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OXLEY DEVELOPMENTS COMPANY LIMITED

DIRECTORS' REPORT AND ACCOUNTS

30 SEPTEMBER 1986

376071

Price Waterhouse



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OXLEY DEVELOPMENTS COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1986

The directors present their report and accounts for the year ended 30 September 1986.

Directors and their Interests

The directors during the year were:

RF Oxley
Mrs AS Oxley
Mrs J Atkinson
J Chambers
PA Downward
GS Edwards
KH Gooding
RL Lamming
ED Maguire
Sir Francis McLean
RS Tebble

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

Results and Dividends

The profit of the company after taxation amounted to	412,515
Less: dividends paid and proposed in respect of the year ended 30 September 1986	<u>1,000,000</u>
	(587,485)
To which must be added retained profit brought forward of	<u>1,116,243</u>
Leaving retained profit carried forward of	<u>£528,758</u> =====

Review of the Business

The company's activities consist of the manufacture of components for the telecommunications industry and automation equipment.

Future Developments

The company will continue to manufacture at both its locations in order to satisfy customers' current demands.

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 Note 6 to the accounts.

Charitable and Political Donations

The company made charitable donations during the year amounting to £297.

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.

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

A handwritten signature in dark ink, appearing to read 'MN Atkinson', written over a horizontal line.

MN Atkinson
Secretary

23 December 1986

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF
OXLEY DEVELOPMENTS COMPANY LIMITED

We have audited the accounts on pages 5 to 15 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 30 September 1986 and of its result and source and application of funds for the year then ended and comply with the Companies Act 1985.

Price Waterhouse

Chartered Accountants

23 December 1986

OXLEY DEVELOPMENTS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1986

	<u>Notes</u>	<u>1986</u> £	<u>1985</u> £
Turnover	2	5,209,646	7,273,643
Cost of sales		<u>2,626,105</u>	<u>2,984,770</u>
Gross profit		2,583,541	4,288,873
Administrative expenses		<u>1,966,195</u>	<u>1,906,078</u>
Operating profit	3	617,346	2,382,795
Interest payable		-	(287)
Income from other sources	4	<u>79,258</u>	<u>89,742</u>
Profit on ordinary activities before taxation		696,604	2,472,250
Tax on profit on ordinary activities	5	<u>284,089</u>	<u>1,125,313</u>
Profit on ordinary activities after taxation		412,515	1,346,937
Dividends		<u>1,000,000</u>	<u>1,048,653</u>
		(587,485)	298,284
Retained profit brought forward		<u>1,116,243</u>	<u>817,959</u>
Retained profit carried forward		<u>528,758</u> =====	<u>1,116,243</u> =====

OXLEY DEVELOPMENTS COMPANY LIMITED

BALANCE SHEET AT 30 SEPTEMBER 1986

	<u>Notes</u>	<u>1986</u> £	<u>1985</u> £
<u>Fixed assets</u>			
Tangible assets	6	939,804	944,501
Investment in subsidiary company	7	<u>34,032</u>	<u>34,032</u>
		973,836	978,533
<u>Current assets</u>			
Stocks	8	1,238,187	1,262,195
Debtors	9	1,431,193	2,017,187
Bank and cash balances		<u>12,756</u>	<u>757,376</u>
		2,682,136	4,036,758
<u>Creditors</u> (amounts falling due within one year)	10	<u>1,936,291</u>	<u>1,868,163</u>
Net current assets		745,845	2,168,595
Total assets less current liabilities		<u>1,719,681</u>	<u>3,147,128</u>
<u>Creditors</u> (amounts falling due after more than one year)	11	333,700	1,122,881
<u>Provisions for liabilities and charges</u>			
Deferred taxation	12	209,246	260,027
		<u>1,176,735</u> =====	<u>1,764,220</u> =====
<u>Capital and reserves</u>			
Called up share capital	13	235,466	235,466
Capital revaluation reserve		412,511	412,511
Profit and loss account		<u>528,758</u>	<u>1,116,243</u>
		<u>1,176,735</u> =====	<u>1,764,220</u> =====

GS Edwards

ED Maguire

Approved by the Board on
23 December 1986

OXLEY DEVELOPMENTS COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30 SEPTEMBER 1986

