

Oxford Instruments plc

Annual Report and Accounts 2008



The Business of Science®

REGISTERED NUMBER . 775598

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Microanalysis systems used by Formula 1 teams to support the development of advanced materials

About Us

Oxford Instruments is a worldwide business, supplying high technology tools and systems into diverse markets which include industrial analysis, research, education, space, energy and the life sciences

Our ability to observe and manipulate matter at the smallest scale allows us to exploit the emerging potential to be found in bioscience and nanotechnology. Our products support those customers who address the global issues of protecting the environment, conserving energy, security and health.

Innovation has been at the heart of Oxford Instruments since it was founded and it is the driving force behind our growth and success.

The Group now employs over 1,500 people worldwide, and has been listed on the London Stock Exchange since 1983.

Plasma etch processes are used in the manufacture of energy efficient High Brightness Light Emitting Diodes (HBLEDs)

Exploration of new frontiers supported by Oxford Instruments' detector technology and microanalysis systems

The Business of Science®

Group Financial Summary 2008

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Group Orders

+11%

Revenue

+9%

Adjusted Profit Before Tax

+27%

Adjusted EPS

+2.1p

Trading Profit Return on Sales (%)

+90 basis points

Group Results

Year ended 31 March	2008 £m	2007 £m
Orders	180.2	163.0
Revenue	176.5	161.6
Trading profit	10.6	8.3
Adjusted profit before tax (note 1)	9.5	7.5
Net (borrowings)/cash (note 25)	(17.8)	1.8
Equity	62.5	55.8

	2008 pence per share	2007 pence per share
Total basic earnings	5.6	(3.2)
Adjusted earnings	11.7	9.6
Proposed dividends	8.4	8.4
Net assets	126.5	115.8

Employees at year end *	1,545	1,426
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* Previously the Group has excluded temporary employees in this figure. These employees have now been included and the prior year figure has been restated accordingly.

Oxford Instruments plc Group Structure

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NANOANALYSIS

An industry-leading range of accurate, fast and easy-to-use tools for materials analysis on an electron microscope

Markets include science research and materials analysis, failure analysis, and Quality Control/Analysis. Industrial sectors include petrochemical, scientific Quality Control/Analysis, pharmaceutical, semiconductor and automotive

INDUSTRIAL ANALYSIS

Materials identification and/or thickness gauging analysis instrumentation to industrial customers with diverse needs

Markets include environmental monitoring, metal analysis, coating thickness measurement and Quality Control/Analysis

X-RAY TECHNOLOGY

World-class manufacturer of high efficiency, small form factor X-ray tubes for use in a range of measurement equipment

Key markets include the analysis industry, research and development, healthcare and aerospace

PLASMA TECHNOLOGY

Market leading high performance, flexible tools for customers involved in research and development, and batch production

Markets includes academic and corporate research into semiconductor materials and process, High Brightness LEDs, failure analysis and photovoltaics

SUPERCONDUCTIVITY

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NANOSCIENCE

High performance environments for low temperature and high magnetic field applications in physical science research and process development down to the atomic scale

Key markets include physical science research, Industrial Quality Control and quantum computing

SUPERCONDUCTING TECHNOLOGY

World-leading superconducting wire for use in medical and scientific applications

Service and support for MRI customers in USA and Japan

Markets include research, energy and healthcare

AUSTIN SCIENTIFIC

Robust, high quality cryogenic vacuum pumps, helium compressors and cold heads for customers in the semiconductor, medical and research sectors

High quality support, refurbishment and maintenance services for all cryogenic system users

MOLECULAR BIOTOOLS

Innovative tools and systems based on magnetic resonance technology to advance the understanding of bio-molecular structure and function

Markets include life science research and development, pharmaceuticals, and Industrial Quality Control and Analysis

Business Unit Managing Directors

left to right

Jiro Kitaura, Brad Boyer, Frank Trundle, Scott Reiman, Jim Hutchins, David Scott, Andy Matthews

Skilled and motivated workforce

Over 1500 staff worldwide support our drive
for excellence

Innovation drives the Company

Annual Chairman's Awards for Innovation
- 2008 finalists and judges

We will listen to our customers and develop commercially successful and technically excellent products. We will support our customers with responsive, highly skilled professionalism and courtesy

The Business of Science®

Chairman's Statement

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"We have enjoyed a year that has combined strong organic growth with successful acquisitions which are already contributing to earnings and have given us access to important new technologies."

The Group performed strongly throughout the year, with order intake up 10.6% to £180.2 million. Revenues grew 9.2% to £176.5 million. Adjusted profit before tax increased by £2.0 million to £9.5 million. This strong performance was delivered despite movements in foreign exchange rates which adversely impacted trading profit by £2.5 million.

Our objective is to generate shareholder value by becoming a leading provider of tools and systems for use by customers who need to observe and manipulate matter at the smallest scale. Our products deliver increased efficiency and productivity to our customers and as such have proven particularly attractive as industries seek to improve their competitiveness. Environmental and safety issues continue to be a major growth driver and demand for products serving these markets has been especially strong. Our other core market of instruments for quality control, small scale production and R&D is also proving resilient in the current uncertain economic climate.

The year 2007/08 represents the second full year of our growth plan to double the size of the business and to improve margins significantly. We have shown continuous organic growth throughout the course of the plan through an effective programme of new product introductions and a stronger commercial focus supported by continued investment in R&D.

This year, we have added two important acquisitions, Worldwide Analytical Systems AG (WAS) and VeriCold Technologies GmbH (VeriCold), to the business. These businesses offer important technological and market synergies and are already contributing to earnings. Since the year end we have made two further acquisitions, Technology Devices International Inc (TDI) and LINK Analytical AB (LINK), which further support our growth plan. We have financed all our acquisitions to date through borrowing. At the end of the year net debt was £17.8 million. In July 2007 we negotiated a five year committed revolving credit facility of £50 million to support our acquisition programme.

We are recommending that the full year dividend be maintained at the current rate of 8.4 pence.

During the year the employees of Oxford Instruments have responded with vigour and enthusiasm to the challenges posed as we implement our growth strategy. I would like to thank them for their hard work and commitment.

While it is still early in the year, trading to date has been in line with the Board's expectations. Despite the challenging economic environment, our end markets remain resilient.

These factors make us confident in our ability to deliver long term profitable growth.

Nigel Keen Chairman
10 June 2008



Our ability to observe and
manipulate matter at the smallest
scale unlocks the potential in
emerging nanotechnology markets

Nanotechnology

Chief Executive's Statement

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"The Company remains well positioned, enjoying a broad spread of customers, applications and geographical markets."

Operational Review

Our target is to double the turnover of Oxford Instruments over five years, starting from 2006/07, by organic growth and acquisitions. We plan to achieve this by becoming a more customer focused business, increasingly concentrating on new products and markets, such as nanotechnology. Our products more and more consist of complete systems sold direct to end-users.

Two years into our five year plan, revenues from continuing businesses have shown compound annual growth of 14.8% in line with the plan. In the same period, trading profit margins have improved from 3.0% to 6.0% despite adverse currency movements. On a constant currency basis our compound annual growth over the last two years would have been 18.4% and the trading profit margin would have been 9.0%. Due to the currency hedges we have in place, we anticipate the net effect of currency to be marginally positive in the current year.

We operate in a range of end markets, and so far in the current year, total worldwide demand for our products has generally remained robust, albeit with some geographical variation. Strong demand in Europe and Asia is balancing some softening in the USA.

Our acquisitions strategy is to purchase companies with products or intellectual property which are complementary to Oxford Instruments' existing technologies. These products are then distributed and supported through existing Oxford Instruments sales channels. This serves to improve the operational efficiency of the business as well as growing revenues. The WAS and VeriCold acquisitions made this year fit into this model and have delivered to plan.

Analytical Businesses

Orders and revenue for the year were £115.8 million (2007: £106.7 million) and £115.7 million (2007: £100.7 million) respectively. Trading profit was £11.0 million (2007: £10.1 million).

Our Analytical Businesses provide measurement and fabrication instruments for industrial and research customers. The business units are *Industrial Analysis*, *X-Ray Technology*, *NanoAnalysis* and *Plasma Technology*.

Our *Industrial Analysis* business, which produces tools that enable our industrial customers to analyse materials, performed well and continues to do so despite the challenging economic environment. Further new product introductions will provide some protection in the event that we experience any future weakening in industrial demand. These new products include the X-MET5000, an update of our best selling X-MET

range, which provides hand held X-ray fluorescence analysers for a broad range of applications including quality control, environmental monitoring and positive material identification. Concern during the year over lead contamination in toys provided an example of how environmental issues continue to act as drivers in this growing market. More recently, we have seen increased demand for X-Strata, our benchtop X-ray fluorescence analyser, following concerns over lead contamination in dental appliances.

In August 2007, we acquired WAS, giving us access to optical emission technology. This complements well our existing capability in X-ray fluorescence analysis and enables Oxford Instruments to offer a broad spectrum of analytical instrumentation to industrial and environmental markets such as metals recycling. WAS has been successfully integrated into the industrial analysis infrastructure and its performance is exceeding our acquisition plan targets.

Environmental health concerns, for example, lead in toys are addressed with hand held metal analysers

Developing varieties of algae for environmentally friendly bio fuels with industrial NMR

Chief Executive's Statement

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Our *X-Ray Technology* business based in California produces small X-ray sources for the analytical instrumentation market. Sales here have reduced from the record high levels reached last year, due to the anticipated decline in sales relating to the Restriction of Hazardous Substances (RoHS) legislation. However, long term prospects for this business remain strong.

Our *NanoAnalysis* business is the market-leading provider of a range of detectors for users of electron microscopes who need to understand chemical and structural properties of materials. This business continued to perform well in the year. For example, Formula 1 motor racing teams are using our INCA microanalysis tools to support materials development and testing on the next generation of racing cars. A new segment of the electron microscopy market which is growing rapidly is the demand for low cost scanning electron microscopes which are small enough to sit on the benchtop. We are collaborating with leading suppliers on the production of their benchtop scanning electron microscopes which incorporate an Oxford Instruments detector system based on our silicon drift detector technology.

Plasma Technology provides a range of products for the manufacture of high performance semiconductors for specialist applications. Investment in the first half of the year has started to pay dividends as margins improved and the order book reached record levels. Diversification away from our traditional semiconductor markets continues with the introduction of a tool for research into third generation photovoltaic technologies. These technologies would be used, for example, in high efficiency solar panels.

Post year end we acquired TDI, based in Maryland, USA. TDI has unique technology for Hydride Vapour Phase Epitaxy (HVPE) which offers opportunities to

manufacture High Brightness Light Emitting Diodes (HBLED) more cheaply than is currently possible. With the drive to more energy efficient lighting systems, the market for HBLED is expected to show strong growth. We are investing in producing a commercial HVPE manufacturing tool. Following the completion of this development programme TDI is expected to contribute profit in financial year 2009/10.

Superconductivity Businesses

Orders and revenue for the year were £64.4 million (2007: £56.3 million) and £60.8 million (2007: £60.9 million) respectively. Trading profit was £2.0 million (2007: £1.6 million).

Our Superconductivity Businesses provide materials, tools and systems for industrial and government customers working at the frontiers of science. The businesses in Superconductivity are *NanoScience*, *Superconducting Wire*, *MRI Service*, *Austin Scientific* and *Molecular Biotoools*.

Our *NanoScience* business provides superconducting magnets and cryogenic systems for research and academic customers. This business contains high levels of intellectual property but has displayed disappointing trading results in recent years. Following the introduction of a new management team and rationalisation of the product portfolio, the business has shown significant improvement this year. Our on-time delivery to customers has dramatically improved and the introduction of new products has proved successful. A number of new applications have emerged, including tools for the fabrication of quantum dots. Quantum dots are nanoscale particles that can be tailored for use in security and anti-counterfeiting applications or life-science research into cellular imaging and diagnostics. Oxford Instruments' tools are used in their growth and analysis.

Process tools from Plasma Technology are being used in the development of third generation photovoltaics (used in solar panels).

Microanalysis systems are used to analyse and provide data on precious artefacts to aid conservation - for example, The Book of the Dead.

Chief Executive's Statement

In August 2007 we acquired VeriCold, in Germany, which brings unique Pulse Tube cooler technology to the Group. When combined with existing capabilities within our NanoScience division, this enables us to produce products which can offer very low temperatures without the use of liquid helium. This provides a significant advantage in the eyes of our customers, as demonstrated by the encouraging level of orders for VeriCold equipment which is above our acquisition assumptions. The migration of production of Pulse Tube coolers into our Tubney Woods site in Oxford, UK, is underway. Our German site will continue as a centre of excellence for Pulse Tube technology.

Our *Superconducting Wire* business is a market-leading producer of wire for MRI (Magnetic Resonance Imaging) and other industries. This business has previously been vulnerable to movements in the price of copper, a key component in the manufacture of superconducting wire. Following negotiation, the majority of future variations in the price of copper will now be carried by our customers. The previously reported effects of the Deficit Reduction Act in the US had reduced orders for MRI units. These effects are now abating with demand beginning to recover. Our superconducting wire has received qualification for use in ITER, the international collaboration project seeking to develop a new source of carbon free energy. Initial sample orders have been received from the US, EU and China.

Our MRI Service business maintains MRI scanners throughout the United States and in Japan. This business continues to benefit from long term contracts with existing large customers as well as attracting a range of new customers with smaller numbers of installed scanners.

Our *Austin Scientific* business produces, refurbishes and maintains high technology pumps and refrigerators for industrial and research customers. New OEM customers have been won and the recent strong sales growth has continued.

Molecular Biotoools supplies novel magnetic resonance based analytical instrumentation to the life sciences and pharmaceutical communities. To complement its existing Dynamic Nuclear Polarisation instruments being used in life sciences research, the business will launch a new Magnetic Resonance Imaging (MRI) based instrument this year that will significantly enhance drug formulation studies and delivery mechanisms. Using the same technology base, the business is the global leader in the supply of Nuclear Magnetic Resonance (NMR) based instruments used for the analysis of rock cores in oil exploration. Industrial benchtop NMR tools are used across a wide range of quality assurance/quality control applications and the business has sold a number of instruments currently being used in the research and development of oil seeds and algae for environmentally friendly biofuels.

Emerging Markets

Emerging markets offer opportunities for Oxford Instruments as they develop their technological infrastructure and build up new industries. Currently we are seeing continued growth in China with revenues up 32.4% year on year. Other technology oriented Asian countries are showing similar growth. We have seen a significant upturn in demand in Russia and Eastern Europe for products from *NanoAnalysis* and *Plasma Technology*. We are beginning to see more enquiries from the Middle East and India.

Our cryogenic systems are used in research into quantum dots - nano scale marker devices used in security and anti-counterfeiting applications

Environmental health concerns addressed with XRF analysers - for example, measuring lead in dental implants

Chief Executive's Statement

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On 4 February 2008, Oxford Instruments was named 'Exporter of the Year' in China, as part of the KPMG 2008 UK Business Awards. This reflects our ongoing investment in China. In addition to sales and manufacturing organisations, we now have eight members of staff in China writing software for us. This has proved a highly effective method of rapidly developing software improvements for our products.

Property

In July we announced the completion of the sale of our vacant properties at Abingdon and Eynsham in the UK. These properties had become surplus to the operating requirements following our earlier restructuring of the business. The net proceeds from the sale were £7.7 million compared to a book value of £7.0 million.

Work is underway on the facility for our new Plasma Technology site. This will be built at Weston-super-Mare, approximately ten miles from our existing business unit site at Yatton. A large proportion of the funding for the development will come from the already contracted sale of our current property at Yatton.

Risks to be managed

Oxford Instruments provides high technology equipment and systems. There is necessarily some technical risk associated with developing advanced technologies. This risk has reduced in recent years as the business has moved away from large scale single customer development programmes towards more commercially orientated products.

Our business plan requires the introduction of new products to gain market share to support our growth. The product introductions made so far have been successful. However there is the risk that future product introductions may not yield the sales forecast, especially when new markets are accessed.

Global financial market conditions may potentially have some impact on demand but the Company remains well positioned, enjoying a broad spread of customers, applications and geographical markets. So far we have seen no material change in levels of order intake.

A significant proportion of Oxford Instruments' profit is made in foreign currencies and we will therefore continue to have exposure to exchange fluctuations going forward. We aim to mitigate this risk by natural hedges where possible and the use of forward contracts. We also rely on the purchase of a number of commodity materials and, when prices rise, we cannot always pass this cost directly onto customers. Steps have been taken in the current year to introduce hedging on key commodity purchases.

Finally, our calculated pension deficit is sensitive to changes in the actuarial assumptions that may have an appreciable effect on the reported pension deficit.

Progress and material events since year end

Since the year end we have acquired the TDI business which we have described above. We also acquired LINK Analytical, the Scandinavian distributor of our analytical equipment, for a consideration of £0.6 million, and disposed of our 23% shareholding in Oxford Diffraction to Varian Inc for a consideration of £3.5 million with an additional amount of up to £1.1 million conditional on the performance of Oxford Diffraction.

Current trading and outlook

Trading in the period 1 April 2008 to date has been in line with the Board's expectations. Following a year of strong organic and acquisitive growth, we expect to continue to make progress against our five year plan to double the size of the business and improve Earnings Before Interest and Taxation (EBIT) margins by 10 percentage points. Our programme of ongoing operational improvements and valuable new product introductions underpins this growth plan.

