Oxford Instruments Molecular Biotools Limited

Directors' report and financial statements

Registered number 5004981

31 March 2009

Contents

Company number 5004981

Business review and principal activities

The Company is a wholly-owned subsidiary of Oxford Instruments plc and operates as part of its Molecular Biotools division.

The Company's principal activities are the manufacture and sale of advanced instrumentation to life sciences and industrial research and academic customers worldwide. The Company's life sciences research customers are now following more conservative spending plans; as a result the Company has curtailed its research spend in this side of the business resulting in a one-off exceptional charge. The Company retains the capability to exploit fully the benefits of this market when the upturn comes. The Directors are not, at the date of this report, aware of any likely major changes in the Company's activities in the next year.

The Company invests in research and development activities appropriate to the nature and size of its operations with the aim of supporting the future development of the Company in the medium to long-term future. This research and development activity has resulted in a number of updates to existing products.

As shown in the Company's profit and loss account on page 7, the Company's made a loss before tax of £5.8 million. This included restructuring costs of £2.6m as discussed above.

The balance sheet on page 8 of the financial statements shows the Company's financial position at the year-end.

There have been no significant events since the balance sheet date that should be considered for a proper understanding of these financial statements

The Company manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Molecular Biotools division of Oxford Instruments plc, which includes the Company, is discussed in Oxford Instruments plc's Annual Report, which does not form part of this Report.

Principal risks and uncertainties

Competitive pressure as competitors move into the Company's markets could result in it losing sales. To manage this risk, the Company strives to provide added-value products and services to its customers; prompt response times in the supply of products and services and in the handling of customer queries; and through the maintenance of strong relationships with customers.

The Company sells products into international markets and it is therefore exposed to currency movements on such sales. Currency risk is managed by Oxford Instruments plc on behalf of the Company.

The Company's businesses may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

The Company is a member of Oxford Instruments plc's multi-employer UK defined benefit pension plan, which is currently in deficit. The funding level of this pension plan is subject to adverse change resulting from movements in the actuarial assumptions underlying the calculation of plan liabilities, including decreasing discount rates and increasing longevity of plan members, as well as declines in the market value of plan investments. The UK pension plan is closed to new members and deficit-reduction contributions in addition to the normal cash contributions due are being made under the terms of a repayment schedule agreed with the plan Trustee. Significant adverse changes in the actuarial assumptions underlying the UK plan valuation and the Company's share of any deficit-reduction contributions made into the plan could materially impact the Company's trading results. Further details can be found in note 16.

The Company is financed by an interest free fixed rate loan from Oxford Instruments plc along with a bank overdraft secured by the Oxford Instruments plc.

The Group risks to which the Company is exposed are discussed in OI plc's Annual Report, which does not form part of this Report.

Business review and principal activities *(continued)*

Environment
The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates in accordance with Group policies, as noted in Oxford Instruments plc's Annual Report, which does not form part of this Report. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Employees
Details of the number of employees and related costs can be found in note 5 to the financial statements.

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2009.

The business review on pages 1 and 2 forms part of this Directors' report.

Dividend
The directors do not recommend the payment of a dividend. The retained loss of £5,879,000 has been transferred to reserves.

Directors

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

K J Boyd	
F J Trundle	(resigned 31/3/2009)
D J Flint	
I R Barkshire	(resigned 17/9/2008)
S H Durrant	(appointed 17/9/2008)

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 59 days (2008: 48 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 section 487 of Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit PLC will therefore continue in office.

By order of the board

9 June 2009

Susan Johnson-Brett
Secretary

Tubney Woods
Abingdon
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 and applicable law (UK 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditors' report to the members of Oxford Instruments Molecular Biotools Limited

We have audited the financial statements of Oxford Instruments Molecular Biotools Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholder's 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

9 June 2009

Profit and loss account
for the year ended 31 March 2009

	Notes	2009 £000	2008 £000
Turnover	2	**5,916**	8,164
Cost of sales		**(3,777)**	(5,466)
Gross profit		**2,139**	2,698
Distribution costs		**(1,396)**	(1,551)
Administrative expenses (including an exceptional loss of £2,559,000 (2008: £nil))	6	**(6,413)**	(3,734)
Operating loss	3	**(5,670)**	(2,587)
Interest receivable		**13**	4
Interest payable		**(168)**	(197)
Loss on ordinary activities before taxation		**(5,825)**	(2,780)
Tax on loss on ordinary activities	7	**(54)**	1,683
Loss on ordinary activities after taxation, being retained loss for the financial year		**(5,879)**	(1,097)

All figures relate to continuing operations. The Company has no recognised gains and losses other than the loss for the year and therefore no separate statement of recognised gains and losses has been presented.

