

Oxford Instruments Analytical Limited

**Directors' report and financial
statements**

Registered number 1044063

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 profit of £1,687,000 (2005: profit 1,877,000) has been transferred to reserves.

Directors and directors' interests

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

A P Davies	A T Ellis
C J A Holroyd	J Jefferson
D M Scott	D A Varnam
D J Flint (appointed 16 May 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 is also a director of the ultimate holding company, and his interests in the shares and share option holdings are disclosed in the accounts of that Company, Oxford Instruments plc.

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

	2006	2005
CJA Holroyd	24,561	24,561
AT Ellis	2,413	2,133
AP Davies	1,592	1,592
J Jefferson	961	961

Directors' interests in options under the Senior Executive Long Term Incentive Scheme (SELTIS), the Executive Share Option Schemes 1995 and 2001 (ESO) and the Savings Related Share Option Schemes 1995 (SAYE) and in Individual Options were:

	Scheme	31 March 2006	Number of options during the year				Exercise price	Date for earliest exercise	Date for latest exercise
			Lapsed	Exercised	Granted	31 March 2005			
AP Davies	SAYE	1,275	-	-	1,275	0	£2.02	01/02/11	31/07/11
	SAYE	1,201	-	-	-	1,201	£1.65	01/02/10	31/07/10
	SAYE	1,159	-	-	-	1,159	£1.64	01/02/09	31/07/09
	SAYE	517	-	-	-	517	£1.27	01/02/08	31/07/08
	SAYE	710	-	-	-	710	£1.77	01/02/07	31/07/07
	SAYE	1,019	-	-	-	1,019	£1.39	01/02/06	31/07/06
	ESO	7,500	-	-	7,500	0	£2.19	15/07/08	14/07/15
	ESO	7,000	-	-	-	7,000	£2.18	15/07/07	14/07/14
	ESO	10,000	-	-	-	10,000	£1.875	15/07/06	14/07/13
	ESO	0	9,000	-	-	9,000	£2.22	15/07/05	14/07/12

Directors' report (continued)

Directors and directors' interests (continued)

		Number of options during the year							
	Scheme	31 March 2006	Lapsed	Exercised	Granted	31 March 2005	Exercise Price	Date for earliest exercise	Date for latest exercise
DM Scott	ESO	2,000	-	-	-	2,000	£1.96	21/12/01	20/12/08
	ESO	2,500	-	-	-	2,500	£3.58	26/06/00	25/06/07
	ESO	0	3,000	-	-	3,000	£4.13	28/11/98	27/11/05
	ESO	7,500	-	-	7,500	0	£2.19	15/07/08	14/07/15
	ESO	9,000	-	-	-	9,000	£2.18	15/07/07	14/07/14
	ESO	10,000	-	-	-	10,000	£1.875	15/07/06	14/07/13
	ESO	0	15,000	-	-	15,000	£2.22	15/07/05	14/07/12
J Jefferson	ESO	4,000	-	-	-	4,000	£1.945	24/12/02	23/12/09
	SAYE	1,201	-	-	-	1,201	£1.65	01/02/10	31/07/10
	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	0	2,000	-	-	2,000	£2.22	15/07/05	14/07/12
	ESO	2,000	-	-	-	2,000	£1.96	21/12/01	20/12/08
AT Ellis	ESO	1,000	-	-	-	1,000	£3.58	26/06/00	25/06/07
	SAYE	699	-	-	699	0	£2.14	01/02/09	31/07/09
	SAYE	649	-	-	-	649	£1.75	01/02/08	31/07/08
	SAYE	636	-	-	-	636	£1.74	01/02/07	31/07/07
	SAYE	0	-	280	-	280	£1.35	01/02/06	31/07/06
	ESO	7,000	-	-	-	7,000	£2.18	15/07/07	14/07/14
	ESO	9,000	-	-	-	9,000	£1.875	15/07/06	14/07/13
CJA Holroyd	ESO	0	9,000	-	-	9,000	£2.22	15/07/05	14/07/12
	ESO	1,000	-	-	-	1,000	£1.96	21/12/01	20/12/08
	ESO	1,000	-	-	-	1,000	£3.58	26/06/00	25/06/07
	SAYE	699	-	-	699	0	£2.14	01/02/09	31/07/09
	SAYE	649	-	-	-	649	£1.75	01/02/08	31/07/08
	SAYE	636	-	-	-	636	£1.74	01/02/07	31/07/06
	SAYE	280	-	-	-	280	£1.35	01/02/06	31/07/06
D Varnam	SEIS	20,000	-	-	20,000	0	Nil	15/12/08	14/12/12
	ESO	40,000	-	-	40,000	0	£2.19	15/07/08	14/07/15
	ESO	50,000	-	-	-	50,000	£2.18	15/07/07	14/07/14
	ESO	50,000	-	-	-	50,000	£1.875	15/06/06	15/07/13
	ESO	0	67,000	-	-	67,000	£2.22	15/07/05	14/07/12
	ESO	26,500	-	53,000	-	79,500	£1.585	29/09/11	28/09/11
	SAYE	0	190	-	-	190	£1.77	01/02/05	31/07/05
	ESO	3,750	-	-	3,750	0	£2.19	15/07/08	14/07/15
	ESO	7,000	-	-	-	7,000	£1.875	15/07/06	14/07/13
	ESO	0	5,000	-	-	5,000	£2.22	15/07/05	14/07/12
	ESO	0	-	4,000	-	4,000	£1.945	24/12/02	23/12/09