We are confident in the Group's future prospects and our ability to generate increasing and sustainable shareholder value.

Jonathan Flint Chief Executive
10 June 2008



We focus our science and
technology on providing
industry with the tools it
needs to be market leaders

Industry

Financial Review

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"Trading profit increased by £2.3 million to £10.6 million (2007: £8.3 million). Adjusted profit before tax was £9.5 million (2007: £7.5 million)."

Trading Performance

Revenues for the year grew by 9.2% to £176.5 million (2007: £161.6 million) helped by acquisitions which contributed £6.9 million in the year. As in the previous year, fluctuations in exchange rates adversely affected revenues, this time by £3.9 million (2007: £7.4 million). On a constant currency basis, revenues grew by 11.6%.

Total operating expenses increased by £3.8 million to £62.1 million (2007: £58.3 million). Operating expenses benefited by approximately £0.8 million from the translation of our overseas operations' expenses at weaker exchange rates, but suffered a movement of £0.9 million due to the effects of foreign exchange hedging in the two years. Of the total underlying increase of £3.7 million, approximately £2.5 million came from the two acquisitions in the year leaving a like for like increase of £1.2 million or 2.1%. This low level of increase was in part due to the benefits arising from the renegotiation of the Group's UK defined benefit pension scheme which took effect from September 2007.

Trading profit increased by £2.3 million to £10.6 million (2007: £8.3 million). On a constant currency basis, trading profit was £13.1 million. Adjusted profit before tax (note 1) was £9.5 million (2007: £7.5 million).

Other Operating Income

As reported in our Half Year Financial Statements, the Group disposed of two properties in the year which were surplus to requirements. This resulted in a profit of £0.7 million and a cash inflow of £7.7 million.

Amortisation of acquired intangibles

Amortisation of acquired intangibles increased by £1.8 million due to the acquisitions made in the year.

Financial income and expenditure

Within financial income and expenditure total net interest payable increased to £1.4 million (2007: £0.1 million) as the Group increased borrowing to fund acquisitions. The expected return on pension scheme assets exceeded the interest charge on pension scheme liabilities by £0.3 million (2007: -£0.7 million).

Mark to market gains and losses

The Group uses derivative products to hedge its exposure to fluctuations in foreign exchange rates and the price of copper. In common with a number of other companies, we have decided that the additional costs of meeting the extensive documentation requirements of IAS39 to apply hedge accounting cannot be justified. Accordingly the Group does not use hedge accounting for these derivatives. Net movements on marking to market such derivatives at the balance sheet date are disclosed in the income statement in Financial Income (note 11) and excluded in our calculation of adjusted profit.

Taxation

The underlying tax rate on the profit before tax for the continuing businesses before other operating income, restructuring and non-recurring costs, amortisation of acquired intangibles and marking to market of hedging derivatives was 39% (2007: 38%). The key factors influencing the rate of tax are high tax rates in overseas jurisdictions such as the USA, Germany and Japan coupled with the inability to offset losses arising in one jurisdiction against profits arising in another. The tax rate rose in the year due to a change in the mix of taxable profits in the jurisdictions in which we pay tax and the exhaustion of brought forward tax losses in our subsidiary in Finland.

The Group has significant tax losses in the UK available to set off against future taxable profits from certain business streams. A deferred tax asset of £9.6 million (2007: £11.6 million) has been recognised against timing differences and unused capital allowances, of this £5.9 million (2007: £9.4 million) relates to the deficit in the pension schemes. No deferred tax asset has been recognised against past UK tax losses. A deferred tax liability of £5.7 million has been recognised in respect

Financial Review

of the intangible asset arising on the acquisition of Worldwide Analytical Systems AG and VeriCold Technologies GmbH. This liability will unwind as the intangibles are amortised.

Earnings

After a total tax charge of £2.3 million (2007: £2.8 million) the net profit for the financial year was £2.7 million (2007: loss £1.5 million).

With a weighted average number of shares of 48.7 million (2007: 48.2 million), the basic earnings per share was 5.6 pence (2007: loss 3.2 pence). After adjusting for other operating income, amortisation of acquired intangibles and marking to market of hedging derivatives the earnings per share of the underlying business was 11.7 pence (2007: 9.6 pence).

Dividends

The Group's proposed final dividend of 6.0p per share (2007: 6.0p), payable on 23 October 2008, gives a total dividend for the year of 8.4p per share (2007: 8.4p). Dividend cover for the underlying business before other operating income, non-recurring, amortisation of acquired intangibles and marking to market of hedging derivatives was 1.4 times.

Investment in research and development (R&D)

The total cash spent on research and development in the year was £16.2 million, in line with the prior year. This was made up as follows:

	2008 £ million	2007 £ million
Total cash spent on research and development during the year	16.2	16.2
Less: amount capitalised	(6.6)	(5.6)
Add: amortisation of amounts previously capitalised	1.9	1.5
Research and development charged to the income statement	11.5	12.1

The net book value of capitalised R&D at the end of the financial year was £14.4 million (2007: £9.4 million).

Balance sheet

Net operating assets (segment assets, see note 2), excluding acquired intangibles, increased by £10.1 million to £68.8 million. Following an increase of £0.1 million in the prior year, net working capital increased by £7.9 million due to the inclusion of the acquisitions, a particularly strong fourth quarter resulting in a high level of year-end debtors and the building of buffer stock to facilitate new product introductions.

Intangible assets rose by £25.9 million primarily as a result of the R&D capitalisation outlined above and intangible assets resulting from the two acquisitions. A reconciliation is given below:

	Development costs £ million	Technology and customer related acquired intangibles £ million	Goodwill £ million	Total £ million
Brought forward	9.4	0.5	8.2	18.1
VeriCold		6.4	0.3	6.7
WAS		12.3	0.7	13.0
HKL			0.4	0.4
Capitalised Development Costs	6.6			6.6
Amortisation charge for the year	(1.9)	(2.9)		(4.8)
Effect of movement in foreign currency	0.3	2.9	0.8	4.0
Carried forward	14.4	19.2	10.4	44.0

Financial Review

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Assets held for sale in the prior year represented two properties in Oxfordshire which were surplus to requirements and were disposed of in the year generating the 'Other Operating Income' discussed above

Pensions

The Group has two defined benefit pension schemes, one in the UK and a smaller one in the US. Both have been closed to new entrants since 2001. The total deficit, before tax, under IAS19 on these pension schemes decreased by £9.6 million to £21.2 million. Assets of the schemes at 31 March 2008 were £139.8 million. The reduction in deficit is primarily due to an increase in the discount rate applied to liabilities, which is based on corporate bond yields.

The latest triennial actuarial valuation of the UK scheme was carried out as at 31 March 2006 and resulted in an actuarial deficit of £17.7 million. A long-term plan for recovering the deficit over 10 years was agreed between the Company and the Pension Trustee, which involves annual payments of £2.1 million for the five years to March 2011, rising to £3.2 million for the subsequent five years.

In September the Group negotiated an increase in pension contributions from employees and a reduction of the level of benefit offered on future accrual.

Cash

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by £3.4 million to £16.6 million. The significant changes from the prior year comprised an increase in working capital of £11.2

million (2007: £2.0 million), interest payments on the increased level of debt of £1.7 million (2007: £0.3 million), £12.7 million spent on acquisitions (2007: £0.3 million) and a non-recurring inflow from the sale of property of £7.7 million compared with an outflow of £2.9 million due to restructuring in the prior year.

Net debt at the year end was £17.8 million. In July 2007 we negotiated new banking facilities, putting in place a committed 5 year £50 million revolving credit facility to fund the expansion of the Group.

Employees

The number of employees at 31 March 2008 was 1,545, an increase of 119 over the prior year. Of this increase 84 were new employees who joined the Group as a result of the acquisitions made in the year.

Currency hedging

As mentioned above, the Group seeks to hedge its foreign currency risk. It is Group policy to have in place at the beginning of the year hedging instruments to cover 80% of its forecast transactional exposure for that period.

Share price

The closing mid-market price of the ordinary shares at the end of the financial year was £1.85, compared with £2.47 at the beginning of the year. The highest and lowest prices recorded in the financial year were £3.09 and £1.66 respectively.

Key Performance Indicators

The following key performance indicators show how we have progressed against our priorities:

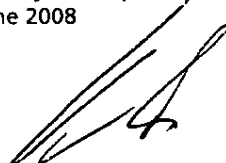
	2008	2007
Revenue growth		
As reported	+9.2%	+9.6%
At constant currencies, continuing businesses	+11.6%	+26.1%
Return on sales		
Trading profit as a percentage of revenue	6.0%	5.1%
R&D		
R&D cash spend as a percentage of revenue	9.2%	10.0%

Going concern

The Financial Statements have been prepared on a going concern basis, based on the Directors' opinion, after making reasonable enquiries, that the Group has adequate resources to continue in operational existence for the foreseeable future.

Save as described in this statement, there has been no significant change in the financial position of the Group since year end.

Kevin Boyd Group Finance Director
10 June 2008



We specialise in turning innovative
science into successful, commercial
tools and systems for research
programmes world-wide

Research

Image courtesy of Diamond Light Source Ltd

Oxford Instruments plc

Directors' Biographies

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Chairman

Nigel Keen, 61, Non-Executive Chairman, joined the Board in 1999. He is Chairman of The Laird Group PLC, Axis-Shield plc and Deltex Medical Group plc. He is also a Non-Executive Director of Bioquell PLC and of ISIS Innovation Ltd. (Oxford Instruments and Oxford University maintain a close relationship and the Group's Directors are strongly represented on the Board of Isis Innovation, the University's intellectual property company)

Executive Directors

Jonathan Flint, 47, became Chief Executive in April 2005. He has a BSc in Physics from Imperial College and an MBA from Southampton University. He has held senior management positions within Vislink plc, BAE Systems, GEC Marconi and Matra Space Systems.

Kevin Boyd, 43, joined Oxford Instruments in August 2006 as Group Finance Director. He has a BEng in Electronic and Information Engineering from Queen's University Belfast and is a Chartered Engineer and Chartered Accountant, having qualified with Arthur Andersen. Prior to joining Oxford Instruments he was Group Finance Director of Radstone Technology plc, Finance Director of Siroyan Ltd and held senior finance positions in the TI Group (now Smiths Group plc).

Charles Holroyd, 52, was appointed to the Board as Group Business Development Director in November 2005, having joined Oxford Instruments in 1999. He has a BSc in Electrical and Electronics Engineering from Bristol University and an MBA from INSEAD. Previously he held senior management positions within United Industries plc, B Elliott plc, Bowthorpe plc and Chloride Group plc.

Steven Parker, 57, was appointed to the Board as Group Commercial Director in November 2005, having joined Oxford Instruments in July 2002. He has an MBA from Wake Forest University and BA in Economics from Randolph-Macon College. Previously he was with Compagnie de Saint-Gobain and AlliedSignal Inc (now Honeywell Inc).

Non-Executive Directors

Professor Sir Michael Brady, 63, Deputy Chairman and Independent Non-Executive Director, joined the Board in 1995 and is BP Professor of Information Engineering at Oxford University. He is also a Fellow of the Royal Society and a Fellow of the Royal Academy of Engineering. He is a founding Director of Guidance Ltd and Mirada Solutions Ltd, now part of Siemens AG, Chairman of Dexela Ltd, a Director of ISIS Innovation Ltd and Senior Independent Director of IXICO Ltd.

Professor Michael Hughes, 63, Senior Independent Non-Executive Director, joined the Board in November 2004. He is Chairman of EA Technology Ltd, and Non-Executive Director of South Staffordshire Group plc.

Peter Morgan, 72, Independent Non-Executive Director, joined the Board in 1999. He is Chairman of Technetix Group Ltd, Strategic Thought Group plc and IXICO Ltd, and a Director of Hyder Consulting plc. He is a member of the Council of Lloyd's and a Director of the Association of Lloyd's Members. He is a UK delegate to the European Economic and Social Committee in Brussels.

Bernard Taylor, 51, Independent Non-Executive Director, joined the Board in 2002 and is Vice-Chairman of Evercore Partners. He is a member of The Council of the University of Oxford and is Chairman of the University's Audit Committee. He is Chairman of ISIS Innovation Limited and a Royal Commissioner on the 1851 Commission. He is also a Fellow of the Royal Society of Chemistry.

Directors and Advisers

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Directors

The following Directors served throughout the year except as noted

N J Keen, Non-Executive Chairman

J M Brady, Deputy Chairman and Independent Non-Executive Director

D J Flint, Chief Executive

K J Boyd, Group Finance Director

C J A Holroyd, Executive Director

S M Parker, Executive Director

M A Hughes, Senior Independent Non-Executive Director

P W L Morgan, Independent Non-Executive Director

B J Taylor, Independent Non-Executive Director

Board Committees

Audit PWL Morgan, Chairman, JM Brady, MA Hughes, BJ Taylor

Remuneration NJ Keen, Chairman, JM Brady, MA Hughes, PWL Morgan, BJ Taylor (from July 2007)

Nomination NJ Keen, Chairman, JM Brady, MA Hughes, PWL Morgan, BJ Taylor

Administration Any two Directors

Honorary President

Sir Martin Wood OBE FRS Hon FREng DL

Company Secretary

Susan Johnson-Brett

Advisers

Auditors KPMG Audit Plc

Principal Bankers Fortis Bank S A /N V, HSBC Bank plc, The Royal Bank of Scotland plc

Financial Advisers JPMorgan Cazenove Limited

Stockbrokers JPMorgan Cazenove Limited

UK Solicitors Laytons

USA Counsel Holland & Knight

*Left to right
Kevin Boyd, Steven Parker, Peter Morgan, Bernard Taylor, Michael Brady,
Nigel Keen, Jonathan Flint, Michael Hughes, Charles Holroyd*

Report of the Directors

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The Directors present their Report and the Financial Statements of Oxford Instruments plc for the year ended 31 March 2008

Principal activity and business reviews

The Company is the ultimate holding company of a group of subsidiary undertakings ('the Group') engaged in the research, development, manufacture and sale of high technology instruments. The Company is required to set out in this report a fair view of the business of the Group during the financial year ended 31 March 2008, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group. The information which fulfils these requirements includes a business and financial review on pages 8 to 19, risk and uncertainties on page 14 and corporate and social responsibilities on pages 24 to 25, which are incorporated in this report by reference. The business, the strategy, the research and development activities and likely future prospects are reviewed in the Chairman's Statement on page 8, the Chief Executive's Statement on page 10, and the Financial Review on pages 16 to 18.

Results and dividends

The results for the year are shown in the Group Income Statement on page 48. The Directors recommend a final dividend of 6p per ordinary share, which together with the interim dividend of 2.4p per ordinary share makes a total of 8.4p per ordinary share for the year (2007: 8.4p). Subject to shareholder approval, the final dividend will be paid on 23 October 2008 to shareholders registered at close of business on 26 September 2008.

Directors

Profiles of all the Directors at the date of this report, including the Non-Executive Directors, appear on page 20. All the Directors served on the Board for the whole year under review.

On 3 July 2007, Professor Mike Hughes was appointed the Senior Independent Director in place of Professor Mike Brady, who remains Deputy Chairman of the Board, and Bernard Taylor was appointed a member of the Remuneration Committee.

Directors' interests

The beneficial interests of the Directors in the Company's share capital, all in fully paid up shares at 31 March 2008, are shown below. Details of share options are shown in the Directors' Remuneration Report on pages 32 to 39.

	2008 Shares	2007 Shares
Kevin Boyd	5,249	-
Mike Brady	2,500	2,500
Jonathan Flint	-	-
Charles Holroyd	35,477	35,477
Mike Hughes	12,216	12,216
Nigel Keen	126,580	116,580
Peter Morgan	20,000	10,000
Steve Parker	10,000	-
Bernard Taylor	190	190

No Director was beneficially interested in the shares of any subsidiary company at any time during the year. In the year to 31 March 2008 no Director had a material interest in any contract of significance with the Company or any of its subsidiaries other than the contract between Imperialise Limited and the Company for the services of Nigel Keen, as described in the Directors' Remuneration Report on page 38.

To the extent permitted by UK law, the Group indemnifies its Directors and Officers.

Insurance cover

For some years the Group has purchased insurance to cover its Directors and Officers against their costs in defending themselves in civil legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings.

Report of the Directors

Neither the insurance nor the indemnity provided cover situations where the Director has acted fraudulently or dishonestly

Share capital

During the year 179,340 new shares were issued (2007 459,304) Details are set out in note 28 to the Financial Statements

The Company only has one class of share capital formed of ordinary shares. All shares forming part of the ordinary share capital have the same rights and carry one vote. There are no unusual restrictions on the transfer of a share. The full rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Directors, are set out in the Company's Articles of Association, copies of which can be obtained from Companies House or by writing to the Company Secretary.

At this year's Annual General Meeting, the Directors propose to renew the authority granted to them at last year's AGM to (a) (Resolution 6) allot ordinary shares up to an aggregate nominal value of £431,138, (b) (Resolution 7) allot up to 2,468,861 ordinary shares without first offering them to existing shareholders, and (c) (Resolution 8) to buy back up to 10% of the Company's issued share capital.

