Oxley Developments Company Limited

Directors' report and financial statements

Registered number 376071

30 September 2011

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 30 September 2011

Principal activities

The company's activities consist of the design, development and manufacture of components, systems and technologies for the aerospace and defence industries

The (loss)/profit for the year after taxation amounted to (£414,989) *(2010 £239,666)*

The directors do not recommend the payment of a dividend *(2010 £nil)*

Review of the business

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 rigorous attention to product quality

Risks and uncertainties

The principal risks and uncertainties facing the business relate to changes in government defence spending policies in key markets The group has a broad customer base across many countries throughout the World which provide a degree of protection against this risk

Development of the business

The impact of defence spending reviews on our customers' confidence was significant during the year In 2010 the company achieved 16% sales growth – during 2011 sales reduced by 21% The Directors of the business responded swiftly with two rounds of redundancies The 2011 year-end headcount was 152 – a reduction of 69 in the year

The costs of redundancy were £416,685 The profit for the year after taxation but before these exceptional items was £1,696, meaning that after taking account of £532,270 of depreciation charged in the year, the underlying business generated significant cash

Capital investment plans were revised downwards, with £241,388 invested predominantly in the first quarter of the year, before the depth of the downturn became apparent

The company exits the year with a breakeven sales requirement of £750,000 per month, just below the average monthly sales achieved in the second half of 2011

Research and development

The directors recognise that to retain the company's competitive advantage in the industries that it operates, investment in research and development is essential Equipment and people in the company's design and development team is one of the key areas benefitting from the recent investment in the business

One of the key areas of investment for the business is its Design & Development team which was largely unaffected by the redundancy programs undertaken in the year

Future outlook

The fragile state of the global economy remains a cause for concern and the directors anticipate that we will continue to see major defence contracts being delayed by governments implementing austerity measures to bring down debt levels

However we are also seeing some signs that several major programs delayed in 2011 will materialise in 2012 and therefore are budgeting for growth from our LED Lighting products in 2012 We nonetheless remain cautious about the outlook for 2012 and will continue to keep discretionary costs at a minimum until we see sales growth recommence

Directors' report *(continued)*

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 held office during the year were as follows

ME Sloan
PW Cotterill
M Pritchard
TG Bushell (Resigned 28th February 2011)
A Bednarek
DM Cavan
SJ Wood (Resigned 30th June 2011)

Environmental Management Standard

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

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

Martin Sloan
Director

Priory Park
Ulverston
Cumbria
LA12 9QG
24th May 2012

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

KPMG LLP
Edward VII Quay
Navigation Way
Preston
PR2 2YF
United Kingdom

Independent auditor's report to the members of Oxley Developments Company Limited

We have audited the financial statements of Oxley Development Company Limited for the year ended 30 September 2011 set out on pages 6 to 16 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of the financial statements is provided on the APB's web-site at www frc org uk/scope/uknp

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Oxley Developments Company Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Stephen Dunn (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
Preston

24/7 2012

Profit and Loss Account

for the 30 September 2011

	Note	Total pre exceptional items £	Exceptional items £	**2011 £**	2010 £
Turnover	*2*	10,218,006	-	**10,218,006**	12,991,457
Cost of sales		(5,608,267)	-	**(5,608,267)**	(5,661,119)
Gross profit	*3*	4,609,739	-	**4,609,739**	7,330,338
Selling and distribution costs		(467,785)	-	**(467,785)**	(475,850)
Administrative expenses		(4,510,534)	(416,685)	**(4,927,219)**	(6,678,194)
Other operating income		129,165	-	**129,165**	92,585
Operating (loss)/profit	*3*	(239,415)	(416,685)	**(656,100)**	268,879
Interest receivable		997	-	**997**	81
Interest payable	*6*	(154,265)	-	**(154,265)**	(156,294)
(Loss)/profit on ordinary activities before taxation		(392,683)	(416,685)	**(809,368)**	112,666
Tax on (loss)/profit on ordinary activities	*7*			**394,379**	127,000
(Loss)/profit on ordinary activities before taxation				**(414,989)**	239,666

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 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

Balance Sheet
at 30 September 2011

	Note	2011		2010	
		£	£	£	£
Fixed assets					
Intangible fixed assets	8		1		1
Tangible fixed assets	9		908,435		1,199,332
			908,436		1,199,333
Current assets					
Stocks	10	1,868,123		2,126,669	
Debtors	11	2,579,625		3,128,956	
Cash at bank		132,078		132,326	
		4,579,826		5,387,951	
Creditors amounts falling due within one year	12	(3,013,449)		(3,592,279)	
Net current assets			1,566,377		1,795,672
Total assets less current liabilities			2,474,813		2,995,005
Creditors amounts falling due after more than one year	13		(273,627)		(378,830)
Net assets			2,201,186		2,616,175
Capital and reserves					
Called up share capital	15		4,200,451		4,200,451
Profit and loss account	16		(1,999,265)		(1,584,276)
Shareholders' funds – all equity	17		2,201,186		2,616,175