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 42 days (2005: 43 days) based on the average daily amount invoiced by suppliers to the company during the year.

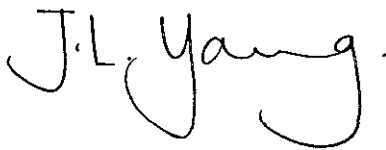
Disclosure of information to auditors

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 Analytical Limited

We have audited the financial statements of Oxford Instruments Analytical Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account and the Balance Sheet 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 4, 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
Analytical 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 profit 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

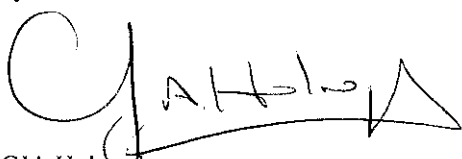
	<i>Note</i>	2006 £000	2005 £000 As restated
Turnover	2	28,364	26,644
Cost of sales		(16,374)	(14,858)
Gross profit		11,990	11,786
Distribution costs		(3,956)	(4,158)
Administrative expenses		(5,284)	(4,504)
Administrative expenses – exceptional items	6	-	(69)
Operating profit	3-5	2,750	3,055
Interest receivable – group companies		152	36
Interest payable – group companies		(41)	(4)
Profit on ordinary activities before taxation		2,861	3,087
Tax on profit on ordinary activities	7	(1,174)	(1,210)
Profit for the year	16	1,687	1,877

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

Balance sheet
at 31 March 2006

	Note	2006		2005 As restated	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		10,899		11,642
Investments	9		68		68
			<hr/>		<hr/>
			10,967		11,710
Current assets					
Stock	10	4,448		3,206	
Debtors	11	6,830		5,957	
Cash at bank and in hand		8,282		5,249	
		<hr/>		<hr/>	
		19,560		14,412	
Creditors: amounts falling due within one year	12	(12,890)		(10,227)	
		<hr/>		<hr/>	
Net current assets			6,670		4,185
			<hr/>		<hr/>
Total assets less current liabilities			17,637		15,895
Provisions for liabilities and charges	13		(360)		(305)
			<hr/>		<hr/>
Net assets			17,277		15,590
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	14		5,219		5,219
Share premium reserve	15		50		50
Profit and loss account	16		12,008		10,321
			<hr/>		<hr/>
Shareholders' funds – equity			17,277		15,590
			<hr/>		<hr/>