Substantial shareholdings

The following are beneficial interests of 3% or more of which the Directors have been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the Company's issued ordinary share capital, the only class of voting capital, at 10 June 2008

	Shares 000	% of Total
Schroders Investment Management Limited	6,104	12.4
Hermes Pension Management Limited	4,162	8.4
Sir Martin and Lady Audrey Wood	3,622	7.3
Threadneedle Asset Management Limited	3,486	7.1
GAM London Ltd	3,022	6.1
Howson Tattersall Investment Counsel	2,379	4.8
Aviva plc	2,227	4.5
Legal & General Group Plc	2,093	4.2

Payment of Suppliers

The Group does not follow a standard payment practice but agrees terms and conditions for its business transactions with each of its suppliers. Payment is then made to these terms, subject to the terms and conditions being met by the supplier. Trade creditors of the Company and the Group's UK subsidiaries at 31 March 2008 were equivalent to 36 days' (2007 31) and 56 days' (2007 61) purchases respectively, based on the amounts invoiced by suppliers during the year and the amounts owed to trade creditors at the end of the year.

Charitable Donations

During the year, the Group contributed charitable donations of £500.

Disclosure of Information to Auditors

Pursuant to Section 234ZA(2) Companies Act 1985 the Directors who held office at the date of approval of this 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 might reasonably have been expected 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.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 23 September 2008 is set out on pages 97 to 101 together with explanatory notes relating to the resolutions.

A resolution to re-appoint KPMG Audit Plc as Auditor will be proposed at the Annual General Meeting.

By Order of the Board
Susan Johnson-Brett, Company Secretary
10 June 2008



Oxford Instruments plc

Corporate and Social Responsibility

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The Group is committed to enhancing shareholder value in an ethical and socially responsible manner by considering the interests of all of its wide community of stakeholders including investors, employees, customers, suppliers and local communities

The Group's products and services provide solutions which address the global issues of environmental control, energy conservation, healthcare and security through the development of high technology, innovative instruments and systems. Many of Oxford Instruments' systems are used to protect the environment, including the screening and detection of hazardous substances in soils, electronic goods and petroleum. The Group is part of a global project to research into alternative clean, sustainable energy sources, and its superconducting wire could be a key enabling factor in such programmes. The Group is continuously looking for new applications for its existing technologies to produce instruments and systems that will support the growing need to protect the world and the people who live in it.

Ethical Operations

There are formal codes of behaviour in place for the Group, which promote a commitment to maintaining the highest standard of ethics and integrity in the conduct of its business.

These codes include requirements for the personal conduct of all employees, including recognising and dealing with conflict of interests, business gifts, and bribery and corruption. Contributions to political parties or organisations are not made. A code of ethics and a business malpractice policy is in place and details are given to all new employees. The formal code of ethics is updated regularly and is available on the corporate website or from the Company on request.

A fair and open culture is fostered throughout the business in which everyone's views and contributions are encouraged and respected. New employees are introduced to the Company's culture and style which actively support corporate strategy. Business managers are provided with practical guidance explaining the Group's policies and standards of conduct to ensure that these are maintained. The business malpractice policy provides employees with the opportunity to report unethical or illegal corporate conduct. The independent position of the Group's Senior Non-Executive Director provides an alternative channel of communications for those employees who require it.

The Board believes that operating in this way is an important part of efficient and profitable business management, but recognises its success depends on the involvement and commitment of everyone in the organisation.

Health and Safety

Oxford Instruments is committed to ensuring the health and safety of its employees and to the continual improvement of its health and safety performance.

Responsibility for Health and Safety (H&S) lies with the Board. Steve Parker, an Executive Director, is responsible for formulating the Group's H&S strategy and objectives, reviewing performance against these objectives and for ensuring that key H&S issues are effectively identified and managed.

The Board also reviews the health and safety performance of all the Group's operations. All Group business divisions report progress on health and safety issues either monthly for large sites, or quarterly for smaller sites, to the Group Health, Safety and Environment Manager who is responsible for keeping the Board informed of serious issues. Further to the monthly reports, the Group Health, Safety and Environment Manager is responsible for auditing each site on a scheduled basis.

Employees are kept informed of current health and safety issues through their local H&S Committee or forum which include staff from all areas of the Group. This is supplemented by information published on the Group Intranet, notice boards, monthly cascades and quarterly business reports. Employees are actively encouraged to suggest improvements that can be made in working conditions and practices.

Environment

The Board is committed to pursuing high standards of environmental performance, including the maintenance of safe and healthy working environments.

The Group looks to improve efficiency and to minimise the effect of its operational processes on the environment. During 2007, Oxford Instruments NanoScience installed new compressors for recycling liquid helium, an expensive and limited natural resource, and a cardboard compactor which allows bales of waste cardboard to be sold direct to the paper mills, reducing the need to landfill and meeting the Pre-treatment of Waste Regulations.

In 2006, the Group introduced a policy requiring all new product introductions to take environmental issues into account. This includes energy use, resource use, compliance to Waste Electrical and Electronic Equipment (WEEE) and Restriction of Hazardous Substances (RoHS), and the ability for products to be recycled at the end of their useful lives. Oxford Instruments NanoScience and Oxford Instruments Nanoanalysis have both introduced a new range of cryogen free products, which are both safer to use and more environmentally friendly.

The Group looks not only to improve the environmental performance of its own operations but also manufactures equipment that supports customers who have to comply with current regulations. For example, the X-MET range of hand-held analysers and the X-Strata range of benchtop analysers check compliance to the RoHS directive and the WEEE directive and is

Corporate and Social Responsibility

also used in the remediation of contaminated land. For example, the X-MET3000 is currently being used on the 2012 Olympics site near London.

Employees are encouraged to recycle paper and packaging, including bottles and cans, and there are recycling initiatives at site level throughout the Group.

All corporate literature is now printed on environmentally friendly paper, using Forestry Security Council (FSC) accredited printers. This, together with the vegetable oils used to coat the paper, means that these documents are bio-degradable and recyclable.

Employees

The Board recognises that the Group's employees are the Group's most important asset and critical to the overall delivery of its business strategy. All employees are kept informed of progress against strategy and involved in any changes to the business through half yearly Chief Executive presentations, monthly team meetings, the Company intranet and newsletter.

Relations with employees are based on respect. The Group is committed to a working environment where there is mutual trust and where everyone is accountable for their own actions and share responsibility for the performance and reputation of the Group.

The Group aims to recruit, employ and promote employees on the sole basis of their ability and is committed to developing and enhancing each employee's skills and capabilities. Policies are designed to provide employees with safe and healthy working conditions and practices.

The Group's aim is to ensure there are equal opportunities for all employees with no discrimination on account of race, age, gender, sexual orientation, disability, and political or religious beliefs. In return, employees are expected to act with integrity and maintain high ethical standards.

Ability and contribution are the determining factors in the selection, training, career development and promotion of all employees. The Group is committed to continuing professional development, managing individual and team performance and developing and valuing core skills. Having the right skills-mix ensures that the business grows through producing innovative products that meet or exceed customer requirements.

It is the Group's policy to provide competitive remuneration referenced against external market data. Business and individual performance determine actual remuneration and salaries are reviewed on an annual basis. Financial participation in the Group is encouraged through the Share Incentive Plan in the UK, Executive Share Options granted to management, and through bonus schemes based on financial performance.

Customers

The Group believes that integrity in dealing with customers is a prerequisite for a successful and sustained business relationship. This principle governs all aspects of the business. The Group values its customers and the trust that they place in the Group, and will safeguard the information provided by customers in accordance with relevant laws and contractual commitments.

The Group's 'Voice of the Customer' work ensures that the interests of all customers are at the core of the business. Oxford Instruments' customers expect and receive high quality, reliable goods and services. Innovative and commercially successful products are developed to meet current and future requirements. These products are offered at competitive prices, and are backed by a global network of skilled support teams.

Business Partners

All companies in the Group work hard to establish mutual trust, respect and mutually beneficial relations with its business partners, including suppliers, banks and collaborative associates.

A full audit process, which covers good business, corporate and social practice, is carried out when considering a new business partner.

Communities

The well-being of the communities in which the Group operates is important to its long term development and success. The Group offers worthwhile and valuable employment in a safe and well cared for working environment, and encourages a healthy work/life balance.

Business groups and employees are supported in any activities that promote good relations with the local communities by contributing to, and supporting, local charities and community activities. The focus is on supporting science in business, and encouraging innovation and the promotion of science in schools and universities.

Employees are encouraged to contribute to local charities using the Give-As-You-Earn scheme, and this year were awarded a Bronze Award for Payroll Giving by The Institute of Fundraising. Local social clubs run annual fundraising activities for a chosen charity and the Group supports these efforts with an additional donation.

The Group also sponsors a number of international and national awards and events including the prestigious Sir Martin Wood Prize through the Millennium Science Forum in Japan.

Jonathan Flint Chief Executive
10 June 2008



Oxford Instruments plc

Corporate Governance

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Introduction

The Board is committed to ensuring that high standards of corporate governance are maintained by the Group. The Board endorses the main and supporting principles and the provisions set out in the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority ("the Code"), except as detailed below.

The Board's policies and procedures are documented in the Board Reference File that sets out the roles and delegated authorities applying to the Directors, the Board and the Board Committees.

Compliance

The Board considers that, throughout the period under review, the Group has complied with the provisions recommended in Section 1 of the Code, other than in respect of the appointment of Nigel Keen as Chairman of the Remuneration Committee as disclosed below.

Board of Directors and management structure

Board of Directors

The Board comprises the Chairman, four Non-Executive Directors and four Executive Directors. The Directors' biographies and details of length of service are shown on page 20. All the Directors have written letters of appointment that have been approved by the Board.

The division of responsibilities between the role of Chairman and the Chief Executive has been set out in writing and agreed by the Board.

Management Team

General Committee

The Board delegates management of the business to the Chief Executive. To assist in this, the Chief Executive has created a General Committee that consists of, in addition to the Executive Directors, the Group Operations Director, the Group Technical Director and the Group Human Resources Director.

Executive Committee

The General Committee is supported by an Executive Committee that comprises the members of the General Committee with the addition of the Strategic Marketing Director and the Managing Directors of each of the individual businesses.

Operation of the Board

The Board is responsible to shareholders for delivering sustainable incremental shareholder value through entrepreneurial leadership within a framework of controls for managing risk. The Board sets the Group's strategy, maintains the policy and decision making framework in which this strategy is implemented, verifies that the necessary financial and human resources are in place to meet strategic aims, monitors performance against key financial and non-financial indicators, oversees the system of risk management and sets values and standards in governance matters. The details of the way the Board operates, including a schedule of matters reserved to the Board for decision, are set out in a board reference file.

The Board retains control over strategy, investments and capital expenditure, and limits the decisions

which can be taken by management in the areas of governance, strategic and financial management and reporting, capital structure, corporate actions, mergers and acquisitions, major contracts and other commitments, litigation and regulatory proceedings, remuneration and share incentive plans.

Where the Board delegates authority to management it is on a structured basis, which requires that proper management oversight exists at the appropriate level. The General Committee meets at least twice a month either physically or by video or telephone conference and focus on groupwide performance and risk management.

The Board meets on a regular basis, at least nine times a year, and otherwise as required. Of the nine regular meetings, typically eight are held at Group locations, and the remaining one is held by telephone conference. During the year, one additional Main Board Meeting was scheduled bringing the total number of Board meetings held during the year to ten.

Board meetings involve reviews of financial and business performance against the plan approved by the Board and of risk management, both at Group level and also for each of the business units. On a rotating basis, the Board receives presentations from the business units and key functional areas enabling it to explore specific issues in more detail. Any matter requiring a decision by the Board will be supported by a pre-circulated paper analysing all relevant aspects of the proposal.

Board papers are distributed in advance of the relevant meeting in sufficient time to allow the Directors to prepare for meetings. Minutes of Committee meetings are circulated to the relevant Directors. In the very few instances when a Director has not been able to attend Board or Committee meetings, his comments on the papers to be considered at the meeting are communicated in advance to the relevant Chairman.

The Non-Executive Directors meet without the Executive Directors at least annually, with the Chairman leading these meetings. The Non-Executive Directors also meet annually without the Chairman in attendance. The Deputy Chairman chairs these meetings.

The Company Secretary and the Company Secretary's Office are responsible for implementing Board procedures and for advising the Board on corporate governance matters.

Board balance and independence

The Code requires the Board should be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and that there is a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making. The composition of the Board and the combination of diverse backgrounds and expertise of the Non-Executive Directors meet these principles.

The Chairman, Nigel Keen, who fulfilled the independence criteria at the time of his appointment

as set out in the Code, is currently Chairman of the Nomination and Remuneration Committee as the Board considers that for a small company the Chairman's prime roles are to procure an excellent strategy for the business, to recruit and retain the best available management team to execute this strategy to put in place a Board of independent directors whose experience can add value to the work of the management, and to ensure that the business maintains the highest standard of corporate governance. In order to fulfil these obligations the Board believes that it is appropriate and necessary for the Chairman of the Board to also be Chairman of the Nomination Committee and the Remuneration Committee. Nigel Keen also serves as Chairman of Oxford Instruments Pension Trustee Limited, which is the Trustee of the UK defined benefit pension scheme.

Mike Brady, Deputy Chairman, has been a member of the Board since June 1995. He is BP Professor of Information Engineering at Oxford University and is one of the UK's leading engineers. He brings a depth of technical expertise to Board discussions. The breadth of his professional and business interests unrelated to the Group or other members of the Board, his continual constructive probing of the technical aspect of proposals being considered by the Board, the composition of the Board generally and the fact that he qualifies as independent in all other criteria referred to in the Combined Code, leads the Board to conclude that it is appropriate that he continue in office and that he should properly be considered as independent despite the fact that he has been a Director for more than 9 years. To take account of his length of service on the Board, Mike Brady stood down as Senior Independent Non-Executive Director in July 2007.

Mike Hughes, Senior Independent Non-Executive Director (appointed in July 2007), has been a member of the Board since November 2001. He spent 25 years at GEC in Technical Director and Managing Director roles. He is currently the Chairman of EA Technology Ltd and a Non-Executive director of the South Staffordshire Group plc.

Peter Morgan, Chairman of the Audit Committee, joined the Board in April 1999. He had a 30 year career with IBM UK and IBM Europe and in 1989 became Director General of the Institute of Directors in London. He is presently Chairman of Strategic Thought Group plc and of Technetix Group Limited. He is also a Non-Executive Director of Hyder Consulting plc. He is an underwriting member of Lloyd's and was elected a member of the Lloyd's governing Council in 2000. Peter Morgan has indicated his intention to retire as Chairman of the Audit Committee at the end of 2008 and the Board is currently in the final stage of appointing a new non-executive director to replace him and to become Chairman of the Audit Committee.

Bernard Taylor was appointed to the Board as a Non-Executive director in 2002. He has worked at various City institutions, including Robert Fleming & Co Ltd where he was Deputy Chairman and Chief Executive and at J P Morgan plc where he was Vice-Chairman (Investment Banking). He is Vice Chairman of Evercore Partners and Chief Executive of its European business.

He is also a fellow of the Royal Society of Chemistry, Chairman of ISIS Innovation Ltd and a member of The Council of the University of Oxford.

In the opinion of the Board each of the Non-Executive Directors is currently independent under the guidelines set out in the Combined Code. This opinion is based on current participation and performance on both the Board and Board Committees including consideration of the length of service at Oxford Instruments plc.

Term of appointment of Non-Executive Directors

Each Non-Executive Director is appointed for an initial term of three years. The requirement to submit Directors for reappointment at regular intervals is met by applying the Company's Articles of Association. These require that at each Annual General Meeting (1) not less than one-third of the Directors who are subject to retirement by rotation must retire, (2) any Director has to retire who was not appointed at either of the two previous Annual General Meetings and who has served as a Director for more than two years since appointment or last reappointment, and (3) any Non-Executive Director who has been in office for more than 9 years should offer themselves for re-election each year.

In addition, Directors who have been appointed since the previous Annual General Meeting have to resubmit themselves for election at the first Annual General Meeting following their appointment.

Board development and evaluation

Board development

On appointment, Directors undertake an induction process which is designed to develop knowledge and understanding of the Group's businesses through visits to various Group operating sites, discussion of relevant technology, as well as product demonstrations, briefings from management and familiarisation with investor perceptions of the Group.

The operating business units' senior management teams present to the Board on a regular basis. Non-Executive Directors are encouraged to meet individual members of the senior management team and have done so during the year under review. Throughout the year, Non-Executive Directors attend Oxford Instruments' events, exhibitions and award presentations.

The Company Secretary and her office act as advisers to the Board on matters concerning governance and ensure compliance with Board procedures. All Directors have access to this advice and a procedure also exists for Directors to take independent professional advice at the Group's expense. No such advice was sought during the year. The appointment and removal of the Company Secretary are matters for the Board as a whole.

Board evaluation

In the year ended 31 March 2008 the Board completed its annual effectiveness evaluation exercise, including a specific review of the effectiveness of its principal committees and members. This was an internal exercise under the control of the Chairman using a

Corporate Governance

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detailed questionnaire completed by all Directors in relation to the key areas of Board accountability and the arrangements in place to enable effective focus on these areas. Topics covered included Group strategy, performance, delegation and accountability, success, development and reward, Board and Committee composition, Board induction and training, internal control and risk management. In addition, each

Director took part in an evaluation process involving completion of an assessment questionnaire by himself and at least two other Directors. The results of these evaluations were reviewed by the Chairman and the Director concerned. The following table explains the Board assessment process and highlights which Board members completed another's assessment questionnaire.

