

OXLEY DEVELOPMENTS COMPANY LIMITED

DIRECTORS' REPORT AND ACCOUNTS

30 SEPTEMBER 1993

REGISTERED NUMBER : 376071



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A00 RECEIPT DATE:03/06/94

OXLEY DEVELOPMENTS COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1993

The directors present their report and accounts for the year ended 30 September 1993.

DIRECTORS AND THEIR INTERESTS

The directors during the year were:

Mrs AS Oxley
Sir Francis McLean
GS Edwards
J Chambers (resigned 31 December 1993)
ED Maguire
MN Atkinson
T Armistead
DR Norrie (appointed 1 October 1992)
A Johnson (appointed 1 January 1993)

None of the directors had a beneficial interest in the shares of the company during the year.

RESULTS AND DIVIDENDS

The results for the year are set out in the attached profit and loss account.

The directors do not recommend the payment of a dividend for the year.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

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

The company has recovered substantially from the previous recession hit year, by a combination of rationalisation, investment in new business areas and the increasing preponderance of direct and indirect export sales.

This trend should continue as the company consolidates in new niche markets and as demand for traditional products improves with the economy.

OXLEY DEVELOPMENTS COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1993 (Continued)

RESEARCH AND DEVELOPMENT

The company continues to undertake research and development related to the company's existing product range.

FIXED ASSETS

Details of significant changes in fixed assets appear in Notes 6 and 7 to the accounts.

CHARITABLE AND POLITICAL DONATIONS

The company made charitable donations during the year amounting to £4,888 (1992 - £6,421).

EMPLOYMENT OF DISABLED PERSONS

It is the company's policy to offer equal opportunity 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.

EMPLOYEE INVOLVEMENT

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.

OXLEY DEVELOPMENTS COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1993 (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to

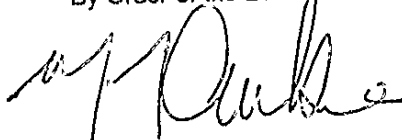
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

AUDITORS

Price Waterhouse have indicated their willingness to continue as auditors and a resolution to re-appoint them will be proposed at the Annual General Meeting.

By Order of the Board



MN ATKINSON
Secretary

20 January 1994

Tel: 01753 611200 Fax: 01753 611201
 Telex: 234577 GAA* G
 Teletype: 051 2363403
 Tax Teletype: 051 2364037



Price Waterhouse

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
OXLEY DEVELOPMENTS COMPANY LIMITED**

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of option

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

20 January 1994

OXLEY DEVELOPMENTS COMPANY LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1993**

	<u>1993</u>	<u>1992</u>
TURNOVER (Note 2)	5,551,965	5,481,157
Cost of sales	<u>(2,668,520)</u>	<u>(2,842,285)</u>
GROSS PROFIT	2,883,445	2,638,872
Distribution costs	(550,335)	(750,939)
Administrative expenses	<u>(2,327,091)</u>	<u>(2,384,263)</u>
OPERATING PROFIT/(LOSS) (Note 3)	6,019	(496,360)
Interest payable on loans wholly repayable within 5 years	(14,175)	(72,666)
Other operating income (Note 4)	<u>18,971</u>	<u>2,516</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	10,815	(566,510)
Tax (charge)/credit (Note 5)	<u>(4,200)</u>	<u>169,343</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	6,615	(397,167)
RETAINED PROFITS BROUGHT FORWARD	<u>462,607</u>	<u>859,774</u>
RETAINED PROFITS CARRIED FORWARD	<u>£469,222</u>	<u>£462,607</u>

The notes on pages 7 to 15 form part of these accounts.

All realised gains and losses are dealt with in the profit and loss account.

