

**Oxford Instruments Molecular Biotools Limited**

**Directors' report and financial  
statements**

Registered number 5004981

31 March 2006

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

### Principal activity and business review

The principal activity of the company is the research, development, manufacture and sale of advanced instrumentation. Research and development activities are an integral part of the company's business. No change in the company's trade is expected in the foreseeable future.

### Dividend

The directors do not recommend the payment of a dividend. The retained loss of £921,000 has been transferred to reserves.

### Directors and directors' interests

The directors who held office during the year were as follows:

F J Trundle	
D J Flint	(appointed 16 May 2005)
R J Humm	(appointed 7 July 2005)
N J Keen	(appointed 7 July 2005)
S M Parker	(resigned 6 February 2006)
C G Russell	(resigned 7 June 2005)
M S Russell	(resigned 7 June 2005)

The directors who held office at the end of the financial year had no interests in the shares of the company, according to the register of directors' interests.

D J Flint and N J Keen are also directors of the ultimate holding company, and their interests in the shares and share option holdings are disclosed in the accounts of that company, Oxford Instruments plc.

The following director had interests in the shares of the ultimate holding company, Oxford Instruments plc at the year end:

	<b>2006</b>
R J Humm	<b>8,461</b>

The directors' interests in options under the Executive Share Option Schemes 1995 and 2001 (ESO) and the Savings Related Share Option Schemes 1995 (SAYE) were:

	Scheme	31 March 2006	Number of options during the period			31 March 2005	Exercise Price	Date for earliest exercise	Date for latest exercise
			Lapsed	Exercised	Granted				
F Trundle	SAYE	259	-	-	-	259	£1.75	01/02/08	31/07/08
	SAYE	413	-	-	-	413	£1.27	01/02/08	31/07/08
	ESO	7,500	-	-	7,500	0	£2.19	15/07/08	14/07/15
	ESO	5,000	-	-	-	5,000	£2.18	15/07/07	14/07/14
	ESO	7,000	-	-	-	7,000	£1.875	15/07/06	14/07/13
	ESO	0	3,000	-	-	3,000	£2.22	15/07/05	14/07/12
R J Humm	SAYE	822	-	-	-	822	£1.77	01/02/07	31/07/07
	SAYE	517	-	-	-	517	£1.27	01/02/08	31/07/08
	SAYE	1,159	-	-	-	1,159	£1.64	01/02/09	31/07/09
	SAYE	1,201	-	-	-	1,201	£1.65	01/02/10	31/07/10
	SAYE	1,275	-	-	1,275	0	£2.02	01/02/11	31/07/11
	ESO	3,750	-	-	3,750	0	£2.19	15/07/08	14/07/15
	ESO	7,000	-	-	-	7,000	£2.18	15/07/07	14/07/14
	ESO	7,000	-	-	-	7,000	£1.875	15/07/06	14/07/13
	ESO	10,000	10,000	-	-	10,000	£2.22	15/07/05	14/07/12
	ESO	4,000	-	-	-	4,000	£1.83	21/07/03	20/07/10
	ESO	4,000	-	-	-	4,000	£1.96	21/12/01	20/12/08
	ESO	4,500	-	-	-	4,500	£3.58	26/06/00	25/06/07
	ESO	3,000	3,000	-	-	0	£4.13	28/11/98	27/11/05

### Payment of suppliers

The company does not follow a standard payment practice but agrees terms and conditions with each of its suppliers. Payment is then made to these terms, subject to terms and conditions being met by the supplier. The number of days' purchases outstanding at the year end was 35 days (2005: 43 days) based on the average daily amount invoiced by suppliers to the company during the year.


### Disclosure of information to auditors

The directors who held office at the date of approval of the 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 a shareholders' resolution, the Company is not obliged to reappoint its auditors annually at an AGM and KPMG Audit Plc will therefore continue in office.