Role being reviewed	Questionnaires completed by		
	Self	Other (1)	Other (2)
Chairman	Yes	Deputy Chairman	Chief Executive
Non-Executive Directors	Yes	Chairman	Chief Executive
Chief Executive	Yes	Chairman	Deputy Chairman
Group Finance Director	Yes	Chairman	Chief Executive
Executive Directors	Yes	Chairman	Chief Executive

Attendance at meetings

No one other than the Committee Chairman and members is entitled to be present at a meeting of the Nomination, Audit or Remuneration Committee, but others may attend by invitation of the Committee. No Director votes on matters where he has a conflict of interest. Further details of the individual Committees' activities are described below.

The following table sets out the frequency of, and attendance at, Board and principal Board Committee meetings for the year to 31 March 2008.

	Main Board	Audit Committee ¹	Remuneration Committee	Nomination Committee
Number of meetings held	10	6	3	2
Nigel Keen	10	-	3	2
Jonathan Flint	10	-	-	-
Kevin Boyd	9	-	-	-
Charles Holroyd	10	-	-	-
Steve Parker	10	-	-	-
Mike Brady	9	3	2	2
Mike Hughes	8	4	3	2
Peter Morgan	10	6	3	2
Bernard Taylor	9	6	1 ²	1

Note

¹ Board Directors attend the Audit Committee by invitation.

² Appointed to Remuneration Committee 3rd July 2007.

Board Committees

The Board has formed the following Committees: Nomination, Remuneration, Audit and Administration. Membership of the Board Committees is set out on page 21. Membership of Board Committees is determined by the Board and is reviewed regularly. The written terms of reference of the Board Committees are available from the Company on request and will be on display at the Annual General Meeting.

Nomination Committee

The Nomination Committee comprises all the independent Non-Executive Directors, under the chairmanship of the Chairman of the Board. The Nomination Committee is responsible for assisting

the Board in the formal selection and appointment of Directors and considers succession planning for the Board. It also considers potential candidates and recommends appointments of new Directors to the Board. The appointments are based on merit and against objective criteria including the time available and the commitment that will be required of the potential Director.

There is a formal, rigorous and transparent procedure for the appointment of new Non-Executive Directors to the Board, the prime responsibility for which is delegated to the Nomination Committee. Each appointment process begins with an evaluation of the balance of skills, knowledge and experience

existing on the Board that is effected through a series of one-on-one meetings between the Committee Chairman and Directors. The Nomination Committee takes external advice when considered appropriate. A description of the role and capabilities required is prepared using the information gathered. Candidates meet with the Chairman and the Deputy Chairman and a final selection of potential appointees meets several Directors individually. Following these meetings, the Nomination Committee considers each Director's feedback and makes a final recommendation to the Board concerning any appointment.

On joining the Board, new Non-Executive Directors are given an induction programme including site visits and meetings with senior management. This induction is supported by briefing papers prepared by the Company Secretary. Major shareholders are provided with an opportunity to meet any new Non-Executive Directors.

The Nomination Committee recommends to the Board whether a Non-Executive Director's appointment should be renewed for a further three years at the end of each three year term, taking into account the performance of the individual.

The Nomination Committee also annually reviews the performance of the Chief Executive and succession planning within the business.

Remuneration Committee

The Remuneration Committee comprises all the Non-Executive Directors. The Chairman of the Board, Nigel Keen, who fulfilled the independence criteria at the time of his appointment as set out in the Code, is Chairman of the Remuneration Committee because as set out on page 27 above, the Board considers it essential that the Chairman be involved in setting remuneration policy. The members of the Committee are appointed by the Board.

The Remuneration Committee is responsible for recommending to the Board the remuneration packages for Executive Directors and the bonus and share option strategy for the Group's executive management. Independent professional advice is sought when considered necessary. Under its terms of reference the Chairman of the Board may be Chairman of the Committee. The Board as a whole is responsible for fixing the remuneration of the Non-Executive Directors, including the Chairman.

The Chief Executive is invited to attend Remuneration Committee meetings as deemed appropriate, for example when consideration is being given to the performance of other Executive Directors and on significant group-wide changes in salary structure and terms and conditions affecting other employees at senior executive level. Further details of the Remuneration Committee are included in the Directors' Remuneration Report set out on pages 32 to 39.

Audit Committee

The Audit Committee comprises all the independent Non-Executive Directors and is chaired by Peter Morgan. The Chairman of the Board and members of senior management such as the Chief Executive and Group Finance Director are invited to attend all or part of any meetings or to present such reports as are required for the Committee to discharge its duties. The external auditors are invited to attend meetings of the Committee on a regular basis, including once at the planning stage before the audit and once after the audit at the reporting stage. At least once a year the Committee meets with the external auditors without the Executive Directors present.

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities relating to external financial reporting and associated announcements, oversight of the external audit process including consideration of the independence of the Group's external auditors, the resourcing and plans of the Internal Audit function and the adequacy and effectiveness of the financial control environment.

The Audit Committee's terms of reference include all matters indicated by the Combined Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval. The Audit Committee structure requires the inclusion of one member with relevant recent financial experience, currently the Committee Chairman, and expects all Audit Committee members to be financially literate.

The Audit Committee Chairman reports the outcome of meetings to the Board and the Board receives minutes of all Audit Committee meetings. The Audit Committee has unrestricted access to Group documents and information, as well as to employees of the Group and the external auditor.

The Committee reviews the interim and annual financial statements, together with the related Stock Exchange announcements, having received information on the accounting principles, policies and practices adopted in the Group's accounts, changes proposed to those principles, policies and practices, significant accounting issues, litigation and contingent liabilities affecting the Group, potential tax contingencies and the Group's compliance with statutory tax obligations.

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The Audit Committee reserves oversight responsibility for monitoring the independence and objectivity of the external auditors.

A review takes place annually of the performance of the external auditors following the completion of the annual audit.

To assess the effectiveness of the external auditors, the Audit Committee reviews

- The external auditors' fulfilment of the agreed audit plan and variations from the plan
- The robustness and perceptiveness of the auditors in their handling of key accounting and audit judgements
- The external auditors' comments in respect of financial controls

To fulfil its responsibility regarding the independence of the external auditors, the Audit Committee reviews the changes in key external audit staff in the external auditor's plan for the current year, the arrangements for day-to-day management of the audit relationship, a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest and the overall extent of non-audit services provided by the external auditors. In addition the Committee reviews the provision of non-audit services by the external auditors case by case

Details of the audit fees, together with fees for non-audit services for the year, are set out in note 3 (page 55) to the Financial Statements

The Audit Committee is required to assist the Group Board to fulfil its responsibilities relating to the adequacy and effectiveness of the financial control environment. This includes consideration of the adequacy of both the resourcing and the plans of the Internal Audit function

To fulfil these duties the Committee reviews

- The Group's risk framework and risk policies
- The external auditors' annual internal control report
- The Internal Audit function's terms of reference, reporting lines and access to the Audit Committee and all members of the Board, and its plans and achievement of the planned activity
- Internal Audit reports on key audit areas and significant control environment deficiencies
- Reports on the systems of financial controls and financial risk management

The Group's Business Malpractice Policy comprises an internal process that has been communicated directly to all employees by which employees can raise a concern, including concerns relating to fraud, damage to the environment, criminal activity or danger to health and safety, in the knowledge that it will be taken seriously, treated as confidential and that no action will be taken against them. The Policy is reviewed annually by the Committee. During the year, no such concerns have been raised

Administration Committee

The Administration Committee consists of a minimum of two Directors and deals with items of a routine and

administrative nature. The Board receives copies of the Minutes of the Administration Committee

Investor relations

The Group places considerable importance on regular communications with its shareholders with whom it has an ongoing programme of dialogue. All investors are encouraged to participate in the Annual General Meeting at which the Chairman and Chief Executive present an overview of the Group's business and review the results and make comments on strategy and current business activity

The Non-Executive Directors meet informally with shareholders both before and after the Annual General Meeting and respond to shareholder queries and requests. The Chairman and the Senior Independent Director make themselves available to meet any shareholders, as required

All Group announcements are posted on the Group website, www.oxford-instruments.com, as soon as they are released. The Investor Relations section of the website provides financial and other information on the Group

Annual General Meeting (AGM)

The Annual General Meeting is an opportunity for the Board to meet shareholders. At its AGM, the Group complies with the provisions of the Combined Code relating to the disclosure of proxy votes, the separation of resolutions and the attendance of Committee Chairmen. The Group arranges for the Annual Report and Accounts and related papers to be posted to shareholders so as to allow at least 20 working days for consideration prior to the AGM. The next AGM will be held on 23 September 2008

Risk management

Within the Group there is an ongoing embedded process for identifying, evaluating and managing the significant risks faced by the Group. Day-to-day management of this process has been delegated by the Board to the Executive Directors

A standard process is in place throughout the Group that requires the senior management of each business to identify significant business risks and to classify them both as to probability and potential impact. Once identified, mitigating action, where possible, is formulated and responsibility within the management team assigned. On a regular basis each business reviews and updates its risk summary which is then reported to the Chief Executive. If a material risk changes or arises, the Managing Director of the business reports this in writing to the Chief Executive at which time there is a discussion on the adequacy of the mitigating actions taken. Details of all major risks identified and the mitigating actions in place are reported to and reviewed by the Board

Corporate Governance

In addition, the Board considers risks to the Group's strategic objectives which are not addressed within the Group's businesses and develops appropriate actions to manage and mitigate these risks

Internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material mis-statement or loss. Day-to-day responsibility for maintaining adequate systems of internal control is delegated to the Executive Directors

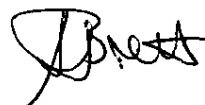
During the year the Directors have reviewed the effectiveness of the Group's system of internal controls. These internal control procedures have been in place for the year under review and up to the date of approval of the report. These controls include financial, operational, compliance and risk management

The key components designed to provide effective internal control within the Group are as follows

- there is a formal schedule of matters reserved to the Board for decision, other than these matters, the Board delegates to the Chief Executive and reviews the delegation of authorities throughout the management structure,
- the Group's management structure comprises the General Committee whose members have Group wide financial responsibilities and to whom day-to-day responsibility for the management of the Group is delegated. The responsibility is based on the identification of separate businesses for each of the Group's activities, the heads of these businesses together with the Chief Executive, the Group Finance Director and certain other members of the senior management team form the Group's Executive Committee. There are clearly defined lines of management responsibilities at all levels up to and including the Group Board and the Group's accounting and reporting functions reflect this organisation,
- financial executives within Group businesses report to their own operational head but there is also a well established and acknowledged functional reporting relationship through to the Group Finance Director,
- the Board reviews strategic issues and options formally once a year during the annual strategic planning process and during the year as appropriate. In addition the Executive Directors maintain a three year planning model of the Group and its individual businesses,
- annual budgets are prepared for each of the Group's businesses which include monthly figures for turnover, profit, capital expenditure, cash flow and borrowings. The budgets are reviewed through the Group management structure and result in a Group financial budget which is considered and approved by the Board,

- the businesses prepare monthly management accounts which compare the actual operating result with both the budget and the prior year. The businesses also prepare rolling reforecasts for orders, turnover, operating profit and cash. Both are reviewed by the Board monthly,
- the Board approves all acquisition and divestment proposals and there are established procedures for the planning, approval and monitoring of capital expenditure,
- for all major investments the performance of at least the first twelve months against the original proposal is reviewed by the Board,
- each Group site, except for representative sales offices, is required to submit a self assessment internal control questionnaire on a regular basis,
- internal audit is carried out through a system of regular reviews of the internal controls at each site by accountants from other parts of the Group and in Japan and China, due to language differences, by the local external auditors,
- work performed is based on a standardised Group format but involves random testing, together with a review of the internal control questionnaire,
- where required, action plans are drawn up by the businesses in conjunction with the Group Finance Director to remedy any significant control weaknesses that are identified from completion of the internal control questionnaire or as a result of the internal audit. The results of audit reviews are reported to local management, the Group Finance Director and the Audit Committee and checks on the progress of the action items arising are made,
- the Board receives regular updates on treasury, tax, property, insurance, human resources and health and safety matters,
- authorisation limits are set at appropriate levels throughout the Group, compliance with these limits is monitored by the Group Finance Director and internal audit,
- all requests to quote for substantial fixed price contracts are reviewed by a multi-disciplinary team to assess both technical and financial risk and to fix an appropriate balance between risk and reward. However, no procedure can guarantee the avoidance of losses on fixed price contracts of a technical nature, and
- with respect to the UK pension scheme the Group has its own trustee representatives, involves its own independent actuary with whom actuarial assumptions are reviewed, agrees the investment policy with trustees, ensures there is an independent actuarial valuation every three years, reviews members benefits and contributions regularly and audits the annual changes in pensionable salaries

Susan Johnson-Brett, Company Secretary
10 June 2008



Oxford Instruments plc

Directors' Remuneration Report

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Remuneration Committee

Details of the composition of the Remuneration Committee are set out on page 29. The principal function of the Committee is to define and communicate to the Executive Directors the Company's policy on the remuneration, benefits and terms of employment for each Executive Director. As part of this process, the Committee aims to provide a formal and transparent framework for the development of remuneration policy for the Executive Directors and for fixing the remuneration packages of individual Directors. The Committee takes into account a number of factors in doing this including Group strategy and corporate governance.

The Board, as a whole, is responsible for fixing the remuneration of the Non-Executive Directors, including the Chairman.

No Director is involved in deciding his own remuneration.

The Committee also reviews and approves new long term incentive schemes and changes to existing schemes, together with awards under these schemes, and general increases in salaries and bonus arrangements for staff, with input as required from the Chief Executive. The remuneration policy and practice for employees are taken into account when setting rewards for Executive Directors. The Chairman maintains contact with principal shareholders regarding remuneration policy as appropriate.

Over the past year the Committee continued to use Hewitt New Bridge Street to provide independent external advice on the Executive Directors' remuneration. They also provided market benchmarking regarding the Chairman's remuneration.

Remuneration policy

The Remuneration Committee has established a policy on the remuneration of Executive Directors and the Board has established a policy for the remuneration of the Chairman and the Non-Executive Directors.

Executive Directors

The Company has an incentive-driven Executive Director remuneration policy that promotes the delivery of the Group strategy, seeks to align the interests of Directors and shareholders and reflects the performance of each Director. The Remuneration Committee considers carefully the motivational effects of the incentive structure in order to ensure that it is effective and does not have any unintentionally negative impact on matters such as governance and environmental and social issues. A significant proportion of total potential rewards are provided through performance-based schemes. Overall the remuneration package aims to be appropriate to attract, motivate and retain high calibre executives. The Remuneration Committee's policy on early termination is to provide compensation which reflects the Company's contracted obligations, whilst recognising the principle of mitigation of losses.

Service contracts

Each of the Executive Directors has a service contract. Company policy is to enter into service contracts with Executive Directors that have a notice period not exceeding one year, and no Executive Director has an employment contract containing a notice period of more than one year.

The Non-Executive Directors do not have service contracts but their appointments are subject to review every three years and the rotation provisions of the Company's Articles of Association.

Non-Executive Directors

The Company's policy is to appoint Non-Executive Directors to the Board with a breadth of international skills and experience that is relevant to Oxford Instruments' global business. Appointments are made by the Board upon the recommendations and advice from the Nomination Committee.

Executive Directors' remuneration

Executive Directors receive base salary, annual performance awards, pensions and other benefits, and long term performance awards. Base salaries, benefits and performance awards of the Executive Directors are reviewed annually by the Remuneration Committee. Compensation is determined with reference to an appropriate comparator group of companies, which is reviewed annually. Consideration is also given to the Director's experience, performance and responsibilities. Benefits comprise provision of a car or car allowance, life and health insurance, participation in a bonus scheme and contributions towards a pension.

For UK based Executive Directors employed prior to April 2001, a contributory pension of up to two thirds of pensionable salary is provided on retirement related to the length of service, together with a dependant's pension on death. UK Executive Directors joining since April 2001 are entitled to Company contributions into the Company's group stakeholder scheme or into a defined contribution scheme of their choice in accordance with contractually agreed contribution rates.

Steve Parker, who is based in the USA, is a member of the Oxford Instruments Holdings Inc Defined Benefit Pension Plan. This Plan is non-contributory on the part of the participant and requires five 1,000 hour years of employment before the participant realises any vested interest in the plan. Upon Normal Retirement Date (age 65), Steve Parker is then entitled to a monthly pension benefit based on an actuarial calculation taking into account his years of service, age, and the salary earned over the last five years of employment. He is also a member of the Oxford Instruments Holdings Inc 401k Savings Plan, in which the Company matches at half the employee's contribution rate up to the first 6% of salary. Employees over the age of 50 can make an additional US\$5,000 contribution, which the employer also matches at half that rate. Employer's contributions fully vest after three years of service.