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


CJA Holroyd
Director

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

	2006 £000	2005 £000 As restated
Opening shareholders' funds – as previously reported	15,526	13,737
Prior year adjustment	64	(24)
	<hr/>	<hr/>
Opening shareholders' funds – as restated	15,590	13,713
Profit for the year	1,687	1,877
	<hr/>	<hr/>
Closing shareholders' funds	17,277	15,590
	<hr/>	<hr/>

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. The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

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 20.

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.

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. 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.

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	-	10-20% 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 currencies

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	2,684	3,325
Europe	9,085	6,646
USA and Canada	5,536	5,029
Japan	4,378	4,583
Rest of Far East	5,630	6,097
Other	1,051	964
	<u>28,364</u>	<u>26,644</u>

3 Profit on ordinary activities before taxation

	2006 £000	2005 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors remuneration		
- audit	21	20
Research and development	3,209	2,488
Grants receivable for research and development	-	(174)
Hire of plant and machinery – rentals payable under operating leases	164	207
Hire of other assets – operating leases	24	26
Depreciation of tangible fixed assets		
- owned	1,037	1,009
Profit on disposal of fixed assets	(6)	(1)
	<u>1,037</u>	<u>1,009</u>

Notes (continued)

4 Remuneration of directors

	2006 £000	2005 £000
Directors' emoluments	679	649
Company contributions to money purchase pension schemes	3	3

There were five (2005: five) directors to whom retirement benefits were accruing under the Group defined benefit scheme. One (2005: one) director has retirement benefits accruing under a money purchase scheme.

The aggregate of emoluments of the highest paid director was £200,000 (2005: £183,000). He is a member of a defined benefit scheme, under which his accrued annual pension at year end was £13,000 (2005: £11,000). During the year, the highest paid director exercised share options.

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	
	2006	2005
Production	97	100
Sales and marketing	23	24
Research and development	52	47
Administration	12	10
	184	181

The aggregate payroll costs of these persons was as follows:

	2006 £000	2005 £000
Wages and salaries	6,805	6,325
Social security costs	651	587
Other pension costs	589	606
	8,045	7,518

6 Exceptional items

Exceptional items in the prior year comprised £24,000 relating to redundancy expenses and £45,000 relating to the write off of obsolete stock.

Notes *(continued)*

7 Taxation

	2006 £000	2005 £000
Corporation tax adjustment relating to a prior year	-	(81)
Corporation tax charge based on profit for the year	3	3
Group relief payable	1,171	1,137
	<hr/>	<hr/>
Total current tax	1,174	1,059
Deferred tax (see Note 13)	-	151
	<hr/>	<hr/>
	1,174	1,210
	<hr/>	<hr/>

Factors affecting the current tax charge for the period:

	2006 £000	2005 £000 As restated
Profit on ordinary activities before tax	2,861	3,087
	<hr/>	<hr/>
Profit on ordinary activities before tax at 30%	858	926
Effects of:		
Accounting depreciation in excess of tax depreciation	307	305
Expenses not deductible for tax purposes	22	(91)
Other timing differences	(13)	-
Prior year adjustment	-	(81)
	<hr/>	<hr/>
	1,174	1,059
	<hr/>	<hr/>

Notes (continued)

8 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery	Fixtures and fittings	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	4,944	5,081	8,445	658	19,128
Additions	50	-	244	-	294
Disposals	-	-	(213)	(3)	(216)
At end of year	4,994	5,081	8,476	655	19,206
Depreciation					
At beginning of year	609	503	5,983	391	7,486
Charge for year	81	75	816	65	1,037
Eliminated on disposal	-	-	(213)	(3)	(216)
At end of year	690	578	6,586	453	8,307
Net book value					
At 31 March 2006	4,304	4,503	1,890	202	10,899
At 31 March 2005	4,335	4,578	2,462	267	11,642

Included above is freehold land at a cost of £900,000 (2005: £900,000) which is not depreciated.