These financial statements were approved by the board of directors on 24th May 2012 and were signed on its behalf by

PW Cotterill

PW Cotterill
Director

M Pritchard

M Pritchard
Director

Registered number 376071

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards The financial statements have been prepared on a going concern basis

Under FRS 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the Company in its own published consolidated financial statements

Going Concern

The Directors have prepared the accounts on a going concern basis The Directors set out below the rationale for adopting the going concern basis

Between February and April 2012 the Company's bankers renewed the banking facilities for a further 12 months The Company has operated within its banking facilities both before and following the renewal of the facilities, and has continued to service the related finance costs when due

Current facilities at the date of approving these accounts consist of,

- A bank overdraft £500,000
- A Confidential Invoice Discounting facility with a limit of £1,300,000

The Directors have prepared forecasts for the Company for the 2 year period ending 30 September 2013, which show that the Company will be profitable over this period and will remain within its facilities

The Company returned to profit midway through the 2012 fiscal year and is expected to remain in a profitable position and be cash generative during the second half year

As such the Directors believe that it is appropriate to continue to prepare the Company financial statements on a Going Concern basis

Turnover

Turnover comprises the invoiced value of goods and services supplied by the group, net of value added tax and trade discounts

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, on a straight line basis over their expected useful lives which are as follows

Plant and machinery	-	5 years
Fixtures, fittings, tools and equipment	-	3 years

Notes *(continued)*

1 Accounting policies *(continued)*

Leasing and hire purchase

Assets acquired under hire purchase contracts and finance leases are capitalised as tangible fixed assets Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives Assets acquired by hire purchase are depreciated over their useful 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 so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years Provision is made for any losses as soon as they are foreseen

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is 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

Pensions

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the fund in respect of the year

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 the employee are based on a percentage of salary The pension charge represents the amounts payable by the company to the fund in respect of the year

All employees are eligible to join the company stakeholder pension plan

Research and development

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

Notes *(continued)*

2 Turnover

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

The geographical of turnover is as follows

	2011 £	2010 £
United Kingdom	**4,469,927**	5,438,682
Rest of European Union	**2,867,286**	2,824,250
Rest of world	**2,880,793**	4,728,525
	10,218,006	12,991,457

3 Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting)

	2011 £	2010 £
Depreciation of tangible fixed assets		
Owned by the company	**237,984**	201,983
Held under finance leases	**294,286**	228,780
Operating lease rentals		
Plant & Machinery	**27,995**	29,265
Other operating leases	**105,400**	105,400
Loss on Disposal of Fixed Assets		-
Difference on foreign exchange	**(16,075)**	(4,920)
Exceptional items - redundancy costs	**416,685**	130,762
Auditor s remuneration		
Audit fees	**17,580**	17,450
Non audit fees	**30,280**	54,400

4 Staff costs

Staff costs, including directors' remuneration, were as follows

	2011 £	2010 £
Wages and salaries	**3,961,972**	4,428,513
Social security costs	**378,973**	404,583
Other pension costs	**227,247**	237,731
	4,568,192	5,070,827

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

	2011 No	2010 No
Office and management	**38**	41
Manufacturing	**144**	175
	182	216

Notes *(continued)*

5 Directors' remuneration

	2011 £	2010 £
Emoluments	**287,073**	324,939
Company pension contributions to money purchase pension schemes	**23,042**	23,513

The highest paid director received remuneration of £ 103,000 (*2010 £123,312*)

The value of the company's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £6,000 (*2010 £5,694*) Retirement benefits are accruing to two directors under money purchase schemes (*2010 Four*)

During the year, the company paid a total of £152,900 to directors in respect of compensation for loss of office (*2010 £nil*)

6 Interest payable

	2011 £	2010 £
On bank loans and overdrafts	**95,775**	90,133
On other loans	**25**	111
On finance leases and hire purchase contracts	**58,465**	66,050
	154,265	156,294

Notes *(continued)*

7 Taxation

	2011	2010
	£	£
UK corporation tax		
Current tax on income for the year	**(394,379)**	(127,000)
Deferred tax (see note 14)	**-**	-
Tax credit on (loss)/profit on ordinary activities	**(394,379)**	(127,000)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (26%) The differences are explained below