Directors' Remuneration Report

Emoluments of the current Executive Directors showing the breakdown between basic and performance related remuneration

	Salary £000	Benefits £000	Performance related remuneration £000	Total remuneration excluding pension contributions	
				2008 £000	2007 £000
Jonathan Flint	272	13	190	475	409
Kevin Boyd ¹	186	13	102	301	175
Steve Parker	142	4	55	201	192
Charles Holroyd	161	10	72	243	233
Total	761	40	419	1,220	1,009

¹ Appointed August 2006

Since September 2007, UK employees have been able to elect to cease making personal contributions into the relevant pension schemes. Their salaries have been reduced by the amount of their pension contributions and the Company commenced paying the same amount directly to the pension schemes. Accordingly, the annual salaries of Jonathan Flint, Kevin Boyd and Charles Holroyd were reduced to £248,000, £171,000 and £146,000 respectively. For reasons of clarity, the salaries shown in the table above for these Directors are the amount they would have been paid had they not given up these salary entitlements.

Annual Performance Incentive Bonus

Bonuses are earned primarily on the achievement of financial targets, with further elements payable on meeting specific objectives. Bonuses are paid after the completion of the statutory annual audit.

The Executive Directors' bonus scheme for the year ended 31 March 2008 set performance targets which would pay bonuses for on-target performance at the rate of 50% of base salary for Jonathan Flint, 35% of base salary for Kevin Boyd, Charles Holroyd, Steve Parker. The bonus potential has a maximum of 100% of salary for Jonathan Flint and 75% of salary for the other Executive Directors. The level of award for the year ended 31 March 2008 took account of the continuing improvement in financial performance reflected in achievement against specific financial targets in relation to orders, profit and cash generation and a measurable progress in meeting defined strategic objectives for the Group.

For the financial year to 31 March 2009, the structure of Executive Directors' bonuses will be similar to that for the year to 31 March 2008.

Pension Plans

Oxford Instruments Pension Scheme

All employees, including the Company's UK based Executive Directors, who were engaged before April 2001 were entitled to become members of the Oxford Instruments defined benefit Pension Scheme. This is a contracted-out contributory pension scheme which provides benefits based on earnings at or near retirement and is funded through a separate trust. Charles Holroyd is the only current Executive Director

who is a member of the defined benefit scheme. His pensionable pay is capped at £117,600.

From 1 April 2007 to 31 August 2007 the Company contributed to the scheme at the rate of 9% of pensionable salary for service going forward and 5.5% as a contribution to deficit reduction. Employees could choose to contribute at rates of 6%, 7%, 9.5% or 10.5% of pensionable salary with the higher rates earning benefits of the faster accrual rate at 1/50th of service instead of 1/60th. The additional 1% paid by those contributing 7% and 10.5% entitles the member to take benefits at the lower age of 60.

With effect from 1 September 2007 the Company contributed to the scheme at a rate of 12.7% of pensionable salary and £2.1m (equivalent to c 17% of pensionable salary) as a contribution towards deficit reduction. Employees can choose to contribute at rates of 9.0% or 17.2% of pensionable salary for a 1/60th accrual or at the rate of 16.3% or 26.3% for a 1/50th accrual. The additional percentages paid by those contributing 17.2% and 26.3% entitle the member to take all benefits at the lower age of 60.

Early retirement is possible on a reduced pension from age 50 with the consent of the Company. Pensions in payment are guaranteed to increase by a level of inflation up to a maximum of 3% per year on pension earned before 1 April 1997 and a maximum of 5% per year thereafter, subject to any applicable statutory requirements.

In the case of death before retirement from active service a spouse's pension of one half of the member's prospective pension is payable plus a capital sum of three times the member's pensionable salary and a refund of the member's contributions. For death after retirement a spouse's pension of one half of the member's pension is payable plus, if applicable, the balance of a five-year guarantee. In the event of death after leaving service but before commencement of pension a spouse's pension of one half of the accrued preserved pension revalued to the date of death is payable plus a refund of the member's contributions. In all circumstances children's allowances are also payable if applicable.

Directors' Remuneration Report

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Following the closure of the Company's defined benefit scheme to new members in April 2001, Executive Directors appointed now are offered membership of the Oxford Instruments Stakeholder Plan, a defined contribution scheme or the Executive Director can elect that contributions be made into a defined contribution plan of his or her choice. Under this arrangement only base salary is pensionable. Such contributions are treated as a non-salary benefit as they are paid directly to the pension plan and are not included in the calculation of bonus entitlements and share awards.

Oxford Instruments Holdings Inc Defined Benefit Pension Plan (USA)

All employees of Oxford Instruments Superconducting Technology and Austin Scientific engaged before 1 February 2006 were entitled to become members of the Oxford Instruments Holdings Inc defined benefit Pension Scheme. The scheme provides a benefit to eligible participants with effect from the date that the employee has completed one thousand (1,000) hours of service in any one year. Employees remain participants until the entire amount of benefit is distributed (if any) to the employee or to a beneficiary in the event of the death of the participant.

Employees do not contribute to this scheme.

The benefit terms are complex but in summary the plan provides accrued benefit equal to 1.6% of average annual base salary multiplied by the number of years of credited service (not to exceed 35 years).

Vesting, or the opportunity to have a monetary interest in the plan, is based on the participant having five years each with one thousand hours of service at the termination of employment or after having reached normal retirement date, in order to receive any retirement benefit from the plan.

The Oxford Instruments Holdings Inc Savings & Investment Plan 401K (USA)

This is a savings plan open to all USA employees of Oxford Instruments. It is viewed by the US government as a pension plan that supplements the US Social Security system. Therefore, all monies contributed to the plan on a calendar year basis are tax deferred until the monies are withdrawn by the participant.

A committee consisting of two company Trustees and three Plan Administrators administers the plan. This committee uses an elected outside 401K administration firm that provides fiduciary advice and counsel to the committee as well as advising on a selection of investment vehicles to the participants.

Provided the employee does not exceed the maximum dollar value for contributions that the US government allows, the employer matches at half the employee's contribution up to the first 6% of base salary. The employee may contribute more than 6% of base salary on a non-matched basis, unless over the age of 50 where an extra US\$5,000 contribution from the employee is allowable, also matched at half this rate by the company.

Vesting is as follows:

2 Years of Service = 25% vested in the employer's contributions

3 Years of Service = 100% vested in the employer's contributions

Executive Director pension arrangements

Under the terms of their service contracts Jonathan Flint and Kevin Boyd can ask the Company to contribute to a pension plan of their own choice. The Company contributes a maximum of 14% of base salary if matched by a contribution of 10% by the director. Cash bonuses are excluded from contribution calculations. During the year the Company contributed £38,062 (2007: £36,313) into a personal defined contribution plan in respect of Jonathan Flint and £26,250 (2007: £16,343) into the UK Oxford Instruments Stakeholder pension plan in respect of Kevin Boyd.

Charles Holroyd is a member of the UK Oxford Instruments Pension Scheme. With respect to the UK Pension Scheme the following table shows the compulsory member's contributions, the increase in accrued entitlement during the year in excess of inflation and the accrued entitlement at the end of the reporting period, together with the transfer value of the accrued pensions.

Directors' Remuneration Report

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	Age as at 31 March 2008	Accrued years of service	Member's contributions during the year	Additional annual pension earned during the year	Additional annual pension earned during the year in excess of inflation	Accrued annual pension entitlement at year end
	Years	Years	£000	£000 pa	£000 pa	£000 pa
Charles Holroyd	52	8	15	3	2	19

	Transfer value of accrued pension		Change in transfer value over year less member contributions
	2008	2007	
	£000	£000	£000
Charles Holroyd	230	152	63

Steve Parker is a member of the Oxford Instruments Holdings Inc Pension Scheme and Oxford Instruments Holdings Inc Savings and Investment Plan (401K). The Company contributed an estimated US\$26,000 (2007 US\$23,000) to the Oxford Instruments Holdings Inc Pension Scheme in respect of Steve Parker. No entitlement to benefits arises under this scheme until the individual has worked for the Group for five years. Steve Parker is fully vested in this scheme. The Company also contributed US\$10,687 (2007 US\$10,000) to a defined contribution (USA 401K) plan on behalf of Steve Parker.

Share Incentive Schemes

The Company has a number of share option schemes for the incentivisation of Executive Directors and employees of the Group:

- the Executive Share Option Scheme (ESO),
- the Senior Executive Long Term Incentive Scheme (SELTIS),
- Individual Options (Individual), and
- Save-As-You-Earn Scheme (SAYE)

The ESO scheme is the principal vehicle used to incentivise the Executive Directors and senior management. The SELTIS and Individual schemes are used at the discretion of the Remuneration Committee. The SAYE scheme was open to all UK permanent staff employed for at least six months on the date of invitation to join the scheme. Since the year end, the SAYE scheme has been replaced by a Share Incentive Plan (SIP) which is now open to all UK permanent staff employed for at least six months.

ESO schemes (1995 and 2001)

These shareholder and Inland Revenue approved schemes grant options over new shares to be issued at the time of exercise and also over existing shares. Options granted to an individual in excess of £30,000 are classified as unapproved options.

All future awards of ESO share options will be made under the 2001 ESO scheme. The aggregate market value of shares over which options under the 2001 ESO scheme may be granted to an individual participant in any financial year may not normally exceed twice base salary. However, in exceptional circumstances the limit is three times base salary, provided that to the extent an individual is granted options in excess of the standard limit, there will be a corresponding reduction in the number of shares under options granted in the following two years. For the purpose of calculating these limits, the Company's share price will be averaged over the three months before the options are granted.

Options are granted at the middle market price on the last dealing day prior to grant and are exercisable after three years but not more than ten years from the date of grant.

Performance conditions

1995 ESO

Over a period of three consecutive years the growth in earnings per share (EPS) of the Company expressed as a percentage is to exceed the growth in the Retail Price Index (RPI) expressed as a percentage plus a further 2% per year over the same period.

2001 ESO

The performance conditions are based equally on the Company's total shareholder return (TSR) performance and on its EPS performance (adjusted to exclude non-recurring items, amortisation of acquired intangible assets and the effects of financial instruments).

The Committee considers that the combination of TSR and EPS performance conditions will encourage shareholder value creation and improved financial performance. In selecting appropriate targets the Committee takes into account both the recent performance of the Company and its projections for future growth.

Directors' Remuneration Report

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When the 2001 ESO scheme was established the Remuneration Committee set the initial conditions for the full vesting of options at 30% per year growth in EPS and TSR. This was considered consistent with the recovery phase of the business. It was intended that over time the performance conditions would revert to a lower target, more appropriate to the business going forward. For 2002 and 2003 full exercise of options requires 25% and 20% per year growth respectively in EPS and TSR. For 2004 onwards 15% growth in EPS and TSR is required. TSR is measured by comparing its average net return over the three month period preceding the beginning of each performance period with its average net return (calculated in the same

manner) over the same period at the end of each performance period.

Only 50% of the options granted in September 2001 are exercisable, as the TSR performance test failed, none of the options granted in 2002 are exercisable due to failure of both tests, 50% of the options granted in December 2002, July 2003 and July 2004 are exercisable as for each grant the EPS performance test failed. The options granted in July 2005 will become exercisable proportionately by reference to the level of both TSR and EPS target growth performance. Details are set out in the table below.

EPS / TSR performance	Proportion of options exercisable against each criteria
Average of 15% or more pa	50%
Average of 7.5% - 14.99 pa	Pro-rata between 12.25% and 50%
Average of 7.5% pa	12.25%
Less than an average of 7.5% pa	Nil

The performance conditions for options under the 2001 ESO scheme are measured over a single three year period. No extension of the performance period is permitted although once performances conditions have been met participants have the remainder of the ten year period of the option in which to exercise the option.

Retention conditions

Options granted under the scheme prior to September 2007 may be exercised according to the following schedule: one third of the original grant being exercisable from the third anniversary of grant, a further third on the fourth anniversary, and the final third on the fifth anniversary of the grant. Changes approved by the shareholders at last year's Annual General Meeting mean that the options granted in September 2007 have no retention conditions. As part of this change, the Executive Directors have each agreed to build up a shareholding equivalent in value to 100% of basic salary by retaining or purchasing shares equivalent in value to 50% of gains (after deductions) from options granted in or after 2007 under the ESO or SELTIS schemes.

Share appreciation rights

At the Annual General Meeting in 2005, shareholders gave their approval to the granting of Share Appreciation Rights (SAR) and to the satisfaction of

outstanding options with share appreciation rights under unapproved options of the scheme. Under SAR, in effect, an option is settled by only issuing shares to the value of the gain and these shares are issued at no consideration. This means that the number of shares to which an option holder may become entitled depends on the Company's share price at the time of exercise. The Company has not granted any SAR or satisfied options with SAR during the year.

SELTIS

The SELTIS scheme is similar to the ESO schemes, with the exception that options are exercisable at no cost to the option holder.

The value of shares over which options may be granted under the SELTIS scheme to any one participant in a financial year may not exceed 50% of annual remuneration (excluding benefits in kind). For the purpose of calculating this limit, the market value is the closing middle market price of the Company's shares on the day before the date of grant.

SELTIS options granted since the establishment of the 2001 ESO scheme

The performance conditions are the same as those applying to awards under the 2001 ESO scheme in the same financial year as detailed above.

Directors' Remuneration Report

Retention conditions

SELTIS options granted under the scheme prior to July 2007 are subject to a retention condition, to the effect that on exercise the option holder must retain ownership of shares equivalent to half of the market value of the shares (after tax) until the sixth anniversary of the date of grant. As part of the change on retention conditions going forward, the Executive Directors have agreed to build up a shareholding equivalent in value to 100% of basic salary by retaining or purchasing shares equivalent to the value of 50% of gains (after deductions) from options granted in and after 2007 under the ESO or SELTIS schemes.

Individual options

Individual options are granted at the discretion of the Remuneration Committee. There are currently no individual options which are outstanding and the last outstanding individual option lapsed on 8 August 2007.

SAYE options

The SAYE scheme is administered in accordance with Inland Revenue guidelines. There are no performance conditions.

As at the 31 March 2008 the outstanding options for Jonathan Flint, Kevin Boyd, Charles Holroyd and Steve Parker under the 1995 and 2001 ESO schemes, the SELTIS scheme, Individual options and SAYE were as follows:

Name	Scheme	March 2008	Movements during the year			March 2007	Exercise price	Date for earliest exercise	Date for latest exercise
			Granted	Exercised	*Lapsed				
Jonathan Flint	ESO	100,000	100,000			-	£2 32	28/09/10	27/09/17
	ESO	100,000				100,000	£2 10	15/07/09	14/07/16
	ESO	200,000				200,000	£2 19	15/07/08	14/07/15
	SELTIS	50,000	50,000			-	Nil	26/07/10	25/07/14
	SELTIS	50,000				50,000	Nil	15/07/09	14/07/13
	SELTIS	50,000				50,000	Nil	15/07/08	14/07/12
Kevin Boyd	ESO	40,000	40,000			-	£2 32	28/09/10	27/09/17
	ESO	66,667				66,667	£2 0375	04/09/09	03/09/16
	SELTIS	12,500	12,500			-	Nil	26/07/10	25/07/14
	SELTIS	12,500				12,500	Nil	04/09/09	03/09/13
Charles Holroyd	SAYE	1,032				1,032	£1 83	01/02/10	31/07/10
	SAYE	699				699	£2 14	01/02/09	31/07/09
	SAYE	649				649	£1 75	01/02/08	31/07/08
	ESO	40,000	40,000			-	£2 32	28/09/10	27/09/17
	ESO	25,000				25,000	£2 10	15/07/09	14/07/16
	ESO	40,000				40,000	£2 19	15/07/08	14/07/15
	ESO	25,000			(25,000)	50,000	£2 18	15/07/07	14/07/14
	ESO	25,000				25,000	£1 875	15/07/06	14/07/13
	SELTIS	12,500	12,500			-	Nil	26/07/10	25/04/14
	SELTIS	12,500				12,500	Nil	15/07/09	14/07/13
	SELTIS	20,000				20,000	Nil	15/12/08	14/12/12
Steve Parker	ESO	40,000	40,000			-	£2 32	28/09/10	27/09/17
	ESO	25,000				25,000	£2 10	15/07/09	14/07/16
	ESO	40,000				40,000	£2 19	15/07/08	14/07/15
	ESO	30,000			(30,000)	60,000	£2 18	15/07/07	14/07/14
	ESO	35,000				35,000	£1 875	15/07/06	14/07/13
	ESO	30,000				30,000	£1 48	13/12/05	12/12/12
	SELTIS	12,500	12,500			-	Nil	26/07/10	25/07/14
	SELTIS	12,500				12,500	Nil	15/07/09	14/07/13
	SELTIS	20,000				20,000	Nil	15/12/08	14/12/12

* Lapsed as performance conditions were not met

During the year, no director exercised options under any of the above schemes. As at 31 March 2008, Charles Holroyd and Steve Parker have cumulatively 50,649 and 95,000 options respectively under various schemes capable of exercise.

Directors' Remuneration Report

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Outside appointments

The Board allows Executive Directors to accept appropriate outside commercial non-executive appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Director concerned may retain fees paid for these services, which will be subject to approval by the Board.

At 31 March 2008, the Executive Directors currently hold no such outside appointments.