OXLEY DEVELOPMENTS COMPANY LIMITED

BALANCE SHEET AT 30 SEPTEMBER 1993

	<u>1993</u>	<u>1992</u>
FIXED ASSETS		
Intangible assets (Note 6)	7,986	15,990
Tangible assets (Note 7)	1,308,310	1,410,111
Investment in subsidiary undertakings (Note 8)	<u>136,034</u>	<u>34,034</u>
	<u>1,452,330</u>	<u>1,460,135</u>
CURRENT ASSETS		
Stocks (Note 9)	900,585	989,122
Debtors (Note 10)	2,113,800	1,653,892
Bank and cash balances	<u>64,245</u>	<u>55,242</u>
	3,078,630	2,698,256
CREDITORS (amounts falling due within one year) (Note 11)	<u>(1,910,576)</u>	<u>(1,515,780)</u>
NET CURRENT ASSETS	<u>1,168,054</u>	<u>1,182,476</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	2,620,384	2,642,611
CREDITORS (amounts falling due after more than one year) (Note 12)	-	(23,042)
PROVISIONS FOR LIABILITIES AND CHARGES		
Deferred taxation (Note 13)	<u>(140,200)</u>	<u>(146,000)</u>
	<u>£2,480,184</u>	<u>£2,473,569</u>
CAPITAL AND RESERVES		
Called up share capital (Note 14)	1,598,451	1,598,451
Revaluation reserve	412,511	412,511
Profit and loss account	<u>469,222</u>	<u>462,607</u>
	<u>£2,480,184</u>	<u>£2,473,569</u>

APPROVED BY THE BOARD ON 20 JANUARY 1994

GS Edwards

ED Maguire
DIRECTORS

The notes on pages 7 to 15 form part of these accounts.

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1993

1 ACCOUNTING POLICIES

(1) Accounting convention

The accounts are prepared under the historical cost convention, as modified by a revaluation of certain fixed assets, and in accordance with applicable Accounting Standards.

(2) Intangible assets

Purchased know-how is being amortised in equal instalments over five years.

(3) Tangible assets

Tangible assets, with the exception of leasehold properties and motor vehicles, were revalued by the directors at 30 September 1976 at their gross replacement cost, by the use of price indices published by the Government Statistical Service. Additions since 30 September 1976 are stated at cost less regional development grants receivable.

Depreciation, which is provided on a straight line basis, except on motor vehicles, is calculated to write off the gross replacement cost or, in the case of additions since 30 September 1976, the cost less regional development grants receivable, of each class of asset over their estimated useful lives which are:-

Plant and machinery	- 10 years
Fixtures and fittings	- 10 years

It is the company policy to maintain its properties in a state of good repair. In the case of freehold buildings, it is considered by the directors that the residual values and lives of these are such that their depreciation would not be significant and since 1991 therefore no depreciation is provided on these properties.

Motor vehicles are depreciated on a reducing balance basis at a rate of 25% per annum.

Short leasehold property is depreciated over the 7 year life of the lease.

(4) Stock

The basis of valuation of stock is the lower of cost and estimated net realisable value. Cost includes direct materials, direct labour and applicable overheads.

(5) Deferred taxation

Deferred taxation represents the effect of the allocation for taxation purposes of income and expenditure, including depreciation, to periods different from those used for accounting purposes and is calculated under the liability method. Full provision has been made because there is insufficient evidence available to assume that these timing differences will not reverse in the foreseeable future.

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1993 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(6) Turnover

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

(7) Interest receivable

Interest receivable is not accrued; it is credited to profit and loss account when received.

(8) Research and development expenditure

Expenditure on research and development is written off in the year in which it is incurred.

(9) Repairs and renewals

Repairs and renewals are charged to revenue in the year when the expenditure is incurred. There is no provision for spreading this expenditure.

(10) Overseas currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rate of exchange ruling at the end of the financial year.

(11) Leased assets

Fixed assets acquired under finance leasing contracts are recorded in the balance sheet as tangible assets at their equivalent capital value and are depreciated over the useful life of the asset. The corresponding liability is recorded as a creditor and the interest element of the finance charge is charged to the profit and loss account over the primary lease period.

(12) Pensions

Pension benefits are funded over the employees' periods of service under an insured scheme. The company's contributions are based on an annual recosting by the insurance company's actuary.

(13) Cash flows

A statement of group cash flows has been included in the consolidated accounts presented by the parent undertaking, Oxley Developments Holdings Limited. Accordingly no statement is presented within these accounts.

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1993 (CONTINUED)

2 TURNOVER

An analysis of turnover by geographical market is as follows:

	<u>1993</u>	<u>1992</u>
United Kingdom	4,261,942	3,984,038
United States of America and Canada	401,852	521,891
Africa	18,975	19,393
Europe	519,844	829,421
Australia	93,328	89,735
Asia	<u>256,024</u>	<u>36,679</u>
	<u>£5,551,965</u>	<u>£5,481,157</u>

3 OPERATING PROFIT/(LOSS)

a This is stated after charging/(crediting):

	<u>1993</u>	<u>1992</u>
	£	£
Directors' emoluments	245,191	223,861
Auditors' remuneration - for audit services	18,500	18,500
- for other services	25,150	22,175
Depreciation and amortisation	284,347	289,894
Hire of plant and machinery	12,526	16,551
(Profit)/loss on exchange	<u>(28,888)</u>	<u>6,548</u>
b Directors' emoluments		
Fees	-	-
Other emoluments (including pension contributions)	<u>245,191</u>	<u>223,861</u>
	<u>£245,191</u>	<u>£223,861</u>

The emoluments (excluding pension contributions) of the chairman were £33,750 (1992 - £35,001) and those of the highest paid director were £43,148 (1992 - £42,559).

