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Company Number: 376071

OXLEY DEVELOPMENTS COMPANY LIMITED

ANNUAL REPORT

YEAR ENDED 30 SEPTEMBER 2001

PKF



OXLEY DEVELOPMENTS COMPANY LIMITED

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OXLEY DEVELOPMENTS COMPANY LIMITED

DIRECTORS' REPORT YEAR ENDED 30 SEPTEMBER 2001

The directors submit their report and the financial statements for the year ended 30 September 2001.

Results and dividends

The profit for the year, after taxation, amounted to **£399,332** (2000 - £232,488).

The directors do not recommend the payment of a dividend leaving a balance of £399,332 which is to be transferred to retained reserves.

Principal activity and review of business

The company's principal activity is the design and development and manufacture of components, systems and technologies for the electronics industry.

Research and development activities

The company continues to undertake research and development to develop its existing product range and to design new products.

Future developments

The prospects anticipated last year were fulfilled with increased profit. It is however expected that the downturn in the economy in the economy in the UK and export markets will adversely effect the current year's results.

Directors

The directors who served during the year were:

Mrs A S Oxley
G S Edwards
M N Atkinson
T Armistead
D R Norrie
T G Bushell
R L Brook
W Henderson (appointed 20/12/2000)

The directors interests in the ordinary shares of £1 each of Oxley Group plc are disclosed in the annual report of that company.

Political and charitable contributions

The company made charitable donations during the year amounting to £2,112 (2000-£755)

Environmental Management Standard

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

OXLEY DEVELOPMENTS COMPANY LIMITED

DIRECTORS' REPORT (continued)

YEAR ENDED 30 SEPTEMBER 2001

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.

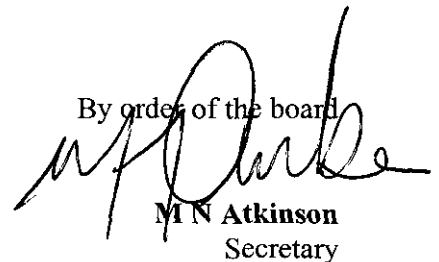
It is the company's policy to offer equal opportunity to disabled persons applying for vacancies, having regard to the aptitudes and abilities in relation to the jobs for which they apply.

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.

Auditors

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

By order of the board



M N Atkinson
Secretary

12 MARCH 2002

OXLEY DEVELOPMENTS COMPANY LIMITED
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 judgments 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 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.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

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

We have audited the financial statements of Oxley Developments Company Limited for the year ended 30 September 2001 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom 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 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 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Manchester, UK
20 March 2002

PKF
Registered Auditors

OXLEY DEVELOPMENTS COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 SEPTEMBER 2001

	Notes	2001 £	2000 £
TURNOVER	2	9,881,940	10,129,132
Cost of sales		<u>(5,502,656)</u>	<u>(6,472,384)</u>
GROSS PROFIT		4,379,284	3,656,748
Distribution costs		<u>(866,308)</u>	<u>(652,027)</u>
Administrative expenses		<u>(2,843,690)</u>	<u>(2,684,376)</u>
OPERATING PROFIT	3	669,286	320,345
Interest receivable and similar income	6	3,185	15,940
Interest payable and similar charges	7	<u>(49,012)</u>	<u>(48,266)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		623,459	288,019
TAXATION	8	<u>(224,127)</u>	<u>(55,531)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>399,332</u>	<u>232,488</u>

All amounts relate to continuing operations.

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

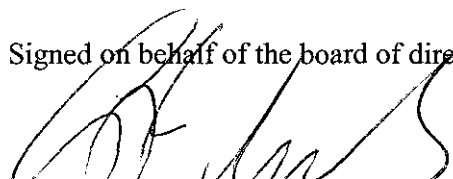
OXLEY DEVELOPMENTS COMPANY LIMITED

BALANCE SHEET 30 SEPTEMBER 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Intangible	9	1	1
Tangible	10	1,061,759	1,122,134
		<u>1,061,760</u>	<u>1,122,135</u>
CURRENT ASSETS			
Stocks	11	1,855,138	1,896,277
Debtors	12	3,875,623	3,436,460
Cash at bank and in hand		358,829	77,671
		<u>6,089,590</u>	<u>5,410,408</u>
CREDITORS: amounts falling due within one year	13	(2,634,296)	(2,450,744)
NET CURRENT ASSETS		<u>3,455,294</u>	<u>2,959,664</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,517,054</u>	<u>4,081,799</u>
CREDITORS: amounts falling due after more than one year	14	(65,572)	(46,149)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(48,500)	(32,000)
NET ASSETS		<u><u>4,402,982</u></u>	<u><u>4,003,650</u></u>
CAPITAL AND RESERVES			
Called up share capital	17	3,100,451	3,100,451
Profit and loss account	18	1,302,531	903,199
SHAREHOLDERS' FUNDS	19	<u><u>4,402,982</u></u>	<u><u>4,003,650</u></u>

The financial statements were approved by the board on 12 MARCH 2002

Signed on behalf of the board of directors


G S Edwards Director

OXLEY DEVELOPMENTS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2001

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

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

(b) Turnover

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

(c) Intangible fixed assets

Purchased know-how is amortised in equal instalments over a period of up to five years.

