



# Financial statements Oxford Diffraction Limited

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For the period from 4 Oct 08 to 2 October 2009



Company No. 4020656

## Officers and professional advisers

|                                    |  |
|------------------------------------|--|
| <b>Company registration number</b> | 4020656  |
| <b>Registered office</b>           | 100 New Bridge Street<br>London<br>EC4V 6JA  |
| <b>Directors</b>                   | AW Homan<br>DL Rayner  |
| <b>Secretary</b>                   | A W Homan  |
| <b>Bankers</b>                     | Barclays Bank PLC<br>Wytham Court<br>11 West Way<br>OXFORD<br>OX2 0JB  |
| <b>Solicitors</b>                  | Latham & Watkins<br>90 Bishopsgate<br>London<br>EC2M 3XF   |
| <b>Auditor</b>                     | Grant Thornton UK LLP<br>Chartered Accountants<br>Registered Auditor<br>1 Westminster Way<br>OXFORD<br>OX2 0PZ |

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## Report of the directors

The directors present their report and the financial statements of the company for the period from 4 October 2008 to 2 October 2009

### Principal activities and business review

The principal activity of the company during the year was the development and supply of advanced X-ray instrumentation and related software for use in crystallography

During the year the new SuperNova dual microsource product, launched in August 08 positively impacted both orders and revenue in the field of protein and small molecule crystallography, with a significant increase in unit orders worldwide (+45%). The SuperNova saw installations in high profile laboratories in both academia and pharmaceutical research, whilst orders for Xcalibur / Gemini products remained strong and the PX Scanner continued to gain market interest with orders benefiting from economic stimulus funding. Asia Pacific saw unit orders almost double, with a particular strengthening of the company's market position in P R China. Europe and the Americas each exhibited continued growth showing unit orders up by between 25 and 30%. In the year, the company continued to invest in R&D aimed at future products for small molecule and protein diffraction and invested in additional demonstration instruments and facilities in Asia Pacific and North America.

On July 27, 2009 the company's parent company Varian Inc signed a definitive agreement with Agilent Technologies Inc for the acquisition by Agilent of Varian. Agilent is the world's premier measurement company and a technology leader in communications, electronics, life sciences and chemical analysis. In 2009 Agilent recorded net revenues of \$4.5 billion and has 17,000 employees. An acquisition by Agilent will enhance the company's market penetration and provide continued support for its Research and Development programmes.

### Financial Key Performance Indicators (KPIs)

The Board monitors the progress of the company by reference to KPIs. Performance during the year, together with historical trend data is set out below:

|  | 2009   | 2008    |
|--|--------|---------|
| Year on year sales growth expressed as a percentage    |        |         |
| Growth in sales %                                      | 109.5% | -40.7%  |
| Profit before tax expressed as a percentage of revenue |        |         |
| Profit before tax %                                    | 0.63%  | (loss)% |

### Results and dividends

The profit for the period amounted to £200,277. The directors have not recommended a dividend.

### **Financial risk management objectives and policies**

The company's operations expose it to a variety of financial risks. The company has examined all major risks to its business and considers the main risk to be credit and currency risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company.

#### *Credit risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any customer is subject to a limit, which is reassessed at least annually.

#### *Currency risk*

The company's main currency exposure is from sales in US dollars and the Euro. The risk is mitigated by hedging of currency exposures on a monthly basis. The hedging activities are carried out by Varian Inc for group companies.

### **Research and development**

The research and development undertaken by the business is in the field of x-ray imaging and involves the development of better quality equipment for the application of x-ray imaging in research.

### **Directors**

The directors who served the company during the period were as follows:

PW Loeffen  
AW Homan  
DL Rayner

PW Loeffen retired as a director on 3 July 2009.

### **Directors' responsibilities**

The directors are responsible for preparing the Report of the Directors 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 judgements 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 adequate 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 2006. 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

**Auditor**

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD



D Rayner  
Director

1 March 2010



## Report of the independent auditor to the members of Oxford Diffraction Limited

We have audited the financial statements of Oxford Diffraction Limited for the period ended 2 October 2009 which comprise the principal accounting policies, the profit and loss account, the balance sheet and related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 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 auditors**

As explained more fully in the Directors' Responsibilities Statement in the directors report, 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 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 financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/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 2 October 2009 and of its profit for the period 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 matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.



