercial confidentiality. Because the premises occupied by the company are in close proximity and of modest size, this policy is achieved by the frequent presence of members of senior management in the company's offices and production areas, which provides a direct contact with all employees.

It is the company's policy to offer equal opportunities to disabled persons applying for vacancies, having regard to the aptitudes and abilities in relation to the jobs for which they apply.

As far as possible, arrangements are made to continue the employment of those employees who have become disabled persons during the course of their employment with the company. In all instances consideration will be given to arranging appropriate training facilities or providing special aids where necessary. It is the company's policy to provide disabled persons with the same opportunities for training, career development and promotion that are available to all employees within the limitation of their aptitude and abilities.

**Environmental Management Standard**

The company has successfully achieved full accreditation to ISO 14001, the Environmental Management Standard.

**Provision of information to auditors**

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

**Auditors**

The auditors, PKF (UK) LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 26 July 2007 and signed on its behalf



**M Pritchard**  
Secretary

## **OXLEY DEVELOPMENTS COMPANY LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 SEPTEMBER 2006**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **OXLEY DEVELOPMENTS COMPANY LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OXLEY DEVELOPMENTS COMPANY LIMITED**

We have audited the financial statements of Oxley Developments Company Limited for the year ended 30 September 2006 which comprise the profit and loss account, the balance sheet and the related notes. The financial statements have been prepared under the accounting policies set out therein.

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

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ("United Kingdom Generally Accepted Accounting Practice") are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



**OXLEY DEVELOPMENTS COMPANY LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OXLEY DEVELOPMENTS COMPANY LIMITED**

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

*PKF(UK)LLP*

**PKF (UK) LLP**

Registered auditors

26 July 2007

**OXLEY DEVELOPMENTS COMPANY LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

	Note	2006 £	2005 £
<b>TURNOVER</b>	1,2	<b>10,305,384</b>	8,830,797
Cost of sales		<u>(6,827,701)</u>	<u>(5,115,216)</u>
<b>GROSS PROFIT</b>	3	<b>3,477,683</b>	3,715,581
Selling and distribution costs		<u>(993,028)</u>	(1,053,247)
Administrative expenses		<u>(4,414,596)</u>	(3,584,987)
Other operating income		<u>139,973</u>	140,704
<b>OPERATING LOSS(including exceptional costs of £962,906)</b>	3	<b>(1,789,968)</b>	(781,949)
Interest receivable		2,292	108
Interest payable	6	<u>(163,501)</u>	<u>(135,168)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(1,951,177)</b>	(917,009)
<b>TAX ON LOSS ON ORDINARY ACTIVITIES</b>	7	<u>-</u>	<u>41,112</u>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u><b>(1,951,177)</b></u>	<u>(875,897)</u>

All amounts relate to continuing operations

There were no recognised gains and losses for the year other than those included in the profit and loss account

There was no material difference between the reported result and the result calculated on an unmodified historical cost basis

**OXLEY DEVELOPMENTS COMPANY LIMITED**

**BALANCE SHEET  
AS AT 30 SEPTEMBER 2006**

	Note	£	2006 £	£	2005 £
<b>FIXED ASSETS</b>					
Intangible fixed assets	8		1		114,143
Tangible fixed assets	9		1,025,498		1,214,431
			<u>1,025,499</u>		<u>1,328,574</u>
<b>CURRENT ASSETS</b>					
Stocks	10	1,145,294		2,204,010	
Debtors	11	2,257,628		2,311,380	
Cash at bank		1,365,761		366,776	
		<u>4,768,683</u>		<u>4,882,166</u>	
<b>CREDITORS:</b> amounts falling due within one year	12	(5,260,443)		(4,026,971)	
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			<u>(491,760)</u>		<u>855,195</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>533,739</u>		<u>2,183,769</u>
<b>CREDITORS:</b> amounts falling due after more than one year	13		(624,154)		(323,007)
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred tax	14		(2,500)		(2,500)
<b>NET (LIABILITIES)/ASSETS</b>			<u>(92,915)</u>		<u>1,858,262</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		3,100,451		3,100,451
Profit and loss account	16		(3,193,366)		(1,242,189)
<b>SHAREHOLDERS' FUNDS - All equity</b>	17		<u>(92,915)</u>		<u>1,858,262</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 July 2007