Independent Non-Executive Directors Chairman

Under an arrangement between the Company and Imperialise Limited, Nigel Keen is retained to act as Chairman of the Company. Nigel Keen's fees were increased to £100,000 per annum with effect from 25 February 2008, this being the first increase applied for three years. With effect from the same date, it has been agreed that fees of £20,000 per annum for his services as Chairman to the Trustee of the Oxford Instruments Pension Scheme be also paid. Accordingly Nigel Keen's fees as Chairman were £81,954 (2007: £80,000) and as Chairman to the Trustee were £1,954 (2007: £0) for his services for which he must account to Imperialise Limited. In addition, Imperialise Limited has been paid a sum equivalent to the national insurance on these fees of £10,074. Imperialise Limited is responsible for the cost of national insurance on payments to Nigel Keen, whereas national insurance contributions in respect of the other Non-Executive Directors are made directly to the UK Inland Revenue and therefore not included in the table below.

Nigel Keen's initial period of appointment as a Non-Executive Director was for three years commencing 25 February 1999, subject to retirement by rotation. His term of appointment was extended by the Oxford Instruments Board for a further three years commencing in February 2002, February 2005 and again in February 2008 subject to retirement by rotation. The appointment may be terminated by either party giving not less than six months' notice. The Nomination Committee under the Chairmanship of the Deputy Chairman, and without the presence of Nigel Keen, reviewed the renewal of Nigel Keen's arrangement and put forward its recommendation that the appointment be renewed for a further three years in February 2008. The Board approved this recommendation. This appointment is now subject to annual approval by shareholders as Nigel Keen has now been a director of the Company for more than 9 years.

Non-Executive Directors

Non-Executive Directors are appointed for an initial period of three years with subsequent reviews. They do not have a contract of employment and their appointment can be terminated without notice.

Non-Executive Directors receive fixed fees agreed by the full Board after reference to similar roles in an appropriate comparator group of companies and reimbursement of expenses incurred in attending Board and other meetings. It is the Board's policy for the Non-Executive Directors to be paid a level of fee that reflects the time commitment and responsibilities of the role and is sufficient to attract individuals with appropriate knowledge and experience. The Chairman and Non-Executive Directors receive no other benefits.

Remuneration of the Chairman and Non-Executive Directors

	2008 £000	2007 £000
Nigel Keen, Chairman	92	90
Mike Brady	30	30
Mike Hughes	28	25
Peter Morgan	30	30
Bernard Taylor	25	25
Total	205	200

Directors' Remuneration Report

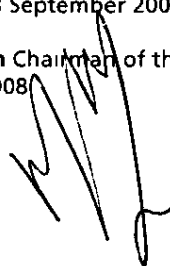
Performance graph

The graph below shows for the five years ended 31 March 2008 the Total Shareholder Return (TSR) on a holding of the Company's ordinary shares compared with a hypothetical holding of shares made up of shares of the same kind and number as those by reference to which the FTSE Techmark and FTSE Electronic and Electrical Equipment indices are calculated. These indices have been chosen as they are considered to be the most appropriate comparator groups for the Company. TSR has been calculated by reference to the relevant share price for each constituent company assuming dividends are reinvested.

In accordance with the Directors' Remuneration Report Regulations, the four tables setting out the Executive and Non-Executive Directors' remuneration, pensions and share options contained within the report have been audited, all other information including the statements of policy have not been audited.

This report was adopted by the Remuneration Committee at a meeting on 4 June 2008 and has been approved subsequently by the Board for submission to shareholders at the Annual General Meeting to be held on 23 September 2008.

Nigel Keen Chairman of the Remuneration Committee
10 June 2008



Directors' Responsibilities *in relation to the Annual Report and Financial Statements*

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The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Parent Company.

In preparing each of the Group and Parent Company 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,
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent 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 Parent 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

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.

Report of the Independent Auditors *to the members of Oxford Instruments plc*

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We have audited the Group and Parent Company financial statements (the "financial statements") of Oxford Instruments plc for the year ended 31 March 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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 Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the Parent Company financial statements and the Directors' Remuneration Report 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 40.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited 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 whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, Chief Executive Statement and Financial Review that is cross referred from the Business Review section of the Directors' Report.

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 review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 and the part of the Directors' Remuneration Report to be audited. 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 Group's and 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Report of the Independent Auditors to the members of Oxford Instruments plc

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Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation,
- the Parent Company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 March 2008,
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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
Chartered Accountants
Registered Auditor
2 Cornwall Street
Birmingham
B3 2DL
10 June 2008

KPMG Audit Plc

Accounting Policies

Oxford Instruments plc (the Company) is a company incorporated in Great Britain

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about the Group

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP, these are presented on pages 89 to 96

The accounting policies set out below have, unless otherwise stated been applied consistently to all periods presented in these Group financial statements

(a) New accounting standards

The financial statements comply with IFRS 7, *Financial Instruments: Disclosures* and the Amendment to IAS 1 *Capital Disclosures*. The adoption of these standards by the Group in the current year has no impact on either the profit or the net assets of the Group for the period commencing 1 April 2007. The most notable effect of the changes implemented above is the additional disclosure presented in the financial statements recording credit, liquidity and interest rate risk set out in Note 23

(b) Basis of preparation

The financial statements are presented in £ sterling rounded to the nearest £100,000. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as available-for-sale

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Further detail of the estimates and judgements made can be found in note 38

The accounting policies have been applied consistently by all of the Group's entities

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to £ sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to £ sterling at foreign exchange rates ruling at the dates the fair value was determined

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation are translated to £ sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to £ sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in equity. Differences arising prior to 1 April 2004 are presented within retained earnings. Differences arising after 1 April 2004 are presented as a separate component of equity

(e) Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to foreign exchange arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised

initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. The fair value of forward exchange or option contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

IAS 39 requires certain stringent criteria to be met in order to hedge account, which, in the particular circumstances of the Group, are considered by the Board not to bring any significant economic benefit. Accordingly, the Group does not hedge account derivative financial instruments.

(f) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost, or at deemed cost, less accumulated depreciation (see below) and impairment losses (see accounting policy k). The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 31 March 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Depreciation

Depreciation is charged to the income statement on a straight line basis to write off the cost less estimated residual value of property, plant and equipment in equal instalments over their estimated useful lives of each part of an item of property plant and equipment as follows:

Freehold land	Nil
Freehold buildings, long leasehold land and buildings	50 years
Furniture and fittings	10 years
Machinery and other equipment	5 to 10 years
Computer equipment and software	4 years
Vehicles	4 years

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.

(iii) Subsequent costs

The Group recognises in the carrying value of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is

probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(g) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 31 March 2004, goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable net assets, liabilities and contingent liabilities acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 31 March 2004 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 31 March 2004.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see accounting policy k).

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, if future economic benefits are probable, the costs can be measured reliably and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and any other cost directly attributable to preparing the asset for its intended use. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy k). Other development expenditure is recognised in the income statement as an expense as incurred.

Research and development expenditure is accounted for after deducting the relevant proportion of any related grants receivable. If research and development expenditure is recoverable under a customer contract it is carried forward as work in progress at the lower of cost and net realisable value.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group

are stated at cost less accumulated amortisation and impairment losses (see accounting policy k)

(iv) Acquired Intangible Assets

Intangible assets recognised as a result of a business combination are stated at fair value at the date of acquisition less accumulated amortisation and impairment losses

(v) Amortisation

Amortisation of capitalised development expenditure is charged to the income statement on the basis of unit shipments over a product's estimated useful economic life. Amortisation in respect of other intangible assets is charged to the income statement on a straight-line basis over their estimated useful lives. Goodwill is systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use

The estimated useful lives are as follows

Capitalised development costs	3 to 5 years
Unpatented technology	5 to 10 years
Customer related intangibles	6 months to 2 years

(h) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy k)

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour, an attributable proportion of production overheads based on normal operating capacity and all other expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses

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. The Group uses demonstration equipment to market its products to customers. The majority of demonstration equipment is held within inventory. All categories of demonstration equipment are written down during use and then are actively marketed from time to time in order to rotate assets so that as the older items are sold they are replaced, as necessary, by new equipment

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows

(k) Impairment

The carrying amount of the Group's assets, other than inventories (see accounting policy i) and deferred tax assets (see accounting policy r), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see (i) below)

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Receivables with a short duration are not discounted

(ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

(l) Employee benefits

The Group operates a number of defined benefit and defined contribution plans which require contributions to be made to independent trustee administered funds

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that current and past employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates appropriate to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

All actuarial gains and losses in calculating the Group's net obligation are recognised in the statement of recognised income and expense in the year.

Contributions to the scheme are paid in accordance with the scheme rules and the recommendation of the actuary. The charge to the income statement reflects the current service cost. The expected return on scheme assets and the interest cost on scheme liabilities are included within financial income or financial expenditure in the income statement.

(iii) Share-based payment transactions

The Group operates various equity settled share option programmes. These share option programmes allow Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread on a straight line basis over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the most appropriate models for each scheme, 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 market performance conditions not being met.

(m) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Warranty

A provision for warranty is recognised when the underlying products are sold. The provision is based on historical warranty data.

(ii) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(n) Trade and other receivables

Trade and other receivables are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts as discussed in accounting policy k.

(o) Trade and other payables

Trade and other payables are stated at amortised cost.

(p) Revenue

(i) Goods sold and services rendered

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue, 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. Revenue is recognised on shipment, except for installation and service contracts. Revenue from installation is separately recognised on completion of the installation. Revenue from contracts for maintenance and support is recognised on a pro-rata basis over the contract period.

(ii) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

(q) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(ii) Foreign exchange gains and losses

Foreign exchange gains and losses and gains and losses on derivative financial instruments that are recognised in the income statement are recognised within administrative expenses and separately disclosed in the notes to the accounts

(iii) Financial income

Financial income comprises interest receivable on funds invested, gains on derivative financial instruments and expected return on pension scheme assets

Interest income is recognised in the income statement as it accrues, using the effective interest method

(iv) Financial expenditure

Financial expenditure comprises interest payable on borrowings calculated using the effective interest rate method, expected interest cost on pension scheme obligations and losses on derivative financial instruments

(v) Warranty costs

Warranty costs are based on the historical relationship between actual costs incurred and the relevant revenue exposure

(r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (the tax base). The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and do not arise from a business combination, and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services in a particular business segment (business segment), or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments

The Group's primary reporting format is business segments and its secondary format is geographical segments. Segment results, assets and liabilities, include items directly attributable to a segment as well as an allocation of central items. Transfer prices between business segments are set on an arms length basis

(t) Held for sale assets

Immediately before classification as held for sale, the measurement of the assets is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets are recognised at the lower of their carrying amount and fair value less costs to sell

Impairment losses on initial classification as held for sale are included in the income statement, even when the asset has previously been revalued. The same applies to gains and losses on subsequent remeasurement

(u) Adopted IFRS not yet applied

IFRS 8, 'Operating Segments Disclosure' applicable for years commencing on or after 1 January 2009, was available for early application but has not been applied by the Group in these financial statements. The Group does not expect this standard to have any significant impact on the financial statements for the period commencing 1 April 2008

Group Income Statement *year ended 31 March 2008*

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	Notes	2008 £m	2007 £m
Revenue	2	176 5	161 6
Cost of sales		(103 8)	(95 0)
Gross profit		72 7	66 6
Trading expenses excluding cost of goods sold	3	(62 1)	(58 3)
Trading profit		10 6	8 3
Other operating income	5	0 7	-
Amortisation of acquired intangibles	6	(2 9)	(1 1)
Restructuring and other non-recurring costs	7	-	(5 2)
Operating profit		8 4	2 0
Financial income	11	9 6	8 5
Financial expenditure	12	(13 0)	(9 2)
Profit before income tax		5 0	1 3
Income tax expense	13	(2 3)	(2 8)
Profit/(loss) for the year attributable to equity shareholders of the parent		2 7	(1 5)
		pence	pence
Earnings per share			
Basic earnings per share	14	5 6	(3 2)
Diluted earnings per share	14	5 5	(3 2)
Dividends per share			
Dividends paid	15	8 4	8 4
Dividends proposed	15	8 4	8 4
		£m	£m
Total dividends			
Dividends paid		4 1	4 0
Dividends proposed		4 1	4 0

		£m	£m
Adjusted profit before tax	1	9 5	7 5
		pence	pence
Adjusted earnings per share			
Basic earnings per share	14	11 7	9 6
Diluted earnings per share	14	11 7	9 5

Group Statement of Recognised Income and Expense *year ended 31 March 2008*

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	Note	2008 £m	2007 £m
Foreign exchange translation differences		3 1	(1 7)
Actuarial gain in respect of post retirement benefits	30	7 1	22 1
Taxation effect in respect of post retirement benefits	13	(2 6)	(6 7)
Recycling of fair value movements of available for sale equity securities		-	0 2
Net profit recognised directly in equity		7 6	13 9
Profit/(loss) for the year		2 7	(1 5)
Total recognised income for the year attributable to equity shareholders of the parent		10 3	12 4

Group Balance Sheet *as at 31 March 2008*

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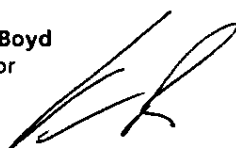
	Notes	2008 £m	2007 £m
Assets			
Non-current assets			
Property, plant and equipment	17	22.4	21.5
Intangible assets	18	44.0	18.1
Available for sale equity securities	19	0.6	0.6
Deferred tax assets	20	9.6	11.6
		76.6	51.8
Current assets			
Inventories	21	34.9	25.6
Trade and other receivables	22	53.5	45.1
Current income tax recoverable		0.7	0.5
Derivative financial instruments	24	0.6	0.5
Cash and cash equivalents	25	7.9	3.9
Held for sale assets	26	-	7.0
		97.6	82.6
Total assets		174.2	134.4
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	27	2.5	2.5
Share premium	27	21.2	20.9
Other reserves	27	0.1	0.1
Translation reserve	27	2.3	(0.8)
Retained earnings	27	36.4	33.1
		62.5	55.8
Liabilities			
Non-current liabilities			
Bank loans	29	24.9	-
Other payables	31	2.4	0.2
Retirement benefit obligations	30	21.2	30.8
Deferred tax liabilities	20	6.1	-
		54.6	31.0
Current liabilities			
Bank loans	29	0.1	1.0
Bank overdrafts	25	0.7	1.1
Trade and other payables	31	46.2	40.2
Current income tax payables		2.7	1.8
Derivative financial instruments	24	3.3	0.2
Provisions	32	4.1	3.3
		57.1	47.6
Total liabilities		111.7	78.6
Total liabilities and equity		174.2	134.4

The financial statements were approved by the Board of Directors on 10 June 2008 and signed on its behalf by

Jonathan Flint
Director

Kevin Boyd
Director


Oxford Instruments plc



Group Statement of Cash Flows *year ended 31 March 2008*

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	2008 £m	2007 £m
Profit/(loss) for the year	2 7	(1 5)
Adjustments for		
Income tax expense	2 3	2 8
Net financial expense	3 4	0 7
Restructuring and non-recurring costs	-	5 2
Amortisation of acquired tangibles	2 9	1 1
Other operating income	(0 7)	-
Depreciation of property, plant and equipment	4 1	3 4
Amortisation of capitalised development costs	1 9	1 5
Earnings before interest, tax, depreciation and amortisation	16 6	13 2
Loss on disposal of property, plant and equipment	-	0 2
Cost of equity settled employee share schemes	0 2	0 2
Restructurings costs paid	-	(2 9)
Cash payments to the pension scheme more than the charge to the income statement	(2 1)	(0 7)
Operating cash flows before movements in working capital	14 7	10 0
(Increase)/decrease in inventories	(6 9)	0 6
Increase in receivables	(6 9)	(2 3)
Increase in payables	2 3	-
Increase/(decrease) in provisions	0 3	(0 3)
Cash generated from operations	3 5	8 0
Interest paid	(1 7)	(0 3)
Income taxes paid	(1 9)	(2 5)
Net cash from operating activities	(0 1)	5 2
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	0 1
Proceeds from sale of held for sale assets	7 7	-
Proceeds from sale of available for sale equity securities	-	0 3
Interest received	0 3	0 2
Acquisition of subsidiaries, net of cash acquired	(12 7)	(0 3)
Acquisition of property, plant and equipment	(3 8)	(4 4)
Capitalised development expenditure	(6 6)	(5 6)
Net cash used in investing activities	(15 1)	(9 7)
Cash flows from financing activities		
Proceeds from issue of share capital	0 3	0 8
Repayment of borrowings	(1 0)	(1 9)
Increase in borrowings	24 2	-
Dividends paid	(4 1)	(4 0)
Net cash from financing activities	19 4	(5 1)
Net increase/(decrease) in cash and cash equivalents	4 2	(9 6)
Cash and cash equivalents at beginning of the year	2 8	12 7
Effect of exchange rate fluctuations on cash held	0 2	(0 3)
Cash and cash equivalents at end of the year	7 2	2 8

Notes to the Financial Statements

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1 RECONCILIATION BETWEEN PROFIT AND ADJUSTED PROFIT

	2008 £m	2007 £m
Profit before income tax	5 0	1 3
Other operating income	(0 7)	-
Amortisation of acquired intangibles	2 9	1 1
Restructuring and non-recurring costs (note 7)	-	5 2
Financial instruments (see below)	2 3	(0 1)
Adjusted profit before income tax	9 5	7 5

Under IAS 39, derivative financial instruments are recognised initially at fair value – this includes the fixed forward and option based foreign exchange contracts the Group has entered into in order to manage its exposure to foreign exchange rate movements. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The Group does not take advantage of the hedge accounting rules provided for in IAS 39 since that standard requires certain stringent criteria to be met in order to hedge account, which, in the particular circumstances of the Group, are considered by the Board not to bring any significant economic benefit. Accordingly, the Group accounts for its derivative financial instruments as trading instruments with the profit or loss on remeasurement to fair value being taken immediately to the income statement. Adjusted profit for the year is stated before changes in the valuation of these instruments so that the underlying performance of the Group can more clearly be seen.