## Report of the independent auditor to the members of Oxford Diffraction 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

A handwritten signature in black ink, appearing to read "Janet Crookes".

Janet Crookes  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Oxford

1 March 2010



## Accounting policies

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention

The company was, at the end of the year, a wholly owned subsidiary of another company which prepares consolidated financial statements and in accordance with Section 401 of the Companies Act 2006 is not required to produce, and has not published, Group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The principal accounting policies of the company are set out below and remain unchanged from the prior year.

The directors have prepared forecasts incorporating the company and its subsidiaries, due to the interdependence of the group companies on financial performance. The forecasts prepared indicate that the group will be profitable and cash generative in the period to 1 October 2010, therefore the directors consider the group companies to be going concerns. Accordingly the financial statements have been prepared on the going concern basis.

### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

### **Turnover**

Turnover represents the amount receivable for goods supplied and services provided net of Value Added Tax. It is the company's policy to include in turnover the total contract value for a system when the system has been delivered to the customer and any other conditions satisfied, and accrue any outstanding costs.

In accordance with FRS 5 application note G, the company defers that portion of revenues associated with the costs applicable to the identifiable delivery of goods or services in future periods.

### **Research and development costs**

All development costs are written off in the year of expenditure.

### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

|                         |                             |
|-------------------------|-----------------------------|
| Plant & Machinery       | - 3 - 5 years straight line |
| Office Equipment        | - 2 years straight line     |
| Motor Vehicles          | - 4 years straight line     |
| Demonstration Equipment | - 3 years straight line     |

### **Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

### **Leasing and hire purchase commitments**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

### **Pension costs**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

### **Deferred taxation**

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on the undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

### **Foreign exchange**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

### **Financial instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where none of the contractual terms of share capital meet the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

## Profit and loss account

|   | Note | Period from<br>4 Oct 08 to<br>2 Oct 09<br>£ | Period from<br>1 Jan 08 to<br>3 Oct 08<br>£ |
|---|------|---|---|
| Turnover  | 1    | 8,670,336                                   | 3,102,605                                   |
| Cost of sales   |      | 6,644,083                                   | 2,339,513                                   |
| Gross profit  |      | 2,026,253                                   | 763,092                                     |
| Other operating charges                                     | 2    | 1,871,548                                   | 2,421,178                                   |
| <b>Operating profit/(loss)</b>                              | 3    | <b>154,705</b>                              | <b>(1,658,086)</b>                          |
| Attributable to   |      |   |   |
| Operating profit/(loss) before exceptional items            |      | 154,705                                     | (634,578)                                   |
| Exceptional items   | 3    | —   | (1,023,508)                                 |
|   |      | <b>154,705</b>                              | <b>(1,658,086)</b>                          |
| Interest receivable   |      | —   | 25,582                                      |
| Interest payable and similar charges                        | 6    | (99,529)                                    | (61,285)                                    |
| <b>Profit/(loss) on ordinary activities before taxation</b> |      | <b>55,176</b>                               | <b>(1,693,789)</b>                          |
| Tax on profit/(loss) on ordinary activities                 | 7    | (145,101)                                   | 45,000                                      |
| <b>Profit/(loss) for the financial period</b>               | 19   | <b><u>200,277</u></b>                       | <b><u>(1,738,789)</u></b>                   |

All of the activities of the company are classed as continuing. There are no other recognised gains or losses other than the profit / (loss) for the period.