	<u>1986</u>	<u>1985</u>
	£	£
SOURCE OF FUNDS		
Profit before tax	696,604	2,472,250
Proceeds of sale of fixed assets	2,665	1,150
Adjustments for items not involving the movements of funds:		
Depreciation	169,907	181,173
Loss on sale of fixed assets	<u>470</u>	<u>307</u>
TOTAL GENERATED FROM OPERATIONS	869,646	2,654,880
APPLICATION OF FUNDS		
Dividends paid	1,000,000	1,048,653
Tax paid	1,250,000	756,000
Additions to fixed assets	<u>168,345</u>	<u>290,355</u>
	<u>2,418,345</u>	<u>2,095,008</u>
	(1,548,699)	559,872
DECREASE/INCREASE IN WORKING CAPITAL		
(Decrease) in stocks	(24,008)	(13,949)
(Decrease)/increase in debtors	(585,994)	209,930
(Increase)/decrease in creditors	<u>(42,849)</u>	<u>140,094</u>
	<u>(652,851)</u>	<u>336,075</u>
(DECREASE)/INCREASE IN NET LIQUID FUNDS	(895,848) =====	223,797 =====

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986

1 ACCOUNTING POLICIES

(1) Accounting convention

The accounts are prepared under the historical cost convention, as modified by a revaluation of certain fixed assets.

(2) 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 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.

No deferred taxation provision has been made on the surplus arising on the revaluation of fixed assets. The directors expect that there will be no corporation tax for the foreseeable future on this surplus.

(3) Fixed assets

Fixed 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

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

Short leasehold property is depreciated over the 6 year life of the lease.

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

(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) Turnover

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

(6) Interest receivable

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

(7) Research and development expenditure

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

(8) 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.

(9) 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.

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

2 TURNOVER

An analysis of turnover by geographical market is as follows:

	<u>1986</u> £	<u>1985</u> £
United Kingdom	4,501,576	6,775,562
United States of America and Canada	306,411	212,731
Africa	69,574	75,444
Europe	279,346	175,844
Australia	10,087	7,327
Asia	<u>42,652</u>	<u>26,735</u>
	5,209,646	7,273,643
	=====	=====

3 OPERATING PROFIT

a) This is stated after charging:

Directors' emoluments	282,798	184,873
Auditors' remuneration	9,000	8,500
Depreciation	169,907	181,173
Hire of plant and machinery	<u>1,993</u>	<u>6,305</u>
	=====	=====

b) Directors' emoluments

Fees	-	-
Other emoluments (including pension contributions)	<u>282,798</u>	<u>184,873</u>
	282,798	184,873
	=====	=====

The emoluments of the chairman (excluding pension contributions) were £123,111 (1985-£83,011). The emoluments of the other directors (excluding pension contributions and amounts received for duties outside the United Kingdom) fell into the following bands:

	<u>1986</u>	<u>1985</u>
£0 - £5,000	-	3
£5,001 - £10,000	3	2
£10,001 - £15,000	2	-
£25,001 - £30,000	-	1
£30,001 - £35,000	-	-
£35,001 - £40,000	-	-
£40,001 - £45,000	1	1
£45,001 - £50,000	-	-
£50,001 - £55,000	-	-
£55,001 - £60,000	-	-
£60,001 - £65,000	1	-

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

c) Staff costs	<u>1986</u> £	<u>1985</u> £
Wages and salaries	2,035,452	1,933,084
Social security costs	145,442	156,437
Other pension costs	<u>47,323</u>	<u>34,013</u>
	<u>2,228,217</u>	<u>2,123,534</u>

The average weekly number of employees during the year was:

	<u>1986</u>	<u>1985</u>
Office and management	54	50
Manufacturing	<u>295</u>	<u>290</u>
	<u>349</u>	<u>340</u>

4	INCOME FROM OTHER SOURCES	<u>1986</u> £	<u>1985</u> £
	Income from other sources includes:		
	Bank and deposit interest	79,492	89,838
	Loss on sale of fixed assets	<u>(470)</u>	<u>(307)</u>

5	TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>1986</u> £	<u>1985</u> £
	On the profit for the year:		
	UK corporation tax at 37.5% (1985 - 42.5%)	333,700	1,122,881
	Deferred taxation	<u>(38,780)</u>	<u>(12,926)</u>
		294,920	1,109,955
	In respect of prior years:		
	UK corporation tax	1,170	6,847
	Deferred taxation	<u>(12,001)</u>	<u>8,511</u>
		<u>£284,089</u>	<u>£1,125,313</u>