2 SEGMENT INFORMATION

Information is presented in the consolidated financial statements in respect of the Group's two business segments being the primary basis of the Group's segmental reporting. Our Analytical business provides measurement and fabrication instruments for industrial and commercial customers. Our Superconductivity business provides materials, tools and systems for industrial and Government customers working at the frontiers of science.

Segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis.

Notes to the Financial Statements *Continued*

2 SEGMENT INFORMATION CONTINUED

a) Analysis by Business

Year to 31 March 2008

	Analytical £m	Superconductivity £m	Total £m
Revenue	115.7	60.8	176.5
Trading profit before costs of OII	11.0	2.0	13.0
Costs of OII			(2.4)
Trading profit			10.6
Other operating income			0.7
Amortisation of acquired intangibles			(2.9)
Operating profit			8.4
Net financial expense			(3.4)
Income tax expense			(2.3)
Profit for the year			2.7
Segment assets	99.7	55.7	155.4
Unallocated assets			18.8
Total assets			174.2
Segment liabilities	38.7	18.3	57.0
Unallocated liabilities			54.7
Total liabilities			111.7
Depreciation charge	2.6	1.5	4.1
Amortisation charge	3.9	0.9	4.8
Capital expenditure, including capitalised research and development	8.0	2.4	10.4

Research and development to enhance existing products and develop new ones is undertaken within both the Analytical and Superconductivity business segments. In addition, Oxford Instruments Innovation (OII) carried out initial investigations into new product lines that would not normally be undertaken by the operating businesses. Trading profit is shown both before and after OII costs so as to give a more meaningful indication of the performance of the business segments.

Notes to the Financial Statements *Continued*

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2 SEGMENT INFORMATION CONTINUED

a) Analysis by Business Continued

Year to 31 March 2007

	Analytical £m	Superconductivity £m	Total £m
Revenue	100.7	60.9	161.6
Trading profit before costs of OII	10.1	1.6	11.7
Costs of OII			(3.4)
Trading profit			8.3
Amortisation of acquired intangibles			(1.1)
Restructuring and non-recurring costs			(5.2)
Operating profit			2.0
Net financial expense			(0.7)
Income tax expense			(2.8)
Loss for the year			(1.5)
Segment assets	64.0	46.8	110.8
Unallocated assets			23.6
Total assets			134.4
Segment liabilities	26.4	17.0	43.4
Unallocated liabilities			35.2
Total liabilities			78.6
Depreciation charge	1.9	1.6	3.5
Amortisation charge	2.4	0.2	2.6
Capital expenditure, including capitalised research and development	8.3	1.7	10.0

b) Geographical Analysis

Year to 31 March 2008

	UK £m	Continental Europe £m	North America £m	Japan £m	Rest of Asia £m	Rest of World £m	Total £m
Revenue from external customers	20.4	44.2	54.2	20.1	32.4	5.2	176.5
Segment assets	58.6	51.2	36.4	7.8	1.4	-	155.4
Unallocated assets							18.8
Total							174.2
Capital expenditure, including capitalised research and development	7.3	1.1	1.9	-	0.1	-	10.4

Notes to the Financial Statements *Continued*

2 SEGMENT INFORMATION CONTINUED

b) Geographical Analysis Continued

Year to 31 March 2007

	UK £m	Continental Europe £m	North America £m	Japan £m	Rest of Asia £m	Rest of World £m	Total £m
Revenue from external customers	18 5	41 5	54 2	18 2	25 4	3 8	161 6
Segment assets	55 7	15 6	32 8	6 0	0 7	-	110 8
Unallocated assets							23 6
Total							134 4
Capital expenditure, including capitalised research and development	5 7	1 2	2 9	0 1	0 1	-	10 0

3 TRADING EXPENSES EXCLUDING COST OF GOODS SOLD

	2008 £m	2007 £m
Selling and marketing costs	29 5	26 7
Administration and shared services	21 0	20 3
Foreign exchange loss/(gain)	0 1	(0 8)
Research and development (note 4)	11 5	12 1
	62 1	58 3

Auditor's remuneration

	£'000	£'000
Audit of these financial statements	96	86
Amounts received by auditors and their associates in respect of Audit of financial statements of subsidiaries pursuant to legislation	179	146
Tax advisory services	18	1
Other services	-	2
Total fees paid to auditor and its associates	293	235

4 RESEARCH AND DEVELOPMENT

The total research and development spend by the Group is as follows

	Analytical £m	Superconductivity £m	2008 Total £m
Total cash spent on research and development during the year	10.7	5.5	16.2
Less amount capitalised	(5.5)	(1.1)	(6.6)
Add amortisation of amounts previously capitalised	1.8	0.1	1.9
Research and development charged to income statement	7.0	4.5	11.5

	Analytical £m	Superconductivity £m	2007 Total £m
Total cash spent on research and development during the year	10.6	5.6	16.2
Less amount capitalised	(5.3)	(0.3)	(5.6)
Add amortisation of amounts previously capitalised	1.4	0.1	1.5
Research and development charged to income statement	6.7	5.4	12.1

5 OTHER OPERATING INCOME

	2008 £m	2007 £m
Profit on disposal of held for sale assets	0.7	-

Other operating income comprises the profit on disposal of previously held for sale freehold properties in Abingdon and Eynsham, UK

6 AMORTISATION OF ACQUIRED INTANGIBLES

	2008 £m	2007 £m
Amortisation of acquired intangibles	2.9	0.2
Adjustment to carrying value of goodwill as required by IAS12	-	0.9
	2.9	1.1

The adjustment to the carrying value of goodwill in the prior year arose due to the utilisation of tax losses which were not recognised as a deferred tax asset at the time of acquisition. IAS 12 requires that when such losses are utilised subsequent to acquisition the carrying value of goodwill is reduced so that it reflects the carrying value that would have arisen had a deferred tax asset been recognised at the time of acquisition.

7 RESTRUCTURING AND NON-RECURRING COSTS

Restructuring and non-recurring costs for the year ended 31 March 2007 comprise £1.7m in respect of the settlement of an onerous contract, £2.9m in respect of the exit from the high field magnet business, £0.3m in respect of the disposal of the Group's interest in Oxford BioSignals Ltd and £0.3m in respect of costs associated with the exit from the held for sale factory which became surplus to requirements following the restructuring of the UK magnet business in 2006

8 PERSONNEL COSTS

	2008 £m	2007 £m
Wages and salaries	45.5	43.1
Social security costs	4.2	4.1
Charge in respect of defined benefit pension schemes	2.9	3.7
Contributions to defined contribution pension plans	1.5	1.2
Charge in respect of employee share options	0.2	0.2
	54.3	52.3

Directors' emoluments are disclosed in the Directors' Remuneration Report on pages 32 to 39 of this document

9 EMPLOYEES

The average number of people employed by the Group (including Directors) during the year was as follows

	2008 Number	2007 As restated Number
Production	677	679
Sales and marketing	362	292
Research and development	242	234
Administration and shared services	220	183
Total average number of employees	1,501	1,388

Previously the Group has excluded temporary employees in this note. These employees have now been included and the prior year figure has been restated accordingly.

10 SHARE OPTION SCHEME EXPENSE

Administrative expenses include a charge of £0.2m (2007 £0.2m) in respect of the cost of providing share options. 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 and which are exercisable or potentially exercisable at 31 March 2008 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 2007	Executive Share Option Scheme	Certain Senior Executives	2,000	Three years of service plus satisfaction of performance conditions	10 years
September 2007	Executive Share Option Scheme	Certain Senior Executives	514,500	Three years of service plus satisfaction of performance conditions	10 years
July 2007	Senior Executive Long Term Incentive Scheme	Certain Senior Executives	87,500	Three years of service plus satisfaction of performance conditions	7 years
December 2006	UK Save As You Earn scheme 21	All UK employees	250,043	Three or five years of service	3.5 or 5.5 years
September 2006	Senior Executive Long Term Incentive Scheme	Certain Senior Executives	12,500	Three years of service plus satisfaction of performance conditions	7 years
September 2006	Executive Share Option Scheme	Certain Senior Executives	66,667	Three years of service plus satisfaction of performance conditions	10 years
July 2006	Senior Executive Long Term Incentive Scheme	Certain Senior Executives	75,000	Three years of service plus satisfaction of performance conditions	7 years
July 2006	Executive share Option Scheme	Certain Senior Executives	450,550	Three years of service plus satisfaction of performance conditions	10 years
December 2005	Senior Executive Long Term Incentive Scheme	Certain senior executives	40,000	Three years of service plus satisfaction of performance conditions	7 years
December 2005	Executive Share Option Scheme	Certain senior executives	6,000	Three years of service plus satisfaction of performance conditions	10 years
December 2005	UK Save as You Earn scheme 20	All UK employees	156,881	Three or five years of service	3.5 or 5.5 years
July 2005	Senior Executive Long Term Incentive Scheme	Certain senior executives	50,000	Three years of service plus satisfaction of performance conditions	7 years
July 2005	Executive Share Option Scheme	Certain senior executives	540,300	Three years of service plus satisfaction of performance conditions	10 years
December 2004	UK Save as You Earn scheme 19	All UK employees	221,749	Three or five years of service	3.5 or 5.5 years
July 2004	Executive Share Option Scheme	Certain senior executives	786,213	Three years of service plus satisfaction of performance conditions	10 years
December 2003	UK Save as You Earn scheme 18	All UK employees	227,157	Three or five years of service	3.5 or 5.5 years
July 2003	Executive Share Option Scheme	Certain senior executives	932,037	Three years of service plus satisfaction of performance conditions	10 years

Full details of the performance conditions can be found in the Directors' Remuneration Report on pages 32 to 39.

10 SHARE OPTION SCHEME EXPENSE CONTINUED**59****Fair value of share options and assumptions****Executive Share Option Scheme**

	December 2007	September 2007	September 2006	July 2006	December 2005	July 2005	July 2004	July 2003
Fair value at measurement date	38 0p	51 3p	44 6p	46 6p	64 0p	56 5p	64 5p	47 5p
Share price	£1 86	£2 30	£2 05½	£2 10	£2 42¼	£2 17½	£2 18½	£1 87½
Exercise price	£1 92½	£2 32	£2 03¾	£2 10	£2 42½	£2 19	£2 18	£1 88
Expected volatility	29 8%	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	4 5%	3 7%	4 1%	4 0%	3 5%	3 9%	3 8%	4 5%
Risk free interest rate	5 5%	5 8%	4 6%	4 7%	4 3%	4 2%	5 1%	3 9%
Performance condition discount in respect of TSR condition	24 9%	33 7%	31 4%	33 6%	24 2%	23 0%	21 0%	26 0%

Senior Executive Long Term Incentive Scheme

	July 2007	September 2006	July 2006	December 2005	July 2005
Fair value at measurement date	£1 86	£1 38	£1 41	£1 62	£1 46
Share price	£2 71	£2 05½	£2 10	£2 42¼	£2 17½
Exercise price	£nil	£nil	£nil	£nil	£nil
Expected volatility	22 8%	25 5%	26 5%	32 2%	34 8%
Expected option life (expressed as weighted average life used in the modelling)	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	3 1%	4 1%	4 0%	3 5%	3 9%
Risk free interest rate	5 5%	4 8%	4 7%	4 3%	4 2%
Performance condition discount in respect of TSR condition	48 8%	47 6%	47 7%	51 5%	23 0%

10 SHARE OPTION SCHEME EXPENSE CONTINUED

UK Save as You Earn scheme – 3 year

	December 2006	December 2005	December 2004
Fair value at measurement date	83 7p	65 0p	63 0p
Share price	£2 55	£2 44	£2 14
Exercise price	£1 83	£2 14	£1 75
Expected volatility	25 8%	33 3%	35 0%
Expected option life (expressed as weighted average life used in the modelling)	3 25 years	3 25 years	3 25 years
Expected dividend yield	3 3%	3 4%	3 9%
Risk free interest rate	5 1%	4 3%	4 4%

UK Save as You Earn scheme – 5 year

	December 2006	December 2005	December 2004	December 2003
Fair value at measurement date	98 5p	79 0p	78 0p	69 0p
Share price	£2 55	£2 44	£2 14	£1 95
Exercise price	£1 73	£2 02	£1 65	£1 64
Expected volatility	31 0%	34 2%	39 8%	43 7%
Expected option life (expressed as weighted average life used in the modelling)	5 25 years	5 25 years	5 25 years	5 25 years
Expected dividend yield	3 3%	3 4%	3 9%	4 3%
Risk free interest rate	4 9%	4 2%	4 4%	4 7%

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 Total Shareholder Return (TSR) market condition in the ESO and SELTIS schemes.

The Executive Share Option and Senior Executive Long Term Incentive Schemes have been valued using an internal calculation based on Monte- Carlo stochastic and modified Black-Scholes models. The Save as You Earn schemes have been valued using a modified Black-Scholes model.

Notes to the Financial Statements *Continued*

10 SHARE OPTION SCHEME EXPENSE CONTINUED

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

	Weighted average exercise price 2008	Number of options 2008	Weighted average exercise price 2007	Number of options 2007
Outstanding at the beginning of the period	£1 93	2,826,523	£1 85	3,289,600
Granted during the year	£1 98	604,000	£1 78	854,760
Forfeited during the year	£2 74	(202,582)	£2 42	(234,166)
Exercised during the year	£1 78	(189,824)	£1 21	(685,627)
Lapsed during the year	£1 52	(296,208)	£1 25	(398,044)
Outstanding at the year end	£1 87	2,741,909	£1 93	2,826,523
Exercisable at the year end	£1 97	406,768	£2 12	424,589

11 FINANCIAL INCOME

	2008 £m	2007 £m
Bank interest receivable	0 3	0 2
Expected return on pension scheme assets	9 3	8 2
Mark to market gain in respect of derivative financial instruments	-	0 1
	9 6	8 5

12 FINANCIAL EXPENDITURE

	2008 £m	2007 £m
Interest payable and similar charges on bank loans and overdrafts	1 7	0 3
Interest charge on pension scheme liabilities	9 0	8 9
Mark to market loss in respect of derivative financial instruments	2 3	-
	13 0	9 2

Notes to the Financial Statements *Continued*

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13 INCOME TAX EXPENSE

Recognised in the income statement

	2008 £m	2007 £m
Current tax expense		
Current year	2 9	2 4
Adjustment in respect of prior years	0 2	-
	3 1	2 4
Deferred tax expense		
Origination and reversal of temporary differences	(0 8)	0 6
Adjustment in respect of prior years	-	(0 2)
	(0 8)	0 4
Total tax expense	2 3	2 8
Reconciliation of effective tax rate		
Profit before income tax	5 0	1 3
Income tax using the UK corporation tax rate (30%)	1 5	0 4
Effect of		
Tax rates in foreign jurisdictions	0 2	0 4
Amortisation of intangible assets	0 1	0 3
Non-tax deductible expenses	0 1	0 2
Profit on disposal of held for sale assets	(0 2)	-
Tax incentives not recognised in the income statement	(0 1)	(0 2)
Temporary differences not recognised for deferred tax	0 2	0 2
Effect of current tax losses not utilised	0 7	2 6
Effect of previous tax losses now utilised	(0 4)	(0 9)
Under/(over) provided in prior years	0 2	(0 2)
Total tax expense	2 3	2 8
Taxation recognised directly in equity		
Current tax – relating to employee benefits	0 6	-
Deferred tax - relating to employee benefits	(3 2)	(6 7)
	(2 6)	(6 7)

Notes to the Financial Statements *Continued*

14 EARNINGS PER SHARE

a) Unadjusted

The earnings per share is as follows

	2008 pence	2007 pence
Basic	5 6	(3 2)
Diluted	5 5	(3 2)

b) Adjusted

The earnings per share before other operating income, amortisation of acquired intangibles, restructuring and non-recurring costs, and mark to market gains or losses in respect of certain derivatives is as follows

	2008 pence	2007 pence
Basic	11 7	9 6
Diluted	11 7	9 5

A reconciliation of the profit for the years used to calculate earnings per share to the adjusted profit for the years used to calculate the adjusted earnings per share shown above is set out below

	2008 £m	2007 £m
Adjusted profit before income tax (note 1)	9 5	7 5
Taxation	(3 7)	(2 8)
Adjusted profit	5 8	4 7

c) Basic

The calculation of basic earnings per share is based on a weighted average number of ordinary shares outstanding during the year, excluding shares held by the Employee Share Ownership Trust, as follows

	Shares million	Shares million
Weighted average number of shares outstanding	49 3	48 9
Less shares held by Employee Share Ownership Trust	0 6	0 7
Weighted average number of shares used in calculation of earnings per share	48 7	48 2

d) Diluted

The following table shows the effect of share options on the calculation of both adjusted and unadjusted diluted basic earnings per share. However, in the prior year in respect of unadjusted earnings per share that effect was antidilutive and so was excluded from the calculation

	2008 Shares million	2007 Shares million
Number of ordinary shares per basic earnings per share calculations	48 7	48 2
Effect of shares under option	0 3	0 3
Number of ordinary shares per diluted earnings per share calculations	49 0	48 5

Notes to the Financial Statements *Continued*

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15 DIVIDENDS PER SHARE

The following dividends per share were paid by the Group

	2008 pence	2007 pence
Previous year interim dividend	2 4	2 4
Previous year final dividend	6 0	6 0
	8 4	8 4

The following dividends per share were proposed by the Group in respect of each accounting year presented

	2008 pence	2007 pence
Interim dividend	2 4	2 4
Final dividend	6 0	6 0
	8 4	8 4

The final proposed dividend of 6 0 pence per share (2007 6 0 pence) will not be provided for until authorised by shareholders at the forthcoming Annual General Meeting

Interim dividends of 2 4 pence per share (2007 2 4 pence) are provided for when the dividend is paid

Subject to the approval of the shareholders at the Annual General Meeting on 23 September 2008, the proposed final dividend will be paid on 23 October 2008 to shareholders registered at the close of business on 26 September 2008. The ordinary shares will be quoted ex-dividend on 24 September 2008. The latest date for exercising the Dividend Reinvestment Plan (DRIP) Dividend alternative is 29 September 2008. The dividends payable on the shares held in trust have been waived.