**M E Sloan**  
Director



**M Pritchard**  
Director

The notes on pages 9 to 17 form part of these financial statements

## **OXLEY DEVELOPMENTS COMPANY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006**

#### **1. ACCOUNTING POLICIES**

##### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets, and in accordance with accounting standards

##### **1.2 Turnover**

Turnover comprises the total amount receivable (excluding value added tax) for goods and services supplied to customers in the ordinary course of business

##### **1.3 Intangible fixed assets and amortisation**

Purchased know-how is amortised in equal installments over a period of up to five years Licences are amortised over a period of ten years

##### **1.4 Tangible fixed assets**

Tangible fixed assets, with the exception of motor vehicles, were revalued by the directors at 30 September 1976 at their gross replacement cost, by the use of the price indices published by the Government Statistical Service Additions since 30 September 1976 are stated at cost Depreciation, which is provided on a straight line basis, except motor vehicles, is calculated to write off the gross replacement cost or, in the case of additions since 30 September 1976, the cost of each class over their estimated useful lives which are -

Plant & machinery	-	10	years
Motor vehicles	-	25%	reducing balance
Fixtures & fittings	-	10	years

##### **1.5 Leasing and hire purchase**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and are depreciated over their useful economic lives

Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the profit and loss account over the primary lease period

##### **1.6 Long-term contracts**

The amount of long-term contracts, at costs incurred, net of amounts transferred to cost of sales, after deducting foreseeable losses and payments on account not matched with turnover, are recognised within stocks The balances of net costs less foreseeable losses are applicable payments on accounts are disclosed separately The amount by which recorded turnover exceeds payments on account is recognised within debtors The balance of payments on account, in excess of amounts matched with turnover and offset against long-term contract balances is recognised within creditors

##### **1.7 Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and estimated net realisable value Cost includes all direct costs incurred and attributable production overheads Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal

# OXLEY DEVELOPMENTS COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

### 1. ACCOUNTING POLICIES (continued)

#### 1.8 Deferred taxation

Provision is made for deferred tax using the full provision method in accordance with Financial Reporting Standard 19

Deferred tax assets are recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

#### 1.9 Foreign currencies

Transactions in foreign currencies during the year are translated into sterling at a fixed rate determined by the board of directors. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Exchange gains and losses are recognised in the profit and loss account.

#### 1.10 Research and development

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

#### 1.11 Government grants

Government grants in respect of capital expenditure are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned.

Revenue grants are credited to the profit and loss account over the life of the project to which they relate or as the expenditure is incurred.

### 2. TURNOVER

The whole of the turnover is attributable to one class of business.

A geographical analysis of turnover is as follows:

	2006 £	2005 £
United Kingdom	4,437,898	4,485,491
Rest of European Union	2,398,385	1,500,194
Rest of world	3,469,101	2,845,112
	<u>10,305,384</u>	<u>8,830,797</u>

**OXLEY DEVELOPMENTS COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

**3. OPERATING LOSS**

The operating loss is stated after charging

	2006 £	2005 £
Amortisation - intangible fixed assets	114,142	14,215
Depreciation of tangible fixed assets:		
- owned by the company	200,624	210,647
- held under finance leases	63,953	63,953
Operating lease rentals:		
- plant and machinery	91,422	81,987
- other operating leases	77,500	77,500
Auditors' remuneration	30,000	30,000
Auditors' remuneration - non audit fees	20,000	25,000
	<u>114,142</u>	<u>14,215</u>