The emoluments of the other directors (excluding pension contributions and amounts received for duties outside the United Kingdom) fell into the following bands:

	<u>1993</u>	<u>1992</u>
Nil	1	-
£1 - £5,000	1	1
£20,001 - £25,000	1	-
£25,001 - £30,000	1	1
£30,001 - £35,000	2	3
£35,001 - £40,000	1	-

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1993 (CONTINUED)

3 OPERATING PROFIT/(LOSS) (CONTINUED)

	<u>1993</u>	<u>1992</u>
c Staff costs		
Wages and salaries	2,396,413	2,709,560
Social security costs	180,495	196,566
Other pension costs	<u>105,113</u>	<u>112,696</u>
	<u>£2,682,021</u>	<u>£3,018,822</u>
Average weekly number of employees:		
Office and management	56	63
Manufacturing	<u>192</u>	<u>217</u>
	248	280

4 OTHER OPERATING INCOME

	<u>1993</u>	<u>1992</u>
Insurance claim	15,821	546
Bank and deposit interest	2,496	1,588
Rents receivable	168	-
Dividends receivable	<u>486</u>	<u>382</u>
	<u>£18,971</u>	<u>£2,516</u>

5 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	<u>1993</u>	<u>1992</u>
Tax charge/(credit) on the profit/(loss) for the year.		
UK corporation tax at 33% (1992-33%)	10,000	(180,000)
Deferred taxation (Note 13)	<u>(6,100)</u>	<u>(3,777)</u>
	3,900	(183,777)
in respect of prior years:		
Deferred taxation (Note 13)	<u>300</u>	<u>14,434</u>
	<u>£4,200</u>	<u>£(169,343)</u>

6 INTANGIBLE ASSETS

	<u>1993</u>	<u>1992</u>
Know-how at cost	40,000	40,000
Less amortisation to date (Note 1(2))	<u>(32,014)</u>	<u>(24,010)</u>
	<u>£7,986</u>	<u>£15,990</u>

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1993 (CONTINUED)

7 TANGIBLE ASSETS	Freehold Property	Short Leasehold Property	Plant and Machinery	Fixtures and Fittings	Motor Vehicles	Total
Cost or valuation						
At 30 September 1992	125,103	44,020	2,364,881	1,247,778	100,626	3,882,408
Additions	-	-	90,590	83,953	-	174,543
	—	—	—	—	—	—
At 30 September 1993	125,103	44,020	2,455,471	1,331,731	100,626	4,056,951
	—	—	—	—	—	—
Includes assets valued in 1976	-	-	422,968	83,640	-	506,608
	—	—	—	—	—	—
Depreciation						
At 30 September 1992	15,102	42,837	1,603,653	722,605	88,100	2,472,297
Provision for the year	-	1,183	159,475	112,553	3,133	276,343
	—	—	—	—	—	—
At 30 September 1993	15,102	44,020	1,763,128	835,158	91,413	2,748,640
	—	—	—	—	—	—
Net book amount						
At 30 September 1993	110,001	-	692,343	496,573	9,213	£1,308,310
	—	—	—	—	—	—
At 30 September 1992	110,001	1,183	761,228	525,173	12,526	£1,410,111
	—	—	—	—	—	—

Cost or valuation of fixed assets of £4,056,951 includes an amount of £67,067 in respect of assets held under finance leases.

Assets included at a valuation would have been included on a historical cost basis at:

	Plant and Machinery £	Fixtures and Fittings £
Cost		
At 30 September 1993	177,552	40,453
At 30 September 1992	<u>177,552</u>	<u>40,453</u>
Aggregate depreciation		
At 30 September 1993	177,552	40,453
At 30 September 1992	<u>177,552</u>	<u>40,453</u>

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1993 (CONTINUED)

8 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The company has interests in the following investments, all of which are incorporated in England.