Balance sheet
at 31 March 2009

	Notes	£000	2009 £000	£000	2008 £000
Fixed assets					
Tangible assets	8		**1,559**		1,843
Investments	9		**88**		612
			1,647		2,455
Current assets					
Stock	10	**717**		1,900	
Debtors	11	**1,820**		3,534	
Cash at bank and in hand		**168**		402	
		2,705		5,836	
Creditors: amounts falling due within one year	12	**(17,321)**		(15,865)	
Net current liabilities			**(14,616)**		(10,029)
Total assets less current liabilities			**(12,969)**		(7,574)
Provisions for liabilities and charges	13		**(838)**		(356)
Net liabilities			**(13,807)**		(7,930)
Capital and reserves					
Called up share capital	14		**100**		100
Profit and loss account	15		**(13,907)**		(8,030)
Shareholder's deficit - equity			**(13,807)**		(7,930)

These financial statements were approved by the board of directors on 9 June 2009 and were signed on its behalf by:

K Boyd
Director

Reconciliation of movement in shareholder's funds
for the year 31 March 2009

	2009 £000	2008 £000
Opening shareholder's deficit	**(7,930)**	(6,839)
Retained loss for the financial year	**(5,879)**	(1,097)
Credit in respect of employee share options	**2**	6
Closing shareholder's deficit	**(13,807)**	(7,930)

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 except as follows.

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 18.

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 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.

Notes *(continued)*

1 Accounting policies *(continued)*

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 16 for the additional disclosures required by FRS 17.

Share-based payments
The share option programme allows employees to acquire shares of the ultimate Parent Company. The fair value of options granted after 7 November 2002 and those not yet vested as at 1 April 2005 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

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.

Notes *(continued)*

1 Accounting policies *(continued*

Classification of financial instruments issued by the Company
Financial instruments issued by the Company are treated as equity (ie. forming part of the shareholder's 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 shareholder's funds (see dividend policy), are dealt with as appropriations in the reconciliation of movements in shareholder's funds.

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 shareholder's funds
Dividends 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:

By destination	2009 £000	2008 £000
United Kingdom	**486**	785
Europe	**766**	437
USA and Canada	**2,403**	4,617
Asia	**1,329**	1,609
Other	**932**	716
	5,916	8,164

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:	2009 £000	2008 £000
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**11**	11
Research and development	**1,818**	2,424
Hire of plant and machinery – rentals payable under operating leases	**18**	31
Hire of other assets – operating leases	**2**	10
Depreciation of tangible fixed assets - owned	**204**	178
Loss on the disposal of fixed assets	**449**	47
Amortisation of goodwill	**284**	284

Notes *(continued)*

3 Loss on ordinary activities before taxation *(continued)*

Administrative expenses include a charge of £2,000 *(2008: £6,000)* in respect of the cost of providing share options in the parent company. The cost is calculated by estimating the fair value of the option at grant date and spreading that amount over the vesting period. Further details of the assumptions used in these calculations are given below.

The terms and conditions of all awards and grants made since 7 November 2002 are as follows; all awards and option exercises are settled by physical delivery of shares:

Grant date	Plan	Employees entitled	Number of instruments granted	Vesting conditions	Contractual life of option
December 2008	Executive Share Option Scheme	Certain senior executives	11,000	Three years of service plus satisfaction of performance conditions	10 years
September 2007	Executive Share Option Scheme	Certain senior executives	33,500	Three years of service plus satisfaction of performance conditions	10 years
December 2006	UK Save As You Earn Scheme 21	All UK employees	17,503	Three or five years of service	3.5 or 5.5 years
September 2006	Executive Share Option Scheme	Certain senior executives	3,333	Three years of service plus satisfaction of performance conditions	10 years
July 2006	Executive Share Option Scheme	Certain senior executives	36,044	Three years of service plus satisfaction of performance conditions	10 years
December 2005	Executive Share Option Scheme	Certain senior executives	480	Three years of service plus satisfaction of performance conditions	10 years
December 2005	UK Save As You Earn Scheme 21	All UK employees	17,257	Three or five years of service	3.5 or 5.5 years
July 2005	Executive Share Option Scheme	Certain senior executives	43,224	Three years of service plus satisfaction of performance conditions	10 years
December 2004	UK Save As You Earn Scheme 19	All UK employees	24,392	Three or five years of service	3.5 or 5.5 years
July 2004	Executive Share Option Scheme	Certain senior executives	62,897	Three years of service plus satisfaction of performance conditions	10 years
December 2003	UK Save As You Earn Scheme 18	All UK employees	24,987	Three or five years of service	3.5 or 5.5 years
July 2003	Executive Share Option Scheme	Certain senior executives	74,563	Three years of service plus satisfaction of performance conditions	10 years
December 2002	Executive Share Option Scheme	Certain senior executives	4,800	Three years of service plus satisfaction of performance conditions	10 years
December 2002	UK Save As You Earn Scheme 17	All UK employees	13,261	Three or five years of service	3.5 or 5.5 years

Notes *(continued)*

3 Loss on ordinary activities before taxation *(continued)*

Executive Share option Scheme

	December 2008	September 2007	September 2006	July 2006	December 2005	July 2005	July 2004	July 2003
Fair value at measurement date	23.8p	51.3p	44.6p	46.6p	64.0p	56.5p	64.5p	47.5p
Share price	£1.33	£2.30	£2.05½	£2.10	£2.42¼	£2.17½	£2.18½	£1.87½
Exercise price	£1.35	£2.32	£2.03¾	£2.10	£2.42½	£2.19	£2.18	£1.88
Expected volatility	34.4%	30.2%	33.5%	34.3%	37.3%	38.4%	41.9%	41.7%
Expected option life (expressed as weighted average life used in the modelling)	6 years	6 years	6 years	6 years	6 years	6 years	6 years	6 years
Expected dividend yield	6.3%	3.7%	4.1%	4.0%	3.5%	3.9%	3.8%	4.5%
Risk free interest rate	3.0%	5.8%	4.6%	4.7%	4.3%	4.2%	5.1%	3.9%
Performance condition discount in respect of TSR condition	n/a	33.7%	31.4%	33.6%	24.2%	23.0%	21.0%	26.0%

UK Save as You Earn Scheme – 3 year

	December 2006	December 2005	December 2004	December 2003	December 2002
Fair value at measurement date	83.7p	65.0p	63.0p	55.0p	37.0p
Share price	£2.55	£2.44	£2.14	£1.95	£1.47½
Exercise price	£1.83	£2.14	£1.75	£1.74	£1.35
Expected volatility	25.8%	33.3%	35.0%	40.1%	41.6%
Expected option life (expressed as weighted average life used in the modelling)	3.25 years	3.25 years	3.25 years	3.25 years	3.25 years
Expected dividend yield	3.3%	3.4%	3.9%	4.3%	5.7%
Risk free interest rate	5.1%	4.3%	4.4%	4.5%	4.1%

Notes *(continued)*

3 Loss on ordinary activities before taxation *(continued)*

UK Save as You Earn Scheme – 5 year

	December 2006	December 2005	December 2004	December 2003	December 2002
Fair value at measurement date	98.5p	79.0p	78.0p	69.0p	43.0p
Share price	£2.55	£2.44	£2.14	£1.95	£1.47½
Exercise price	£1.73	£2.02	£1.65	£1.64	£1.27
Expected volatility	31.0%	34.2%	39.8%	43.7%	41.5%
Expected option life (expressed as weighted average life used in the modelling)	5.25 years	5.25 years	5.25 years	5.25 years	5.25 years
Expected dividend yield	3.3%	3.4%	3.9%	4.3%	5.7%
Risk free interest rate	4.9%	4.2%	4.4%	4.7%	4.3%

In all cases expected volatility has been based on historical volatility over a period of time of the same length as the expected option life and ending on the grant date. The volatility has been used to incorporate a discount for TSR market condition in the ESO scheme.