(d) Tangible fixed assets and depreciation

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 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 on 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 and machinery	10 years
Fixtures and fittings	5 to 10 years
Motor vehicles	25% reducing balance

(e) Finance and operating leases

Fixed assets acquired under finance leases or hire purchase are treated as tangible fixed assets at their equivalent capital value and are depreciated over the useful life of the asset. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the primary lease period.

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

(f) 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.

(g) Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Revenue grants are released to profit over the life of the project to which they relate.

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2001

(h) Foreign currencies

Transactions in foreign currencies during the year are translated into sterling at a fixed rate determined by the board of directors. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are taken into account in arriving at the operating profit.

(i) Deferred taxation

Provision is made for deferred tax using the liability method to the extent that it is probable that a liability will crystallise.

(j) Pensions

Employees of the company who satisfy age and service related criteria are eligible for membership of a group money purchase pension scheme under which the contributions of the employer and employees are based on a percentage of salary. All employees are eligible to join the the company stakeholder pension plan.

(k) Research and development

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

2 TURNOVER

Turnover is attributable to one class of business.

Turnover is analysed by geographical market as follows:

	2001 £	2000 £
United Kingdom	4,757,376	6,926,575
European Union	2,763,744	1,168,907
Other	2,360,820	2,033,650
Total	<u>9,881,940</u>	<u>10,129,132</u>

3 OPERATING PROFIT

The operating profit is stated after charging:

	2001 £	2000 £
Depreciation of tangible fixed assets:		
- owned by the company	304,883	282,516
- held under finance lease or hire purchase contracts	25,427	35,290
Audit fees	22,000	22,800
Auditors' remuneration - non-audit services	1,500	23,560
Operating lease rentals:		
- plant, machinery & motor vehicles	83,821	105,502
- property	79,142	73,000

OXLEY DEVELOPMENTS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2001

4 DIRECTORS' EMOLUMENTS AND BENEFITS

	2001	2000
	£	£
Directors' emoluments	332,172	292,168
Contributions to money purchase pension schemes	21,154	17,818
	<u> </u>	<u> </u>

The number of directors accruing benefits under pension schemes were:

	No	No
Money purchase schemes	6	5
	<u> </u>	<u> </u>

The highest paid director received emoluments and benefits as follows:

	2001	2000
	£	£
Emoluments and benefits under long term incentive schemes	78,727	76,892
Contributions to money purchase pension schemes	8,940	8,560
	<u> </u>	<u> </u>

5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	2001	2000
	£	£
Wages and salaries	3,210,706	2,852,338
Social security costs	276,032	269,025
Other pension costs	165,107	154,106
	<u> </u>	<u> </u>
	3,651,845	3,275,469
	<u> </u>	<u> </u>

The average monthly number of employees, including executive directors, during the year was:

	No	No
Office and management	84	79
Manufacturing	130	128
	<u> </u>	<u> </u>
	214	207
	<u> </u>	<u> </u>

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2001	2000
	£	£
Other interest receivable	3,185	15,940
	<u> </u>	<u> </u>

OXLEY DEVELOPMENTS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2001

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2001	2000
	£	£
Bank loans and overdrafts	8,278	10,914
Other loans	27,790	26,230
Finance charges under finance lease and hire purchase contracts	12,944	11,122
	<u>49,012</u>	<u>48,266</u>

8 TAXATION

	2001	2000
	£	£
UK corporation tax		
Current tax on income for the year	221,500	24,000
Adjustments in respect of prior periods	(13,873)	(469)
Total UK taxation	<u>207,627</u>	<u>23,531</u>
Deferred tax		
Deferred tax on income for the year	16,500	32,000
	<u>224,127</u>	<u>55,531</u>

9 INTANGIBLE FIXED ASSETS

	Know how £
Cost	
At 1 October 2000 and 30 September 2001	<u>110,000</u>
Amortisation	
At 1 October 2000 and at 30 September 2001	<u>109,999</u>
Net book amount	
At 30 September 2000 and at 30 September 2001	<u>1</u>

OXLEY DEVELOPMENTS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2001

10 TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
At 1 October 2000	3,417,605	2,392,248	76,337	5,886,190
Additions	184,131	85,804	-	269,935
Disposals	(11,172)	-	-	(11,172)
At 30 September 2001	<u>3,590,564</u>	<u>2,478,052</u>	<u>76,337</u>	<u>6,144,953</u>
Depreciation				
At 1 October 2000	2,781,443	1,916,466	66,147	4,764,056
Charge for year	149,617	178,146	2,547	330,310
On disposals	(11,172)	-	-	(11,172)
At 30 September 2001	<u>2,919,888</u>	<u>2,094,612</u>	<u>68,694</u>	<u>5,083,194</u>
Net book amount				
At 30 September 2001	<u>670,676</u>	<u>383,440</u>	<u>7,643</u>	<u>1,061,759</u>
At 30 September 2000	<u>636,162</u>	<u>475,782</u>	<u>10,190</u>	<u>1,122,134</u>