**The accompanying accounting policies and notes form part of these financial statements.**

## Balance sheet

|   | Note | 2 Oct 09<br>£    | 3 Oct 08<br>£    |
|---|------|------------------|------------------|
| <b>Fixed assets</b>   |      |                  |                  |
| Tangible assets   | 8    | 45,280           | 74,516           |
| Investments   | 9    | 593,721          | 593,721          |
|   |      | <u>639,001</u>   | <u>668,237</u>   |
| <b>Current assets</b>   |      |                  |                  |
| Stocks  | 10   | 852,739          | 1,238,662        |
| Debtors   | 11   | 3,418,090        | 2,537,576        |
| Cash at bank  |      | 453,118          | 12,238           |
|   |      | <u>4,723,947</u> | <u>3,788,476</u> |
| <b>Creditors amounts falling due within one year</b>          | 12   | 2,514,766        | 3,162,849        |
| <b>Net current assets</b>                                     |      | <u>2,209,181</u> | <u>625,627</u>   |
| <b>Total assets less current liabilities</b>                  |      | <u>2,848,182</u> | <u>1,293,864</u> |
| <b>Creditors amounts falling due after more than one year</b> | 13   | 1,473,098        | 4,944            |
|   |      | <u>1,375,084</u> | <u>1,288,920</u> |
| <b>Provisions for liabilities</b>                             |      |                  |                  |
| Provisions  | 15   | 313,030          | 427,143          |
|   |      | <u>1,062,054</u> | <u>861,777</u>   |
| <b>Capital and reserves</b>                                   |      |                  |                  |
| Called-up equity share capital                                | 18   | 10,811           | 10,811           |
| Share premium account   | 19   | 2,774,347        | 2,774,347        |
| Other reserves  | 19   | 356,400          | 356,400          |
| Profit and loss account                                       | 19   | (2,079,504)      | (2,279,781)      |
| <b>Shareholders' funds</b>                                    | 19   | <u>1,062,054</u> | <u>861,777</u>   |

These financial statements were approved by the directors and authorised for issue on 1 March 2010, and are signed on their behalf by:

D Rayner  
Director



## Notes to the financial statements

### 1 Turnover

An analysis of turnover is given below

|                   | Period from<br>4 Oct 08 to<br>2 Oct 09<br>£ | Period from<br>1 Jan 08 to<br>3 Oct 08<br>£ |
|-------------------|---|---|
| United Kingdom    | 1,709,473                                   | 966,682                                     |
| Europe            | 4,300,798                                   | 1,216,399                                   |
| United States     | 1,108,405                                   | 604,479                                     |
| Rest of the world | 1,551,660                                   | 315,045                                     |
|                   | <u>8,670,336</u>                            | <u>3,102,605</u>                            |

### 2 Other operating charges

|                                     | Period from<br>4 Oct 08 to<br>2 Oct 09<br>£ | Period from<br>1 Jan 08 to<br>3 Oct 08<br>£ |
|-------------------------------------|---|---|
| Administrative expenses             | 1,871,548                                   | 1,397,670                                   |
| Exceptional administrative expenses | —   | 1,023,508                                   |
|                                     | <u>1,871,548</u>                            | <u>2,421,178</u>                            |

### 3 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting)

|  | Period from<br>4 Oct 08 to<br>2 Oct 09<br>£ | Period from<br>1 Jan 08 to<br>3 Oct 08<br>£ |
|--|---|---|
| Depreciation of owned fixed assets               | 43,175                                      | 34,260                                      |
| Depreciation of assets held under finance leases | —   | 1,450                                       |
| Profit on disposal of fixed assets               | (200)                                       | —   |
| Auditor's remuneration                           |   |   |
| Audit fees                                       | 12,000                                      | 9,750                                       |
| Tax fees   | 16,600                                      | 2,450                                       |
| Operating lease costs                            |   |   |
| Plant and equipment                              | 11,355                                      | —   |
| Land and buildings                               | —   | 34,215                                      |
| Net profit on foreign currency translation       | <u>(292,947)</u>                            | <u>(195,614)</u>                            |
| Exceptional administrative expenses              | <u>—</u>                                    | <u>1,023,508</u>                            |

The exceptional administrative expenses in the prior year comprise £23,761 being the investment in Oxford Diffraction Inc and £999,747 being the write off of the intercompany loan owed by Oxford Diffraction Inc

#### **4 Particulars of employees**

The average number of staff employed by the company during the financial period amounted to

|                 | Period from<br>4 Oct 08 to<br>2 Oct 09<br>No | Period from<br>1 Jan 08 to<br>3 Oct 08<br>No |
|-----------------|--|--|
| Number of Staff | <u>15</u>                                    | <u>21</u>                                    |