By order of the board

  
J L Young  
Secretary

Old Station Way  
Eynsham  
Oxfordshire  
OX29 4TL

## **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.

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 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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 Audit Plc

2 Cornwall Street  
Birmingham  
B3 2DL  
United Kingdom

## **Report of the independent auditors to the members of Oxford Instruments Molecular Biotoools Limited**

We have audited the financial statements of Oxford Instruments Molecular Biotoools Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the reconciliation of movement in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

**Independent auditors' report to the members of Oxford Instruments  
Molecular Biotools Limited (*continued*)**

**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

13 June 2006

**Profit and loss account**  
*for the year ended 31 March 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	<b>2005</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>4,508</b>	<b>2,621</b>
Cost of sales		<b>(2,806)</b>	<b>(1,293)</b>
<b>Gross profit</b>		<b>1,702</b>	<b>1,328</b>
Distribution costs		<b>(843)</b>	<b>(563)</b>
Administrative expenses (including exceptional items of £230,000 in the prior year)		<b>(3,296)</b>	<b>(1,992)</b>
<b>Operating loss</b>	<b>3-5</b>	<b>(2,437)</b>	<b>(1,227)</b>
Write down in investment in group undertaking		-	(230)
Income from shares in group undertakings		-	230
Interest receivable		<b>6</b>	<b>1</b>
Interest payable		<b>(162)</b>	<b>(13)</b>
<b>Loss on ordinary activities before taxation</b>		<b>(2,593)</b>	<b>(1,239)</b>
Tax on loss on ordinary activities	<b>6</b>	<b>654</b>	<b>318</b>
<b>Retained loss for the year</b>		<b>(1,939)</b>	<b>(921)</b>

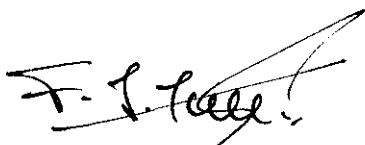
All figures relate to continuing operations. The company has no recognised gains and losses other than the loss for the year.



**Balance sheet**  
*at 31 March 2006*

	Note	2006 £000	2005 £000
<b>Fixed assets</b>			
Intangible assets	7	2,411	2,695
Tangible assets	8	493	150
		<u>2,904</u>	<u>2,845</u>
<b>Current assets</b>			
Stock	9	781	446
Debtors	10	2,268	1,321
Cash at bank and in hand		151	1,061
		<u>3,200</u>	<u>2,828</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(8,543)</u>	<u>(5,105)</u>
<b>Net current liabilities</b>		<u>(5,343)</u>	<u>(2,277)</u>
<b>Total assets less current liabilities</b>		<u>(2,439)</u>	<u>568</u>
<b>Creditors: amounts falling due after more than one year</b>	12	(250)	(1,200)
<b>Provisions for liabilities and charges</b>	13	(71)	(189)
<b>Net liabilities</b>		<u>(2,760)</u>	<u>(821)</u>
<b>Capital and reserves</b>			
Called up share capital	14	100	100
Profit and loss account	15	(2,860)	(921)
<b>Shareholders' deficit - equity</b>		<u>(2,760)</u>	<u>(821)</u>

These financial statements were approved by the board of directors on 13 June 2006 and were signed on its behalf by:

  
FJ Trundle  
Director

**Reconciliation of movement in shareholders' funds**  
*for the year 31 March 2006*

	2006 £000	2005 £000
Retained loss for the financial year	(1,939)	(921)
New share capital subscribed	-	100
Opening shareholders' deficit	(821)	-
<b>Closing shareholders' deficit</b>	<b>(2,760)</b>	<b>(821)</b>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

In these financial statements the following new standards have been adopted for the first time:

- FRS 17 Retirement benefits
- FRS 21 Events after the balance sheet date
- FRS23 The effects of changes in foreign exchange rates
- FRS 25 Financial instruments: presentation and disclosure
- FRS 26 Financial instruments: measurement
- FRS 28 Corresponding amounts

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 Corresponding amounts has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

The corresponding amounts in these financial statements are, other than those covered by the exception permitted by FRS 25, restated in accordance with the new policies. FRS 25 permits the corresponding amounts not to be restated and the Company has adopted this approach. The financial instruments policy set out below provides further details of the current year and comparative year basis and of the change booked on 1 April 2005.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. Under Financial Reporting Standard (FRS) 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Oxford Instruments plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Oxford Instruments plc, within which this company is included, can be obtained from the address given in note 21.

#### *Going concern*

The Financial Statements have been prepared on a going concern basis, based on the Directors' opinion, after making reasonable enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future. The parent company has agreed to support the company to the extent needed to enable it to trade and pay its liabilities as and when they become due.