The Executive Share Option Scheme has been valued using a Monte-Carlo stochastic model. The Save as You Earn scheme have been valued using a modified Black-Scholes model.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2009	**Number of options 2009**	Weighted average exercise price 2008	Number of options 2008
Outstanding at the beginning of the period	**£1.87**	**94,199**	£1.93	67,949
Granted during the year	**£1.04**	**11,000**	£2.32	33,500
Forfeited during the year	**£1.91**	**(15,250)**	£2.74	(2,500)
Exercised during the year	**£1.76**	**-**	£1.78	-
Lapsed during the year	**£1.93**	**(12,940)**	£1.52	(4,750)
Outstanding at the year end	**£1.58**	**77,009**	£1.87	94,199

Notes *(continued)*

4 Remuneration of directors

	2009 £000	2008 £000
Directors' emoluments	197	122
Company contributions to money purchase pension schemes	3	3

During the year there was one (2008: one) director to whom retirement benefits were accruing under the Group defined benefit scheme and two *(2008: one)* directors to whom retirement benefits were accruing under a money purchase scheme.

The aggregate of emoluments of the highest paid director were £92,000 (2008: £97,000). There were no options exercised during the year by the highest paid director.

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:

	Number of employees	
	2009	2008
Production	18	14
Sales and marketing	14	16
Research and development	27	28
Administration	4	5
	63	63

The aggregate payroll costs of these persons was as follows:

	2009 £000	2008 £000
Wages and salaries	3,017	2,481
Social security costs	277	235
Other pension costs	144	146
	3,438	2,862

Wages and salaries include £503,000 in respect of redundancy costs

6 Exceptional items

As mentioned in the Business Review (page 1), the Company has curtailed its research spend in the life sciences part of the business resulting in a one-off exceptional charge. The exceptional costs incurred during the year relate to this reorganisation and comprise stock write downs of £1,414,000, fixed assets write downs of £449,000 and redundancy and related costs of £696,000.

Notes *(continued)*

7 Taxation

	Note	2009 £000	2008 £000
Group relief surrendered		-	773
Adjustments relating to prior years		-	913
Total current tax		-	1,686
Withholding tax		(1)	-
Deferred tax	11	(53)	(3)
		(54)	1,683

The current tax charge for the year is higher *(2008: credit higher)* than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below:

	2009 £000	2008 £000
Loss on ordinary activities before tax	(5,825)	(2,780)
Loss on ordinary activities before tax at standard tax rate of 28% (2008: 30%)	(1,631)	(834)
Effects of:		
Expenses not deductible	91	85
Accounting depreciation in excess of tax depreciation	187	68
Current tax losses not utilised	-	(101)
Permanent differences	-	9
Adjustments relating to prior year	-	(913)
Tax losses surrendered for no payment	1,353	-
	-	1,686

8 Intangible fixed assets

	Goodwill £000
Cost	
At beginning and end of the year	2,838
Amortisation	
At beginning of year	995
Charge for year	284
At end of year	1,279
Net book value	
At 31 March 2009	**1,559**
At 31 March 2008	1,843

Goodwill has a useful economic life of 10 years and is being amortised on a straight-line basis over that period.

Notes *(continued)*

9 Tangible fixed assets

	Plant and machinery £000
Cost	
At beginning of year	**1,112**
Additions	**146**
Disposals	**(899)**
At end of year	**359**
Depreciation	
At beginning of year	**500**
Charge for year	**204**
Disposals	**(433)**
At end of year	**271**
Net book value	
At 31 March 2009	**88**
At 31 March 2008	612

10 Stock

	2009 £000	2008 £000
Raw materials and consumables	**325**	1,073
Work in progress	**225**	490
Finished goods	**167**	337
	717	1,900

Notes *(continued)*

11 Debtors

	2009 £000	2008 £000
Amounts falling due within year:		
Trade debtors	**856**	804
Amounts owed by group undertakings	**135**	773
Other debtors	**21**	128
Corporation tax	**774**	1,686
Prepayments and accrued income	**34**	90
	1,820	3,481
Amounts falling due after one year:		
Deferred tax (see below)	**-**	53
	1,820	3,534

Deferred tax asset		
At beginning of year	**53**	56
Transfer to profit and loss account	**(53)**	(3)
At the end of the year	**-**	53

The deferred tax asset comprises the following elements:

	2009 Recognised £000	2009 Unrecognised £000	2008 Recognised £000	2008 Unrecognised £000
Excess of depreciation over corresponding capital allowances	**-**	**324**	53	95
Losses	**-**	**843**	-	381
At end of the year	**-**	**1,167**	53	476

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available against which the Company can utilise the benefits there from.