The aggregate payroll costs of the above were

|                       | Period from<br>4 Oct 08 to<br>2 Oct 09<br>£ | Period from<br>1 Jan 08 to<br>3 Oct 08<br>£ |
|-----------------------|---|---|
| Wages and salaries    | 793,789                                     | 624,886                                     |
| Social security costs | 81,632                                      | 63,268                                      |
| Other pension costs   | 55,236                                      | 44,600                                      |
|                       | <u>930,657</u>                              | <u>732,754</u>                              |

#### **5 Directors**

Remuneration in respect of directors was as follows

|  | Period from<br>4 Oct 08 to<br>2 Oct 09<br>£ | Period from<br>1 Jan 08 to<br>3 Oct 08<br>£ |
|--|---|---|
| Emoluments receivable  | 92,217                                      | 173,920                                     |
| Value of company pension contributions to money purchase schemes | 8,190                                       | 7,707                                       |
|  | <u>100,407</u>                              | <u>181,627</u>                              |

**6 Interest payable and similar charges**

|                                    | Period from<br>4 Oct 08 to<br>2 Oct 09<br>£ | Period from<br>1 Jan 08 to<br>3 Oct 08<br>£ |
|------------------------------------|---|---|
| Interest payable on bank borrowing | 99,474                                      | 22,697                                      |
| Other similar charges payable      | 55  | 38,588                                      |
|                                    | <u>99,529</u>                               | <u>61,285</u>                               |

**7 Taxation on ordinary activities**

(a) Analysis of charge in the period

|  | Period from<br>4 Oct 08 to<br>2 Oct 09<br>£ | Period from<br>1 Jan 08 to<br>3 Oct 08<br>£ |
|--|---|---|
| Current tax  |   |   |
| In respect of the period   |   |   |
| UK Corporation tax based on the results for the period at 28% (2008 - 20%) | -   | (19,000)                                    |
| Adjustments in respect of previous periods                                 | (145,101)                                   | -   |
| Total current tax  | <u>(145,101)</u>                            | <u>(19,000)</u>                             |
| Deferred tax   |   |   |
| Origination and reversal of timing differences                             | -   | 64,000                                      |
| Tax on profit/(loss) on ordinary activities                                | <u>(145,101)</u>                            | <u>45,000</u>                               |

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the period is the same as the standard rate of corporation tax in the UK of 28% (2008 - 20%)

|  | Period from<br>4 Oct 08 to<br>2 Oct 09<br>£ | Period from<br>1 Jan 08 to<br>3 Oct 08<br>£ |
|--|---|---|
| Profit/(loss) on ordinary activities before taxation | <u>55,176</u>                               | <u>(1,693,789)</u>                          |
| Profit/(loss) on ordinary activities by rate of tax  | 15,449                                      | (338,758)                                   |
| Expenses not deductible for tax purposes             | 9,759                                       | 204,310                                     |
| R&D adjustment                                       | -   | (22,973)                                    |
| Adjustments in respect of previous periods           | (145,101)                                   | -   |
| Depreciation in excess of capital allowances         | 4,049                                       | -   |
| Utilisation of tax losses                            | (29,257)                                    | -   |
| Tax losses carried forward                           | -   | 138,421                                     |
| Total current tax (note 7(a))                        | <u>(145,101)</u>                            | <u>(19,000)</u>                             |