**4. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows

	2006 £	2005 £
Wages and salaries	4,150,069	4,596,725
Social security costs	380,825	462,765
Other pension costs	203,183	228,825
	<u>4,734,077</u>	<u>5,288,315</u>

The average monthly number of employees, including the directors, during the year was as follows

	2006 No.	2005 No.
Office and management	101	102
Manufacturing	130	131
	<u>231</u>	<u>233</u>

**5. DIRECTORS' REMUNERATION**

	2006 £	2005 £
Emoluments	235,492	279,541
Company pension contributions to money purchase pension schemes	13,650	28,000

# OXLEY DEVELOPMENTS COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

The highest paid director received remuneration of £45,376 (2005 - £87,872)

The value of the company's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £2,543 (2005 - £11,694)

During the year the company paid a total of £107,540 to directors in respect of compensation for loss of office (2005 - £Nil)

### 6. INTEREST PAYABLE

	2006 £	2005 £
On bank loans and overdrafts	96,378	83,826
On other loans	50,359	40,335
On finance leases and hire purchase contracts	16,764	11,007
	<u>163,501</u>	<u>135,168</u>

### 7. TAXATION

	2006 £	2005 £
UK corporation tax charge/(credit) on profit/(loss) of the year	<u>-</u>	<u>(41,112)</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006 £	2005 £
Loss on ordinary activities before tax	<u>(1,951,177)</u>	<u>(917,009)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	(585,353)	(275,103)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	56,000	11,000
Capital allowances for year in excess of depreciation	50,000	47,000
Losses carried forward	479,353	217,103
Tax credits	-	(41,112)
<b>Current tax charge/(credit) for the year (see note above)</b>	<u>-</u>	<u>(41,112)</u>

#### Factors that may affect future tax charges

The company has tax losses carried forward which will reduce tax payments in future years if suitable taxable profits arise

**OXLEY DEVELOPMENTS COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

**8. INTANGIBLE FIXED ASSETS**

	Know how £	Licences £	Total £
<b>Cost</b>			
At 1 October 2005 and 30 September 2006	110,000	142,572	252,572
<b>Amortisation</b>			
At 1 October 2005	109,999	28,430	138,429
Charge for the year	-	114,142	114,142
At 30 September 2006	109,999	142,572	252,571
<b>Net book value</b>			
At 30 September 2006	1	-	1
At 30 September 2005	1	114,142	114,143

**9. TANGIBLE FIXED ASSETS**

	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
<b>Cost</b>			
At 1 October 2005	4,845,095	2,681,852	7,526,947
Additions	11,629	3,564	15,193
Disposals	(76,337)	(11,309)	(87,646)
At 30 September 2006	4,780,387	2,674,107	7,454,494
<b>Depreciation</b>			
At 1 October 2005	3,753,464	2,559,052	6,312,516
Charge for the year	207,777	56,800	264,577
On disposals	(75,499)	(72,598)	(148,097)
At 30 September 2006	3,885,742	2,543,254	6,428,996
<b>Net book value</b>			
At 30 September 2006	894,645	130,853	1,025,498
At 30 September 2005	1,091,631	122,800	1,214,431



**OXLEY DEVELOPMENTS COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

**9. TANGIBLE FIXED ASSETS (continued)**

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2006 £	2005 £
Plant and machinery	296,231	351,479
Furniture, fittings tools and equipment	18,094	26,799
	<u>314,325</u>	<u>378,278</u>

**10. STOCKS**

	2006 £	2005 £
Raw materials	567,952	835,911
Work in progress	380,469	919,999
Finished goods and goods for resale	196,873	448,100
	<u>1,145,294</u>	<u>2,204,010</u>

**11. DEBTORS**

	2006 £	2005 £
Trade debtors	1,425,824	1,604,611
Amounts owed by group undertakings	651,459	528,861
Other debtors	87,662	64,461
Prepayments and accrued income	92,683	113,447
	<u>2,257,628</u>	<u>2,311,380</u>