#### *Turnover*

Turnover, which excludes value added tax and similar sales based taxes, represents sales to external customers of products and services and is stated before commissions payable to agents. Turnover is recognised on shipment, except for service contracts and long term contracts where the risks and rewards have been transferred to the customer. Turnover from contracts for maintenance and support is recognised on a pro rata basis over the contract period. Turnover recorded at the time of shipment includes an allowance for installation and the estimated warranty and installation costs are accrued in full at the same time. Warranty costs are based on the historical relationship between actual costs incurred and the relevant turnover exposure.

### ***Goodwill***

Purchased goodwill (representing the excess of fair value of the consideration given and associated costs over the fair value of the separable net assets acquired) is capitalised and amortised to nil by equal annual instalments over its estimated useful life.

### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

### ***Fixed assets and depreciation***

Depreciation is provided to write off the valuation or the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2.0% per annum
Machinery and equipment	-	20% per annum
Computer equipment	-	25% per annum
Motor vehicles	-	25% per annum
Furniture and fittings	-	10% per annum

Leasehold land and buildings, where the period of the lease is less than 50 years, are written off on a straight line basis over the remaining period of the lease. Freehold land is not depreciated.

### ***Stocks and work in progress***

Stocks and work in progress are valued at the lower of cost, including materials, direct labour and an attributable proportion of production overheads, and net realisable value, net of payments on account. Provision is made for obsolete, slow moving and defective stock where appropriate in the light of recent usage, expected future requirements, new product introduction plans and likely realisable values.

### ***Pensions***

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 Retirement benefits, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Refer to note 17 for the additional disclosures required by FRS 17.

### ***Government grants***

Government grants are credited to the trading profit in the period in which they become receivable.

### ***Research and development***

Research and development expenditure, net of grants receivable, is charged to the profit and loss account in the year in which it is incurred, unless it is receivable under a customer contract when it is carried forward as work in progress at the lower of cost and net realisable value.

### ***Foreign currency***

The Company enters into forward exchange contracts to mitigate the currency exposure that arise on sales and purchases denominated in foreign currencies. Transactions in foreign currencies are converted into sterling at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are

translated at the rates ruling at the balance sheet date or at the appropriate forward contract rates. Exchange profits and losses arising from the above are dealt with in the profit and loss account.

***Classification of financial instruments issued by the Company***

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (ie. forming part of the shareholders' funds) only to the extent that they meet the following two conditions:

- i) they include no contractual obligation upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- ii) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividend policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

The Company has taken advantage of the transitional arrangements of FRS 25 not to restate corresponding amounts in accordance with the above policy. The adjustment necessary to implement this policy has been made as at 1 April 2005 with the adjustment to the net assets, after tax, taken through the 31 March 2006 reconciliation of movements in shareholders' funds. Corresponding amounts for 31 March 2005 are presented and disclosed in accordance with the requirements of FRS4 (as applicable at 31 March 2005).

There is no material difference between the 31 March 2005 and 31 March 2006 bases of accounting.

In the year ended 31 March 2006 hedging instruments and hedged items are accounted for separately in the balance sheet. Gains and losses in both are included in profit for the year when they arise (fair value hedges) or when the hedged transaction occurs having first recorded those on the hedging instrument in equity (cash flow hedges, to the extent effective). In the year ended 31 March 2005 hedging instruments were not recognised and hedged items were held at cost (amortised as appropriate) without any adjustment in respect of the hedged risk. On 1 April 2005 the hedged items and hedging instruments are brought separately on to the balance sheet in accordance with the year ended 31 March 2006 policy.

***Leases***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

***Dividends on shares presented within shareholders' funds***

Dividend unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

***Financial guarantee contracts***

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

## Notes (continued)

### 2 Analysis of turnover

All activities of the company are within one class of business originating from the UK. The company operates within several geographical areas:

	2006 £000	2005 £000
By destination		
United Kingdom	574	235
Europe	543	249
USA	1,269	594
China	149	1,379
Far East	1,608	18
Other	365	146
	<u>4,508</u>	<u>2,621</u>

### 3 Loss on ordinary activities before taxation

	2006 £000	2005 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditors remuneration		
- audit	10	5
Research and development	2,228	1,211
Exceptional item – Witney closure costs	-	230
Rentals payable under operating leases – hire of plant and machinery	26	17
Rentals payable under operating leases – hire of other assets	6	10
Depreciation of tangible fixed assets		
- Owned	77	90
Loss on the disposal of fixed assets	4	3
Amortisation of Goodwill	284	143
	<u>284</u>	<u>143</u>

### 4 Remuneration of directors

	2006 £000	2005 £000
Directors' emoluments	190	57
	<u>190</u>	<u>57</u>
Company contributions to money purchase pension schemes	12	-
	<u>12</u>	<u>-</u>

There was one (2005: none) director to whom retirement benefits were accruing under the Group defined benefit scheme. One (2005: none) director has retirement benefits accruing under a money purchase scheme.