Notes (continued)

9 Investments

	2006 £000	2005 £000
Cost		
At beginning and end of year	257	257
Net book value		
At beginning and end of year	68	68

The undertakings in which the company has an interest at the year end are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held	
<i>Subsidiary undertakings</i>				
Oxford Instruments NanoAnalysis Ltd	England and Wales	Dormant	100%	Ordinary
Oxford Instruments Measurement Systems GmbH (Wiesbaden) (formerly Link Analytical GmbH (Wiesbaden))	Germany	Advanced instrumentation	100%	Ordinary
<i>Other investments</i>				
Link Nordiska AB	Sweden	Advanced instrumentation	10%	Ordinary

10 Stock

	2006 £000	2005 £000
Raw materials and consumables	2,358	1,719
Work in progress	662	629
Finished goods and goods for resale	1,428	858
	4,448	3,206

11 Debtors

	2006 £000	2005 £000
Amounts falling due within one year		
Trade debtors	4,460	3,726
Amounts owed by group undertakings	1,310	1,097
Other debtors	29	138
Prepayments and accrued income	228	193
	6,027	5,154
Amounts falling due after one year		
Deferred tax (see Note 13)	803	803
	6,830	5,957

Notes (continued)

12 Creditors: amounts falling due within one year

	2006	2005
	£000	As restated £000
Bank loans and overdraft	1,489	557
Payments received on account	76	63
Trade creditors	2,581	2,201
Amounts owed to group undertakings	4,336	3,842
Corporation tax – group relief payable	2,308	1,137
Other creditors including taxation and social security	972	1,058
Accruals and deferred income	1,128	1,369
	<u>12,890</u>	<u>10,227</u>

13 Provisions for liabilities and charges

	Warranty provision £000	Total £000
At beginning of year	305	305
Additional provision made in year	637	637
Utilised in the year	(582)	(582)
At end of year	<u>360</u>	<u>360</u>

	2006 £000	2005 £000
<i>Deferred tax asset</i>		
At beginning of year	803	954
Transfer to profit and loss account	-	(151)
At end of year	<u>803</u>	<u>803</u>

The deferred tax asset comprises the following elements:

	2006 £000	2005 £000
Excess of depreciation over corresponding capital allowances	682	682
Other timing differences	121	121
	<u>803</u>	<u>803</u>

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.

Notes (continued)

14 Called up share capital

	2006 £000	2005 £000
<i>Authorised</i>		
5,220,000 ordinary £1 shares	5,220	5,220
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
5,219,174 ordinary £1 shares	5,219	5,219
	<hr/>	<hr/>

15 Share premium reserve

£000

At 31 March 2005 and 31 March 2006

50

16 Profit and loss account

	2006 £000	2005 £000 As restated
At beginning of year – as reported	10,257	8,468
Prior year adjustment	64	(24)
	<hr/>	<hr/>
At beginning of year as restated	10,321	8,444
Retained profit/(loss) for the year	1,687	1,877
	<hr/>	<hr/>
At end of year	12,008	10,321
	<hr/>	<hr/>

The prior year adjustment relates to the adoption of FRS 17.

17 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 £558,000 (2005 £580,000)

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.

Notes (continued)

19 Commitments

Operating lease commitments

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

	2006		2005	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	25	-	50
In the second to fifth years inclusive	-	118	-	82
	<hr/>	<hr/>	<hr/>	<hr/>
	-	143	-	132
	<hr/>	<hr/>	<hr/>	<hr/>

Capital commitments

At 31 March 2006 capital expenditure of £51,000 (2005: £80,000) had been authorised but not contracted for.

20 Immediate and ultimate holding company

The company's immediate holding company is Oxford Instruments Analytical 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.