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

TANGIBLE ASSETS

	Freehold Property £	Short Leasehold Property £	Plant and Machinery £	Fixtures and Fittings £	Motor Vehicles £	Total £
<u>Cost or valuation</u>						
At 30 September 1985	15,103	36,012	1,254,644	489,040	198,769	1,993,568
Additions	-	-	147,044	21,301	-	168,345
Disposals	-	-	(3,525)	-	(7,293)	(10,818)
At 30 September 1986	15,103	36,012	1,398,163	510,341	191,476	2,151,095

Includes assets
valued in 1976

At 30 September 1986	-	-	429,872	83,640	-	513,512
At 30 September 1985	-	-	429,872	83,640	-	513,512

Depreciation

At 30 September 1985	15,102	12,004	712,080	196,074	113,807	1,049,067
Provision for the year	-	6,002	100,438	42,481	20,986	169,907
Disposals	-	-	(1,410)	-	(6,273)	(7,683)
At 30 September 1986	15,102	18,006	811,108	238,555	128,520	1,211,291

Net book amount

At 30 September 1986	1	18,006	587,055	271,786	62,956	939,804
At 30 September 1985	1	24,008	542,564	292,966	84,962	944,500

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

	Plant and Machinery £	Fixtures and Fittings £
<u>Cost</u>		
At 30 September 1986	177,552	40,453
At 30 September 1985	177,552	40,453
<u>Aggregate Depreciation</u>		
At 30 September 1986	177,552	40,453
At 30 September 1985	175,552	40,453

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

7 INVESTMENT IN SUBSIDIARY COMPANY

The company owns the whole of the issued ordinary share capital of Oxley Electronics Limited which is incorporated in England. The investment is stated at cost.

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 investment is not less than the book amount.

8 STOCKS

	<u>1986</u> £	<u>1985</u> £
Raw materials and consumables	420,471	421,425
Work in progress	603,951	629,698
Finished goods	<u>213,765</u>	<u>211,072</u>
	<u>1,238,187</u> =====	<u>1,262,195</u> =====

The replacement cost of stocks did not materially differ from the book amounts at 30 September 1986 or 1985.

9 DEBTORS

	<u>1986</u> £	<u>1985</u> £
Trade debtors	1,280,146	1,832,469
Amounts owed by holding company	78,101	117,876
Other debtors	8,684	6,570
Prepayments and accrued income	<u>64,262</u>	<u>60,272</u>
	<u>1,431,193</u> =====	<u>2,017,187</u> =====

10 CREDITORS (amounts falling due within one year)

	<u>1986</u> £	<u>1985</u> £
Bank loans and overdrafts	151,228	-
Trade creditors	163,613	161,444
Amounts owed to subsidiary company	32,072	32,071
Other creditors	333,775	221,958
Accruals and deferred income	73,065	122,104
Taxation and social security	<u>1,182,538</u>	<u>1,330,586</u>
	<u>1,936,291</u> =====	<u>1,868,163</u> =====

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

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

	<u>1986</u> £	<u>1985</u> £
Taxation	333,700 =====	1,122,881 =====

12 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1986</u> £	<u>1985</u> £
Deferred taxation comprising:		
Accelerated capital allowances	213,772	266,968
Other timing differences	(4,526)	(6,941)
	209,246 =====	260,027 =====

The aggregate potential future corporation tax liability, at the current rate of corporation tax, in respect of the surplus on the revaluation of fixed assets amounts to £56,000 (1985-£60,000). No provision has been made for this item in the accounts.

13 SHARE CAPITAL

	<u>1986</u> £	<u>1985</u> £
Allotted, called up and fully paid		
2,354,660 Ordinary shares of 10p each	235,466 =====	235,466 =====
Authorised		
2,500,000 Ordinary shares of 10p each	250,000 =====	250,000 =====

- 14 During the year, the company, in the ordinary course of business, made payments of £91,584 for sub-assembly work and of £6,332 in respect of sales commission and sold goods at a value of £300,548 to companies under the control of RF and AS Oxley.

OXLEY DEVELOPMENTS COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

15 HOLDING COMPANY

The directors regard Anstalt fur Wissenschaftliche Forschung und Handel, a company incorporated in Liechtenstein, as the company's ultimate holding company.

16 PENSION COMMITMENTS

The company operates a fully insured pension scheme for its present executive directors and certain employees. Details of premiums paid appear in Note 3.

17 CAPITAL COMMITMENTS

	<u>1986</u> £	<u>1985</u> £
Orders authorised by the Board and placed with suppliers	158,621 =====	27,000 =====
Expenditure authorised by the Board for which no contracts have been placed	15,000 =====	44,000 =====