**8 Tangible fixed assets**

|                       | Plant &<br>Machinery<br>£ | Office<br>equipment<br>£ | Motor<br>Vehicles<br>£ | Demonstration<br>equipment<br>£ | Total<br>£     |
|-----------------------|---------------------------|--------------------------|------------------------|---------------------------------|----------------|
| Cost                  |                           |                          |                        |                                 |                |
| At 4 October 2008     | 66,296                    | 99,856                   | 29,882                 | 95,617                          | 291,651        |
| Additions             | 8,699                     | 5,240                    | —                      | —                               | 13,939         |
| Disposals             | —                         | (85,414)                 | (12,543)               | —                               | (97,957)       |
| At 2 October 2009     | <u>74,995</u>             | <u>19,682</u>            | <u>17,339</u>          | <u>95,617</u>                   | <u>207,633</u> |
| Depreciation          |                           |                          |                        |                                 |                |
| At 4 October 2008     | 32,479                    | 99,856                   | 29,882                 | 54,918                          | 217,135        |
| Charge for the period | 27,831                    | 1,396                    | —                      | 13,948                          | 43,175         |
| On disposals          | —                         | (85,414)                 | (12,543)               | —                               | (97,957)       |
| At 2 October 2009     | <u>60,310</u>             | <u>15,838</u>            | <u>17,339</u>          | <u>68,866</u>                   | <u>162,353</u> |
| Net book value        |                           |                          |                        |                                 |                |
| At 2 October 2009     | <u>14,685</u>             | <u>3,844</u>             | <u>—</u>               | <u>26,751</u>                   | <u>45,280</u>  |
| At 3 October 2008     | <u>33,817</u>             | <u>—</u>                 | <u>—</u>               | <u>40,699</u>                   | <u>74,516</u>  |

Included within the net book value of £45,280 is £Nil (2008 - £3,543) relating to assets held under finance leases. The depreciation charged to the financial statements in the period in respect of such assets amounted to £Nil (2008 - £1,450).

**9 Investments**

**Investments**

|                                      | £              |
|--------------------------------------|----------------|
| Cost                                 |                |
| At 4 October 2008 and 2 October 2009 | <u>593,721</u> |
| Net book value                       |                |
| At 2 October 2009                    | <u>593,721</u> |
| At 3 October 2008                    | <u>593,721</u> |

At 2 October 2009 the company held 100% of the share capital of the following subsidiaries

Oxford Diffraction Poland Sp z oo, a company incorporated in Poland which is involved in the development and production of crystallography equipment and related software. At 2 October 2009 Oxford Diffraction Poland Sp z oo had capital and reserves of £3,200,000.

Oxford Diffraction (Hong Kong) Limited, a company incorporated in Hong Kong which services and provides support of installed base within South-East Asia.

Both companies have ordinary share capital only.



**10 Stocks**

|                | 2 Oct 09       | 3 Oct 08         |
|----------------|----------------|------------------|
|                | £              | £                |
| Finished goods | <u>852,739</u> | <u>1,238,662</u> |

**11 Debtors**

|                                    | 2 Oct 09         | 3 Oct 08         |
|------------------------------------|------------------|------------------|
|                                    | £                | £                |
| Trade debtors                      | 2,864,928        | 549,656          |
| Amounts owed by group undertakings | 474,405          | 828,854          |
| Corporation tax repayable          | 12,724           | 2,826            |
| Other debtors                      | 31,757           | 24,518           |
| Prepayments and accrued income     | 34,276           | 1,131,722        |
|                                    | <u>3,418,090</u> | <u>2,537,576</u> |

**12 Creditors: amounts falling due within one year**

|                                    | 2 Oct 09         | 3 Oct 08         |
|------------------------------------|------------------|------------------|
|                                    | £                | £                |
| Trade creditors                    | 425,647          | 37,245           |
| Amounts owed to group undertakings | 1,049,392        | 2,270,971        |
| Other taxation and social security | 19,437           | 47,408           |
| Amounts due under finance leases   | —                | 8,844            |
| Other creditors                    | 4,667            | —                |
| Accruals and deferred income       | 1,015,623        | 798,381          |
|                                    | <u>2,514,766</u> | <u>3,162,849</u> |

**13 Creditors: amounts falling due after more than one year**

|                                    | 2 Oct 09         | 3 Oct 08     |
|------------------------------------|------------------|--------------|
|                                    | £                | £            |
| Amounts owed to group undertakings | 1,473,098        | —            |
| Amounts due under finance leases   | —                | 4,944        |
|                                    | <u>1,473,098</u> | <u>4,944</u> |

**14 Commitments under finance leases**

Future commitments under finance leases net of future finance lease charges are as follows

|  | 2 Oct 09 | 3 Oct 08      |
|--|----------|---------------|
|  | £        | £             |
| Finance leases are analysed as follows |          |               |
| Current obligations                    | —        | 8,844         |
| Non-current obligations                | —        | 4,944         |
|  | <u>—</u> | <u>13,788</u> |

**15 Other provisions**

|                            | Warranty<br>provision<br>£ |
|----------------------------|----------------------------|
| Balance brought forward    | 427,143                    |
| Provided during period     | 324,720                    |
| Released during the period | (438,833)                  |
| Balance carried forward    | <u>313,030</u>             |

The provision is computed on the basis of the expected cost of servicing the warranties on outstanding contracts. This is based on prior experience of costs incurred by the business.