**12. CREDITORS:  
Amounts falling due within one year**

	2006 £	2005 £
Bank loans and overdrafts	2,845,205	1,582,414
Net obligations under finance leases and hire purchase contracts	39,008	53,081
Trade creditors	995,734	753,362
Amounts owed to group undertakings	606,822	606,822
Social security and other taxes	-	126,591
Accruals and deferred income	773,674	904,701
	<u>5,260,443</u>	<u>4,026,971</u>

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company and a debenture dated 29 July 2004

**OXLEY DEVELOPMENTS COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

**13. CREDITORS:**

**Amounts falling due after more than one year**

	2006 £	2005 £
Bank loans	46,770	206,615
Other loans	500,000	-
Net obligations under finance leases and hire purchase contracts	77,384	116,392
	<u>624,154</u>	<u>323,007</u>

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2006 £	2005 £
Between one and five years	<u>77,384</u>	<u>116,392</u>

Obligations under finance leases are secured on the relevant assets

**14. DEFERRED TAXATION**

	2006 £	2005 £
At 1 October 2005	-	-
Charge for the year	2,500	2,500
	<u>2,500</u>	<u>2,500</u>
At 30 September 2006	<u>2,500</u>	<u>2,500</u>

The provision for deferred taxation is made up as follows

	2006 £	2005 £
Accelerated capital allowances	8,559	8,559
Other timing differences	(6,059)	(6,059)
	<u>2,500</u>	<u>2,500</u>

**15. SHARE CAPITAL**

	2006 £	2005 £
<b>Authorised, allotted, called up and fully paid</b>		
31,004,510 Ordinary shares shares of 10p each	<u>3,100,451</u>	<u>3,100,451</u>

**OXLEY DEVELOPMENTS COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

**16. RESERVES**

	Profit and loss account £
At 1 October 2005	(1,242,189)
Loss retained for the year	(1,951,177)
	<hr/>
At 30 September 2006	(3,193,366)
	<hr/>

**17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2006 £	2005 £
Opening shareholders' funds	1,858,262	2,734,159
Loss for the year	(1,951,177)	(875,897)
	<hr/>	<hr/>
Closing shareholders' funds	(92,915)	1,858,262
	<hr/>	<hr/>

**18. CONTINGENT LIABILITIES**

**19. OPERATING LEASE COMMITMENTS**

At 30 September 2006 the company had annual commitments under non-cancelable operating leases as follows

	Land and buildings 2006 £	2005 £	2006 £	Other 2005 £
<b>Expiry date:</b>				
Within 1 year	77,500	77,500	-	9,430
Between 2 and 5 years	-	-	-	54,982
	<hr/>	<hr/>	<hr/>	<hr/>

**20. RELATED PARTY TRANSACTIONS**

The company occupies premises, the freehold of which is owned by Telecommunications Research & development Company Limited, a company controlled by Mrs A Oxley, a director of the company. The annual rent paid is £75,000 (2005- £75,000)

The company has taken advantage of the the exemptions granted by Financial Reporting Standard 8 not to disclose inter group transactions

**OXLEY DEVELOPMENTS COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

**21. GOING CONCERN**

The company has net liabilities at the year end of £92,915

The company meets its day to day working capital requirement through an overdraft facility which is repayable on demand and through bank and related party loans. The directors have prepared projected cash flow information for the period ending 17 months from the date of their approval of these financial statements. On the basis of this cash flow information the directors consider that the company will continue to operate within the facility currently agreed. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

**22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company is controlled by Oxley Group plc

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Oxley Group plc. Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ

In the opinion of the directors the ultimate parent company is Oxley International Inc, a company incorporated in Panama

Oxley International Inc is ultimately controlled by The Oxley Charitable Foundation, a discretionary settlement. The trustees of the Foundation are J P Aeschmann and A E Cleeton who are directors of Oxley Group plc