- (a) The whole of the issued ordinary share capital of Oxley Electronics Limited, a dormant company. The investment is stated at cost.
- (b) The whole of the issued share capital of Oxley Systems Limited a company incorporated on 9 June 1992. The company commenced to trade on 1 July 1992. The company's principal activities are the development and marketing of specialised data handling systems
- (c) On 12 October 1992 the company acquired a 51% interest in Arun Systems Limited. The company's principal activities are the design and manufacture of electronic systems for the broadcasting industry.

Consolidated accounts have not been prepared because the company is a subsidiary of another body corporate, which is incorporated in England. In the opinion of the directors, the value of the investments is not less than their book amount.

9 STOCKS

	<u>1993</u>	<u>1992</u>
Raw materials and consumables	25,749	251,719
Work in progress	512,584	607,721
Finished goods	<u>162,652</u>	<u>129,682</u>
	£900,585	£989,122

The replacement cost of stocks did not materially differ from the book amounts at 30 September 1993 or 1992.

10 DEBTORS

	<u>1993</u>	<u>1992</u>
Trade debtors	1,351,362	1,288,035
Amounts owed by subsidiary undertaking	117,315	22,412
Amount owed by fellow subsidiary undertakings	243,747	33,213
Other debtors	155,973	48,864
Prepayments and accrued income	80,756	70,368
Taxation recoverable	<u>164,647</u>	<u>191,000</u>
	£2,113,800	£1,653,892

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1993 (CONTINUED)

11 CREDITORS (amounts falling due within one year)

	<u>1993</u>	<u>1992</u>
Bank loans and overdrafts (secured)	161,596	641,556
Trade creditors	327,774	262,230
Amounts owed to parent undertaking	128,515	73,740
Amounts owed to subsidiary undertakings	45,978	32,072
Amounts owed to group undertakings	18,135	10,793
Other creditors	125,175	196,798
Loans (see below)	912,000	110,000
Accruals and deferred income	130,255	124,325
Taxation and social security	38,316	41,504
HP creditor	20,901	22,071
Obligations under finance leases	<u>1,871</u>	<u>691</u>
	<u>£1,910,576</u>	<u>£1,515,780</u>

A loan of £110,000 is repayable on demand and is secured by a first charge over the company's freehold property at Flookburgh. Further loans of £802,000 are repayable on demand and are unsecured. All of these loans are interest free.

12 CREDITORS (amounts falling due after more than one year)

	<u>1993</u>	<u>1992</u>
HP creditor	-	20,901
Obligations under finance leases	<u>-</u>	<u>2,141</u>
	<u>£-</u>	<u>£23,042</u>

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1993 (CONTINUED)

13 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation (Note 1(5))

	<u>1993</u>	<u>1992</u>
Balance at 30 September 1992	146,000	135,343
(Release)/charge for year (Note 5)	<u>(5,800)</u>	<u>10,657</u>
Balance at 30 September 1993	<u>£140,200</u>	<u>£146,000</u>

The full potential liability has been provided for and comprises:

Accelerated capital allowances	140,200	152,000
Other timing differences	<u>-</u>	<u>(6,000)</u>
	<u>£140,200</u>	<u>£146,000</u>

14 SHARE CAPITAL

	<u>1993</u>	<u>1992</u>
Authorised 20,000,000 Ordinary shares of 10p each	<u>£2,000,000</u>	<u>£2,000,000</u>
Allotted, called up and fully paid 15,984,510 Ordinary shares of 10p each	<u>£1,598,451</u>	<u>£1,598,451</u>

15 RELATED PARTY TRANSACTIONS

During the year, the company, in the ordinary course of business, made payments of £6,851 for sub-assembly work by companies under the control of Mrs AS Oxley.

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1993 (CONTINUED)

16 ULTIMATE PARENT UNDERTAKING

The directors regard Oxley International Inc, a company incorporated in Panama, as the company's ultimate parent undertaking.

The company's immediate parent undertaking is Oxley Developments Holdings Limited which is incorporated in the United Kingdom. Oxley Developments Holdings Limited is the parent undertaking of the largest and smallest group which consolidates these accounts, and of which the company is a member.

17 PENSION COMMITMENTS

The company operates a fully insured defined benefit pension scheme for its present executive directors and certain employees. The pension cost relating to the scheme is assessed on an annual basis by actuaries of the insurance company. Details of premiums paid appear in Note 3(c).

18 CAPITAL COMMITMENTS

	<u>1993</u>	<u>1992</u>
Orders authorised by the Board and placed with suppliers	£-	£-
Expenditure authorised by the Board for which no contracts have been placed	£-	£-