**16 Commitments under operating leases**

At 2 October 2009 the company had annual commitments under non-cancellable operating leases as set out below:

|                               | Assets other than land &<br>buildings |               |
|-------------------------------|---------------------------------------|---------------|
|                               | 2 Oct 09                              | 3 Oct 08      |
|                               | £                                     | £             |
| Operating leases which expire |                                       |               |
| Within 1 year                 | <u>-</u>                              | <u>23,568</u> |

**17 Related party transactions**

As a wholly owned subsidiary of Varian Inc, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Varian Inc as that company produces publicly available group accounts.

## Financial statements for the period from 4 October 2008 to 2 October 2009

**18 Share capital**

Authorised share capital

|  | 2 Oct 09<br>£ | 3 Oct 08<br>£ |
|--|---------------|---------------|
| 177,000 Ordinary shares of £0.10 each                  | 17,700        | 17,700        |
| 23,000 Convertible preference shares of £0.10 each     | 2,300         | 2,300         |
| 10,000 Convertible preference "B" shares of £0.10 each | 1,000         | 1,000         |
|  | <u>21,000</u> | <u>21,000</u> |

Allotted, called up and fully paid

|   | 2 Oct 09<br>No | £             | 3 Oct 08<br>No | £             |
|---|----------------|---------------|----------------|---------------|
| Ordinary shares of £0.10 each                   | 75,573         | 7,557         | 75,573         | 7,557         |
| Convertible preference shares of £0.10 each     | 23,000         | 2,300         | 23,000         | 2,300         |
| Convertible preference "B" shares of £0.10 each | 9,540          | 954           | 9,540          | 954           |
|   | <u>108,113</u> | <u>10,811</u> | <u>108,113</u> | <u>10,811</u> |

The convertible shares held by the shareholders have no expiration date and were brought into issue on by a resolution passed on 18 November 2004. These are convertible into ordinary shares on a one for one basis at any point with approval of 75% of the holders of the convertible shares.

**19 Reconciliation of shareholders' funds and movement on reserves**

|                                      | Share capital<br>£ | Share premium<br>account<br>£ | Merger<br>reserve<br>£ | Profit and<br>loss account<br>£ | Total share-<br>holders'<br>funds<br>£ |
|--------------------------------------|--------------------|-------------------------------|------------------------|---------------------------------|--|
| At 1 January 2008                    | 10,538             | 2,705,992                     | 356,400                | 109,243                         | 3,182,173                              |
| Prior year adjustment                | —                  | —                             | —                      | (650,235)                       | (650,235)                              |
| Restated balance brought forward     | 10,538             | 2,705,992                     | 356,400                | (540,992)                       | 2,531,938                              |
| Restated loss for the period         | —                  | —                             | —                      | (1,738,789)                     | (1,738,789)                            |
| Other movements                      |                    |                               |                        |                                 |  |
| New equity share capital subscribed  | 273                | 68,355                        | —                      | —                               | 68,628                                 |
| At 3 October 2008 and 4 October 2008 | 10,811             | 2,774,347                     | 356,400                | (2,279,781)                     | 861,777                                |
| Profit for the period                | —                  | —                             | —                      | 200,277                         | 200,277                                |
| At 2 October 2009                    | <u>10,811</u>      | <u>2,774,347</u>              | <u>356,400</u>         | <u>(2,079,504)</u>              | <u>1,062,054</u>                       |

The merger reserve arose on the company's acquisition of Oxford Diffraction Poland Sp. z o.o.

**20 Ultimate parent company**

At the year end the directors consider that the ultimate parent undertaking of this company is Varian Inc, which is incorporated in the United States, by virtue of its 100% shareholding

Group accounts are available from the ultimate parent undertaking Varian Inc at 3120 Hansen Way, Palo Alto, California 94304-1020, USA