The net book amounts of assets held under finance lease or hire purchase contracts included above were:

	2001 £	2000 £
Plant & machinery	95,222	106,373
Fixtures & fittings etc.	68,334	56,944
	<u>163,556</u>	<u>163,317</u>

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

At 30 September 2000 and 2001	Plant and machinery £	Fixtures and fittings £
Cost	177,552	40,453
Cumulative depreciation	(177,552)	(40,453)
Net book amount	<u>-</u>	<u>-</u>

OXLEY DEVELOPMENTS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2001

11 STOCKS

	2001 £	2000 £
Raw materials	840,767	911,151
Work in progress	749,088	841,140
Finished goods	265,283	143,986
	<u>1,855,138</u>	<u>1,896,277</u>

12 DEBTORS

	2001 £	2000 £
Due within one year		
Trade debtors	2,414,204	1,753,185
Amounts due from group undertakings	1,240,530	1,243,143
Other debtors	78,117	39,715
Prepayments & accrued income	142,772	400,417
	<u>3,875,623</u>	<u>3,436,460</u>

13 CREDITORS

	2001 £	2000 £
Amounts falling due within one year		
Bank loans and overdrafts	712,846	810,447
Trade creditors	880,863	889,879
Amounts owed to group undertakings	182,197	227,054
Corporation tax	221,500	24,000
Other tax and social security	75,191	85,016
Net obligations under finance lease and hire purchase contracts (note 15)	59,355	30,852
Accruals and deferred income	502,344	383,496
	<u>2,634,296</u>	<u>2,450,744</u>

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company.

Included in accruals is £18,000 (2000 - £NIL) relating to outstanding contributions payable to the pension scheme.

OXLEY DEVELOPMENTS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2001

14 CREDITORS

	2001 £	2000 £
Amounts falling due after more than one year		
Net obligations under finance lease and hire purchase contracts (note 15)	<u>65,572</u>	<u>46,149</u>

15 FINANCE LEASES

Net obligations under finance lease and hire purchase agreements fall due as follows:

	2001 £	2000 £
Within one year	59,355	30,852
Between one and five years	65,572	46,149
	<u>124,927</u>	<u>77,001</u>

Finance lease and hire purchase creditors are secured on the assets concerned.

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 October 2000	32,000
Charged to profit and loss	16,500
At 30 September 2001	<u>48,500</u>

Deferred tax is analysed as follows:

	Provided		Not provided	
	2001 £	2000 £	2001 £	2000 £
Capital allowances	53,365	87,000	-	-
Other timing differences	(4,865)	(55,000)	-	-
	<u>48,500</u>	<u>32,000</u>	<u>-</u>	<u>-</u>

17 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No	£
At 1 October 2000 and 30 September 2001			
Ordinary shares of £0.1 each	<u>3,100,451</u>	<u>31,004,510</u>	<u>3,100,451</u>

OXLEY DEVELOPMENTS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2001

18 RESERVES

Profit and loss account	£
At 1 October 2000	903,199
Profit for the year	399,332
At 30 September 2001	<u>1,302,531</u>

19 SHAREHOLDERS' FUNDS

	2001 £	2000 £
Shareholders' funds at 1 October 2000	4,003,650	3,771,162
Profit for the year	399,332	232,488
Shareholders' funds at 30 September 2001	<u>4,402,982</u>	<u>4,003,650</u>

20 CAPITAL COMMITMENTS

At 30 September 2001 the company had entered into contracts for capital expenditure not provided for in these accounts amounting to approximately **£163,923** (2000 - £70,000).

21 OTHER COMMITMENTS

At 30 September 2001 the company had annual commitments under operating leases as follows:

	Land and buildings		Other	
	2001 £	2000 £	2001 £	2000 £
Expiry date:				
Within one year	-	-	5,698	24,205
Between one and five years	77,505	-	67,951	66,279
After more than five years	-	77,505	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

22 CONTINGENT LIABILITIES

At the year end the company had counter indemnities with HSBC, its principal bankers, totalling £63,945 (2000-None).

The company is party to an unlimited multilateral guarantee in respect of borrowings from the group's principal bankers, HSBC. The potential liability at the year end was Nil (2000-Nil)

OXLEY DEVELOPMENTS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2001

23 TRANSACTIONS WITH RELATED PARTIES

The company occupies premises, the freehold of which is owned by Telecommunications Research & Development Company Limited (TRAD) a company controlled by Mrs A S Oxley, chairman of the company. The annual rent paid was £75,000 (2000-£75,000)

Under Financial Reporting Standard No 8, the company is exempt from disclosing inter-group transactions as more than 90% of the voting rights are controlled by the immediate parent undertaking, Oxley Group plc.

24 PENSION COSTS

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. The pension cost charge for the year is shown in note 5.

25 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company is controlled by Oxley Group plc.

The parent undertaking of the largest and smallest groups for which consolidated accounts are prepared is Oxley Group plc. Consolidated accounts are available from Oxley Group plc, Priory Park, Ulverston, Cumbria, England, LA12 9QG

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.