12 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Bank loans and overdraft	**5,227**	3,640
Payments received on account	**307**	73
Trade creditors	**428**	643
Amounts owed to group undertakings	**10,306**	10,190
Other creditors including taxation and social security	**58**	360
Accruals and deferred income	**995**	959
	17,321	15,865

Notes *(continued)*

13 Provision for liabilities and charges

	Restructuring * £000	Warranty £000	**Total £000**
At beginning of year	-	356	**356**
Additional provision made in year	566	318	**884**
Utilised in the year	-	(361)	**(41)**
Released during the year	-	(41)	**(361)**
At the end of the year	566	272	**838**

* See Note 6 for details of restructuring costs in the year.

14 Called up share capital

	£000
Authorised	
100,000 ordinary £1 shares	100
Allotted, called up and fully paid	
100,000 ordinary £1 shares	100

15 Profit and loss account

	2009 £000	2008 £000
At beginning of year	**(8,030)**	(6,939)
Retained loss for the financial year	**(5,879)**	(1,097)
Credit in respect of employee share options	**2**	6
At end of year	**(13,907)**	(8,030)

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 made contributions to this scheme of £0.1m (2008: £0.1m) during the year.

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 2006 and updated to 31 March 2009 by a qualified independent actuary.

Notes *(continued)*

16 Pension commitments *(continued)*

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

	At 31 March 2009 %	At 31 March 2008 %
Rate of increase in salaries	**3.4**	4.4
Rate of increase in pensions in payment (pre1997)	**2.6**	3.4
Rate of increase in pension in payment (post 1997)	**2.9**	2.8
Discount rate	**6.9**	6.4
Inflation assumptions	**2.9**	3.4

	Long term rate of return expected at 31 March 2009 %	**Value at 31 March 2009 £m**	Long term rate of return expected at 31 March 2008 %	Value at 31 March 2008 £m	Long term rate of return expected at 31 March 2007 %	31 March 2007 £m	31 March 2006 %	Long term rate of return expected at 31 March 2006 £m
Equities	**8.0**	**43.6**	8.0	58.7	**8.0**	70.4	7.5	66.5
Corporate bonds	**6.9**	**28.4**	6.4	26.1	**5.4**	19.9	4.9	8.4
Gilts	**4.2**	**30.0**	4.5	29.2	**4.5**	27.0	4.2	26.9
Property	**-**	**-**	-	-	-	-	6.0	10.6
Cash and other assets	**4.2**	**12.0**	5.3	5.7	**5.3**	2.8	4.5	0.9
Absolute return fund	**7.0**	**5.8**	7.3	15.1	**7.3**	10.6	7.0	10.0
Total market value of assets		**119.8**		134.8		130.7		123.3
Present value of scheme liabilities		**(131.3)**		(154.0)		(159.4)		(173.2)
Deficit in the scheme		**(11.5)**		(19.2)		(28.7)		(49.9)
Related deferred tax asset*		**3.2**		5.4		8.6		15.0
Net pension liability		**(8.3)**		(13.8)		(20.1)		(34.9)

* Based on 28% (previous years 30%) rate of tax

The contributions paid to the defined benefit scheme by the Company were £68,000 (2008: £79,000).

The contributions paid to the defined contribution scheme by the Company were £76,000 (2008: £67,000).

Notes *(continued)*

17 Commitments

Operating lease commitments

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

	2009 Other £000	2008 Other £000
Operating leases which expire:		
Within one year	-	7
In the second to fifth years inclusive	15	5
	15	12

Capital commitments

There were no capital commitments at 31 March 2009 (2008: £23,000).

18 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 Tubney Woods, Abingdon, Oxon, OX13 5QX, England.