The aggregate of emoluments of the highest paid director were £104,000. He is a member of a defined benefit scheme, under which his accrued annual pension at year end was £31,000 (2005: nil). There were no options exercised during the year by the highest paid director.

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2006	Number of employees 2005
Production	12	3
Sales and marketing	6	4
Research and development	24	15
Administration	3	5
	<hr/> 45	<hr/> 27

The aggregate payroll costs of these persons were as follows:

	2006 £000	2005 £000
Wages and salaries	1,423	800
Social security costs	156	76
Other pension costs	82	47
	<hr/> 1,661	<hr/> 923

### 6 Taxation

	2006 £000	2005 £000
Group relief receivable	665	299
Total current tax	665	299
Deferred tax (note 13)	(11)	19
	<hr/> 654	<hr/> 318

The current tax credit for the year is lower (2005: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2006 £000	2005 £000
Loss on ordinary activities before tax	2,593	1,239
Loss on ordinary activities before tax at standard tax rate of 30%	778	372
Effects of:		
Group income not taxable	-	62
Expenses not deductible for tax purposes	(87)	(105)
Short term timing differences	(2)	(2)
Accounting depreciation in excess of tax depreciation	(24)	(28)
Total current tax credit	<hr/> 665	<hr/> 299

## Notes (continued)

### 7 Intangible fixed assets

#### Goodwill £000

#### Cost

At beginning and end of year 2,838

#### Amortisation

At beginning of year 143

Charge for year 284

At end of year 427

#### Net book value

At 31 March 2006 2,411

At 31 March 2005 2,695

The Goodwill arises from the acquisition of Resonance Instruments Ltd (in 2005). The directors consider that the Goodwill has a useful economic life of 10 years and is being amortised on a straight-line basis over that period.

### 8 Tangible fixed assets

	Plant and Machinery £000	Fixtures and Fittings £000	Total £000
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#### Cost

At beginning of year	413	4	417
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Additions	425	-	425
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Disposals	(47)	-	(47)
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At end of year	791	4	795
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#### Depreciation

At beginning of year	265	2	267
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Charge for year	77	-	77
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Disposals	(42)	-	(42)
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At end of year	300	2	302
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#### Net book value

At 31 March 2006	491	2	493
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At 31 March 2005	148	2	150
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## Notes (continued)

### 9 Stock

	2006 £000	2005 £000
Raw materials and consumables	147	352
Work in progress	238	17
Finished goods	396	77
	<u>781</u>	<u>446</u>

### 10 Debtors

	2006 £000	2005 £000
<b>Amounts falling due within one year</b>		
Trade debtors	979	470
Amounts owed by group undertakings	42	27
Other debtors	133	83
Corporation tax	964	325
Prepayments and accrued income	142	397
	<u>2,260</u>	<u>1,302</u>
<b>Amounts falling due after one year</b>		
Deferred tax (see note 15)	8	19
	<u>2,268</u>	<u>1,321</u>

### 11 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Bank loans and overdraft	5,014	2,201
Payments on account	130	-
Trade creditors	554	322
Amounts owed to group undertakings	2,327	2,100
Other creditors including taxation and social security	339	224
Accruals and deferred income	179	258
	<u>8,543</u>	<u>5,105</u>

### 12 Creditors: amounts falling due after more than one year

	£000	£000
Other creditors	250	1,200

Amounts due to other creditors represents amounts due in respect of the acquisition of Resonance Instruments Ltd in the prior year.

## Notes (continued)

### 13 Provision for liabilities and charges

	Witney Closure provision £000	Warranty provision £000	Total £000
At beginning of year	126	63	189
Additional provision made in year	-	7	7
Utilised during the year	(88)	(37)	(125)
<b>At end of year</b>	<b>38</b>	<b>33</b>	<b>71</b>

The Witney closure provision relates to the costs of closing a site at Witney, Oxfordshire.