	2011	2010
	£	£
(Loss)/profit on ordinary activities before taxation	**(809,368)**	112,666
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (*2010 28%*)	**(226,623)**	31,546
Effects of		
Depreciation in excess of capital allowances	**43,215**	(65,953)
Capital items expensed	**16,433**	3,827
Disallowed items	**1,381**	421
Deductions to taxable income	**(635)**	-
Losses carried forward	**166,200**	30,159
Enhanced R&D tax credit	**(248,350)**	(127,000)
Refund from prior years	**(146,000)**	-
Current tax credit for the year (see note above)	**(394,379)**	(127,000)

Factors that may affect future tax charges

The company has tax losses of £4,286,196 (*2010 £3,801,262*) carried forward which will reduce tax payments in future years if suitable taxable profits arise A deferred tax asset has not been recognised in respect of these losses

8 Intangible fixed assets

	Know how
	£
Cost	
At 30 September 2010	1
At 30 September 2011	1

Notes *(continued)*

9 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost			
At 1 October 2010	7,475,066	1,239,141	8,714,207
Additions	115,040	126,333	241,373
Disposals	-	(313,133)	(313,133)
At 30 September 2011	7,590,106	1,052,341	8,642,447
Depreciation			
At 1 October 2010	6,813,695	701,180	7,514,875
Charge for the year	244,766	287,504	532,270
Disposals	-	(313,133)	(313,133)
At 30 September 2011	7,058,461	675,551	7,734,012
Net book value			
At 30 September 2011	**531,645**	**376,790**	**908,435**
At 30 September 2010	661,371	537,961	1,199,332

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

	2011 £	2010 £
Plant and machinery	**342,951**	440,571
Furniture, fitting tools and equipment	**181,877**	249,389
	524,828	689,960

10 Stocks

	2011 £	2010 £
Raw materials	**643,466**	755,640
Work in progress	**715,202**	1,002,761
Finished goods and goods on sale	**509,455**	368,268
	1,868,123	2,126,669

Notes *(continued)*

11 Debtors

	2011 £	2010 £
Trade debtors	**1,166,608**	1,522,587
Amounts owed by group undertakings	**940,543**	1,155,096
Other Debtors	**3,536**	260,800
Prepayments and accrued income	**468,938**	190,473
	2,579,625	3,128,956

12 Creditors. amounts falling due within one year

	2011 £	2010 £
Bank loans and overdrafts	**1,227,430**	1,305,540
Net obligations under finance leases and hire purchase contracts	**259,969**	304,206
Trade creditors	**567,719**	984,808
Amounts owed to group undertakings	**612,109**	632,784
Social security and other taxes	**97,964**	108,757
Accruals and deferred income	**248,258**	256,184
	3,013,449	3,592,279

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 Other bank loans are also secured against fixed assets with a net book value of £25,044

13 Creditors: amounts falling due after more than one year

	2011 £	2010 £
Net obligations under finance leases and hire purchase contracts	**273,627**	378,830
	273,627	378,830

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

	2011 £	2010 £
Between one and five years	**273,627**	378,830

Obligations under finance leases are secured on the relevant assets

Notes *(continued)*

14 Deferred taxation

No deferred tax was provided at the start and the end of the year, as it was not considered appropriate to provide for a deferred tax asset in respect of trading losses (see note 7)

15 Share capital

	2011	2010
	£	£
Authorised, allotted, called up and fully paid		
4,200,451 Ordinary shares of £1 each	**4,200,451**	4,200,451

16 Reserves

	Profit and loss account
	£
At 1 October 2010	(1,584,276)
Loss retained for the year	(414,989)
At 30 September 2011	**(1,999,265)**

17 Reconciliation of movement in shareholders' funds

	2011	2010
	£	£
Opening shareholders' funds	**2,616,175**	2,376,509
Profit for the year	**(414,989)**	239,666
Closing shareholders' funds	**2,201,186**	2,616,175

18 Operating leases commitment

At 30 September 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2011	2010
	£	£
Expiry date		
After more than five years	**105,400**	105,400

Notes *(continued)*

19 Related party transactions

The Company occupies premises, the freehold of which is owned by Telecoms Research and Development Company Limited, a company under common control The annual rental charge is £105,400 (*2010 £105,400*)

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

20 Ultimate parent undertaking and controlling party

The company is controlled by Oxley Group Limited

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 made by the late Mr RF Oxley The sole trustee of the Foundation is JP Aeschimann who is also a director of Oxley Group Limited

Consolidated financial statements are not prepared by Oxley International Inc and therefore Oxley Group Limited's financial statements are the consolidated financial statements of the largest and smallest group of which the company is a member Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