	2006 £000	2005 £000
<b>Deferred tax asset</b>		
At beginning of year	19	-
Transfer to profit and loss account	(11)	19
<b>At end of year</b>	<b>8</b>	<b>19</b>

The deferred tax asset comprises the following elements:

	2006 Recognised £000	2006 Unrecognised £000	2005 Recognised £000	2005 Unrecognised £000
Excess of depreciation over corresponding capital allowances	8	38	16	-
Other timing differences	-	10	3	-
Losses	-	285	-	15
	<b>8</b>	<b>333</b>	<b>19</b>	<b>15</b>

A deferred tax asset has been recognised in the accounts relating to short term timing differences and accelerated capital allowances which have not been fully claimed. The company has recognised the assets only to the extent that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

### 14 Called up share capital

	£000
<b>Authorised</b>	
100,000 ordinary £1 shares	100
<b>Allotted, called up and fully paid</b>	
100,000 ordinary £1 shares	100

## Notes (continued)

### 15 Profit and loss account

	2006 £000	2005 £000
At beginning of year	(921)	-
Loss for the year	(1,939)	(921)
At end of year	(2,860)	(921)

### 16 Pension commitments

The Company and its employees contribute to the Oxford Instruments Pension Scheme, a defined benefit scheme. Contributions are based on pension costs across the Group as a whole. The assets of the Scheme are held in a separate trustee administered fund.

The Oxford Instruments Pension Scheme was closed to new members from 1 April 2001. Since this date new employees have been invited to join the Oxford Instruments Stakeholder Plan, a defined contribution scheme. The Company makes contributions to the scheme.

The Directors do not believe it possible to allocate the assets and liabilities of the scheme to individual group members on a consistent and responsible basis. Accordingly, under FRS 17 the Company is exempt from recognising its share of the net pension deficit and accounts for the scheme as though it were a defined contribution scheme.

The latest actuarial valuation was carried out at 31 March 2003 and updated to 31 March 2006 on an FRS 17 basis by a qualified independent actuary.

The major assumptions used by the actuary were (in nominal terms):

	At 31 March 2006 %	At 31 March 2005 %
Rate of increase in salaries	4.0	3.9
Rate of increase in pensions in payment	2.8	2.7
Discount Rate	4.9	5.4
Inflation assumption	3.0	2.9

	Long term Rate of Return Expected at 31 March 2006 %	Value at 31 March 2006 £m	Long term Rate of Return Expected at 31 March 2005 %	Value at 31 March 2005 £m	Long term Rate of Return Expected at 31 March 2004 %	Value at 31 March 2004 £m
Equities	7.5	66.7	8.0	56.1	8.0	49.7
Corporate Bonds	4.9	8.4	N/A	-	5.6	10.2
Glts	4.2	26.9	4.7	23.6	4.7	10.3
Property	6.0	10.6	6.5	8.8	6.5	7.6

Cash and other assets	4.5	0.7	4.0	1.6	4.0	3.0
Absolute return fund	7.0	10.0	7.5	8.5	7.5	8.0
Total market value of assets		123.3		98.6		88.8
Present value of scheme liabilities		(173.2)		(139.1)		(124.3)
Deficit in the scheme		(49.9)		(40.5)		(35.5)
Related deferred tax asset*		15.0		12.2		10.7
Net pension liability		(34.9)		(28.3)		(24.8)

\* Based on 30% rate of tax

The contributions paid by the Company were £50,000 (2005 £34,000)

## 17 Commitments

### *Operating lease commitments*

Annual commitments under non-cancellable operating leases are as follows:

	2006 Land and buildings £000	2006 Other £000	2005 Land and buildings £000	2005 Other £000
Operating leases which expire:				
Within one year	-	-	-	2
In the second to fifth years inclusive	81	16	81	10
	<u>81</u>	<u>16</u>	<u>81</u>	<u>12</u>

### *Capital commitments*

Capital commitments at 31 March 2006 were £24,000 (2005: Nil).

## **Notes** *(continued)*

### **18 Contingent liabilities**

In the normal course of business the Company has provided guarantees in respect of performance bonds. No security has been given in respect of any contingent liability.

### **19 Immediate and ultimate holding company**

The company's immediate holding company is Oxford Instruments Superconductivity Holdings Limited, a company registered in England and Wales.

The ultimate parent company is Oxford Instruments plc, a company registered in England and Wales. This is the only company in the group that prepares consolidated financial statements. These are available to the public and may be obtained from Oxford Instruments plc's head office at Old Station Way, Eynsham, Witney, Oxon, OX29 4TL, England.