16 ACQUISITIONS**Worldwide Analytical Systems AG**

During the period from 25 July 2007 to 2 August 2007 the Group acquired 100% of the voting rights of Worldwide Analytical Systems AG based in Uedem, Germany for a net cash consideration of £9.5m. The company is a leading manufacturer of Arc/Spark optical emission instrumentation.

In the period subsequent to acquisition the company contributed profit before tax of £0.8m to the Group. Had the acquisition taken place on the first day of the financial year additional revenue of £8.3m and profit of £1.2m would have been earned by the Group. The following table gives an analysis of the assets acquired and the goodwill arising.

	Book value £m	Fair value adjustments £m	Fair value to the Group £m
Intangible assets	0.1	12.2	12.3
Property, plant and equipment	1.2	(0.3)	0.9
Deferred tax assets	-	0.3	0.3
Inventories	2.0	(0.4)	1.6
Receivables	1.1	-	1.1
Net overdraft	(0.3)	-	(0.3)
Payables and provisions	(2.4)	(0.2)	(2.6)
Deferred tax liabilities	-	(3.7)	(3.7)
Borrowings	(0.8)	-	(0.8)
Total net assets acquired			8.8
Goodwill			0.7
Net cash outflow in respect of the purchase*			9.5
Add overdraft acquired			0.3
Net cash outflow on acquisition			9.8

* Includes costs associated with the acquisition of £0.2m.

The book value of the assets acquired is based on the financial accounting records at the date of acquisition. The fair value adjustments relate to the recognition of both customer and technology related intangible assets, the reduction of certain inventories to net realisable value and the provision for certain liabilities. The goodwill comprises the value attributable to the employee workforce as well as expected revenue and cost synergies that will arise following the integration of the business into the Group.

16 ACQUISITIONS CONTINUED

VeriCold Technologies GmbH

On 19 August 2007 the Group acquired 100% of the voting rights in VeriCold Technologies GmbH based in Ismaning, Germany for a net cash consideration of £2.0m. Further contingent consideration of up to €5.5m is payable based on post acquisition order intake. The Group's best estimate of this contingent consideration at the current time is £2.1m. The company is a manufacturer of pulse tube refrigerators.

In the period subsequent to acquisition the company contributed a profit before tax of £0.1m to the Group. Had the acquisition taken place on the first day of the financial year additional revenue of £2.2m and profit of £0.2m would have been earned by the Group. The following table gives an analysis of the assets acquired and the goodwill arising.

	Book value £m	Fair value adjustments £m	Fair value to the Group £m
Intangible assets	-	6.4	6.4
Property, plant and equipment	0.1	-	0.1
Deferred tax assets	-	0.3	0.3
Inventories	0.7	(0.2)	0.5
Receivables	0.2	-	0.2
Payables and provisions	(1.2)	(0.5)	(1.7)
Deferred tax liabilities	-	(2.0)	(2.0)
Total net assets acquired			3.8
Goodwill			0.3
Total purchase cost*			4.1
Less contingent consideration			(2.1)
Net cash outflow in respect of the purchase/ acquisition			2.0

* Includes costs associated with the acquisition of £0.1m.

The book value of the assets acquired is based on the financial accounting records at the date of acquisition. The fair value adjustments relate to the recognition of both customer and technology related intangible assets, the reduction of certain inventories to net realisable value and the provision for certain liabilities. The goodwill comprises the value attributable to the employee workforce as well as expected revenue and cost synergies that will arise following the integration of the business into the Group.

16 ACQUISITIONS CONTINUED**Technologies and Devices International Inc**

On 9 April 2008 the Group acquired 100% of the voting rights in Technologies and Devices International Inc based in Silver Spring, Maryland, USA for a net cash consideration of £0.5m. Further contingent consideration of up to £2.5m is payable based on post acquisition revenue growth. The Group's best estimate of this contingent consideration at the current time is £0.7m. The company is a manufacturer and developer of Hydride Vapour Phase Epitaxy templates.

The following table gives a provisional analysis of the assets acquired and the goodwill arising

	Provisional book value £m	Provisional fair value adjustments £m	Provisional fair value to the Group £m
Intangible assets	0.2	3.4	3.6
Receivables	0.1	-	0.1
Payables and provisions	(1.4)	-	(1.4)
Deferred tax liabilities	-	(1.2)	(1.2)
Total net assets acquired			1.1
Goodwill			0.1
Total purchase cost			1.2
Less contingent consideration			(0.7)
Net cash outflow in respect of the purchase/ acquisition			0.5

The book value of the assets acquired is based on the management accounts at the date of acquisition. The fair value adjustment relates to the recognition of technology related intangible assets. The goodwill comprises the value attributable to the employee workforce as well as expected revenue and cost synergies that will arise following the integration of the business into the Group.

Oxford Instruments Nordiska AB

On 28 May 2008 the Group acquired 100% of the voting rights in Oxford Instruments Nordiska AB from LINK Analytical AB based in Lidingö, Sweden for a net cash consideration of £0.6m. The Group then sold its 10% holding in LINK Analytical AB to the 90% majority shareholder for a nominal amount.

Further contingent consideration of up to £0.6m is payable based on post acquisition revenue growth. The Group's best estimate of this contingent consideration at the current time is £0.4m. The company is a distributor of Oxford Instruments NanoAnalysis equipment in Scandinavia.

The remaining disclosure required by IFRS3 has been omitted since due to the timing of the acquisition the initial accounting is incomplete at the date of publication of this report.

17 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
Balance at 1 April 2006	16.9	32.4	7.6	56.9
Acquisitions	0.2	3.8	0.4	4.4
Disposals	-	(3.4)	-	(3.4)
Transfers to held for sale assets	(2.9)	(0.1)	-	(3.0)
Effect of movements in foreign exchange	(0.3)	(1.4)	(0.1)	(1.8)
Balance at 31 March 2007	13.9	31.3	7.9	53.1
Balance at 1 April 2007	13.9	31.3	7.9	53.1
Acquisitions – business combinations	0.8	0.1	0.1	1.0
Acquisitions - other	0.2	3.6	-	3.8
Disposals	(0.1)	(1.2)	(0.1)	(1.4)
Effect of movements in foreign exchange	0.2	0.2	-	0.4
Balance at 31 March 2008	15.0	34.0	7.9	56.9
Depreciation and impairment losses				
Balance at 1 April 2006	3.7	24.3	5.5	33.5
Depreciation charge for the year	0.3	2.7	0.5	3.5
Disposals	-	(3.1)	-	(3.1)
Transfers to held for sale assets	(1.0)	-	-	(1.0)
Effect of movements in foreign exchange	(0.1)	(1.1)	(0.1)	(1.3)
Balance at 31 March 2007	2.9	22.8	5.9	31.6
Balance at 1 April 2007	2.9	22.8	5.9	31.6
Depreciation charge for the year	0.3	3.6	0.2	4.1
Disposals	(0.1)	(0.9)	-	(1.0)
Effect of movements in foreign exchange	-	(0.2)	-	(0.2)
Balance at 31 March 2008	3.1	25.3	6.1	34.5
Carrying amounts				
At 1 April 2006	13.2	8.1	2.1	23.4
At 31 March 2007 and 1 April 2007	11.0	8.5	2.0	21.5
At 31 March 2008	11.9	8.7	1.8	22.4

18 INTANGIBLE ASSETS

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	Goodwill £m	Customer related acquired intangibles £m	Technology related acquired intangibles £m	Development costs £m	Total £m
Cost					
Balance at 1 April 2006	9.6	0.9	1.1	8.0	19.6
Acquisitions - internally developed	-	-	-	5.6	5.6
Disposals	-	-	-	(0.2)	(0.2)
Effect of movements in foreign exchange	(0.3)	-	-	(0.2)	(0.5)
Balance at 31 March 2007	9.3	0.9	1.1	13.2	24.5
Balance at 1 April 2007	9.3	0.9	1.1	13.2	24.5
Acquisitions - internally developed	-	-	-	6.6	6.6
Acquisitions - business combinations	1.4	1.7	17.0	-	20.1
Effect of movements in foreign exchange	0.8	0.5	2.9	0.4	4.6
Balance at 31 March 2008	11.5	3.1	21.0	20.2	55.8
Amortisation and impairment losses					
Balance at 1 April 2006	0.2	0.9	0.4	2.5	4.0
Amortisation charge for the year	-	-	-	1.5	1.5
Impairment charge	-	-	0.2	-	0.2
Adjustment relating to recognition of deferred tax asset	0.9	-	-	-	0.9
Disposals	-	-	-	(0.2)	(0.2)
Balance at 31 March 2007	1.1	0.9	0.6	3.8	6.4
Balance at 1 April 2007	1.1	0.9	0.6	3.8	6.4
Amortisation charge for the year	-	1.2	1.7	1.9	4.8
Effect of movements in foreign exchange	-	0.3	0.2	0.1	0.6
Balance at 31 March 2008	1.1	2.4	2.5	5.8	11.8
Carrying amounts					
At 1 April 2006	9.4	-	0.7	5.5	15.6
At 31 March 2007 and 1 April 2007	8.2	-	0.5	9.4	18.1
At 31 March 2008	10.4	0.7	18.5	14.4	44.0

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill was allocated to groups of CGUs as follows:

	2008 £m	2007 £m
Analytical	6.4	4.6
Superconductivity	4.0	3.6
	10.4	8.2

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

18 INTANGIBLE ASSETS CONTINUED

The impairment test operates by determining recoverable amounts of the relevant cash generating units, which is calculated as the higher of the fair value less costs to sell or its value in use. The recoverable amount of the Group's goodwill is based on value in use calculations. Three year cash flow forecasts prepared by the management of each CGU are used as a basis for the value in-use calculations which are prepared over a five year period. The key assumptions are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The rate used to discount the forecast cash flows is 8% being the Directors' estimate of the weighted average cost of capital of the Company. In both cases the value in use exceeds the carrying amount of goodwill and no impairment provision is therefore required.

19 AVAILABLE FOR SALE EQUITY SECURITIES

	2008 £m	2007 £m
Available for sale equity securities	0.6	0.6

Available for sale equity securities at 31 March 2008 comprise

Security	Principal activity	Percentage of company owned	Carrying value £m
ARKeX Limited	Supply of gravity-gradiometry exploration and related services to the oil, gas and minerals industries	16.7%	0.3
LINK Analytical AB	Scandinavian distributor of Oxford Instruments NanoAnalysis X-ray systems for chemical elemental analysis	10.0%	-
Oxford Diffraction Limited	X-ray diffraction systems and ancillary products for chemical crystallography and protein structure determination	23.0%	0.3

The Group considers that ARKeX Limited and Oxford Diffraction Limited are not associates because in both cases the Group is unable to exert significant influence over their financial and operating policies due to the dominant influence exerted by other investors.

The investments relate to unlisted entities which are engaged in the development of new high technology products. Due to the inherent uncertainties this creates, the Group considers that it is not possible to reliably estimate the fair value of these investments.

On 4 April 2008 the Group sold its holding in Oxford Diffraction Limited for a gross cash consideration of £3.5m. An additional cash amount of up to £1.1m may be received over the next three years conditional on the performance of Oxford Diffraction Limited. The profit on disposal on the initial consideration was £3.2m.

During the prior year the Group disposed of its investment in Oxford BioSignals Limited. The proceeds of disposal were £0.4m. No profit on disposal arose. A fair value movement taken to the statement of recognised income and expenditure during 2006 was recycled through the income statement.

During the prior year additional "B" round funding resulted in the Group's percentage holding in ARKeX Ltd being reduced from 18.9% to 16.7%.

See note 16 for details regarding the transactions occurring after the balance sheet date of the Group's investment in LINK Analytical AB.

Notes to the Financial Statements *Continued*

20 DEFERRED TAX

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Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Property, plant and equipment	3 3	2 5	(0 1)	(0 1)	3 2	2 4
Deferred revenue	0 4	0 3	-	-	0 4	0 3
Inventories	1 4	1 2	-	-	1 4	1 2
Employee benefits	6 9	9 7	-	-	6 9	9 7
Provisions	0 6	0 4	-	-	0 6	0 4
Intangible assets	-	-	(9 3)	(2 5)	(9 3)	(2 5)
Other items	0 7	-	(0 5)	(0 1)	0 2	(0 1)
Tax value of loss carry-forwards recognised	0 1	0 2	-	-	0 1	0 2
Tax assets/(liabilities)	13 4	14 3	(9 9)	(2 7)	3 5	11 6
Set off of tax	(3 8)	(2 7)	3 8	2 7	-	-
Net tax assets /(liabilities)	9 6	11 6	(6 1)	-	3 5	11 6

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items

	2008 £m	2007 £m
Deductible temporary differences	2 8	2 5
Tax losses	9 2	7 8
	12 0	10 3

Tax losses amounting to £0 5m (2007 £1 6m) expire between the year end and 2016. The balance do not expire under current tax legislation. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available in the subsidiaries concerned against which the Group can utilise the benefits there from.

20 DEFERRED TAX CONTINUED

Movement in temporary differences during the year

	Balance 1 April 2006 £m	Recognised in income £m	Recognised in equity £m	Foreign exchange adjustment £m	Balance 31 March 2007 £m
Property, plant and equipment	1 6	0 8	-	-	2 4
Deferred revenue	0 4	(0 1)	-	-	0 3
Inventories	1 5	(0 3)	-	-	1 2
Employee benefits	16 5	0 2	(6 7)	(0 3)	9 7
Provisions	0 4	-	-	-	0 4
Intangible assets	(1 3)	(1 1)	-	(0 1)	(2 5)
Other items	(0 1)	-	-	-	(0 1)
Tax value of loss carry forwards recognised	0 1	0 1	-	-	0 2
	19 1	(0 4)	(6 7)	(0 4)	11 6

	Balance 1 April 2007 £m	Recognised on acquisition £m	Recognised in income £m	Recognised in equity £m	Foreign exchange adjustment £m	Balance 31 March 2008 £m
Property, plant and equipment	2 4	-	0 8	-	-	3 2
Deferred revenue	0 3	-	0 1	-	-	0 4
Inventories	1 2	0 1	0 1	-	-	1 4
Employee benefits	9 7	-	0 4	(3 2)	-	6 9
Provisions	0 4	0 4	(0 2)	-	-	0 6
Intangible assets	(2 5)	(5 7)	(0 6)	-	(0 5)	(9 3)
Other items	(0 1)	-	0 3	-	-	0 2
Tax value of loss carry forwards recognised	0 2	-	(0 1)	-	-	0 1
	11 6	(5 2)	0 8	(3 2)	(0 5)	3 5

21 INVENTORIES

	2008 £m	2007 £m
Raw materials and consumables	10 9	8 6
Work in progress	11 0	11 7
Finished goods	13 0	5 3
	34 9	25 6

The amount of inventory recognised as an expense comprises cost of sales and, in the prior year, £0 7m included within restructuring and other non recurring costs

22 TRADE AND OTHER RECEIVABLES

	2008 £m	2007 £m
Trade receivables	48.2	40.5
Less provision for impairment of receivables	(0.6)	(0.4)
Net trade receivables	47.6	40.1
Prepayments	2.3	2.5
Other receivables	3.6	2.5
	53.5	45.1

Trade receivables are non-interest bearing. Standard credit terms provided to customers differ according to business and country, and are typically between 30 and 60 days.

The maximum exposure to credit risk for trade receivables by geographic region was

	2008 £m	2007 £m
UK	14.2	14.4
Continental Europe	12.0	6.9
North America	15.3	13.8
Japan	6.6	5.4
Rest of World	0.1	-
	48.2	40.5

The ageing of trade receivables at the balance sheet date was

	2008 £m	2007 £m
Current (not overdue)	29.4	24.6
Less than 31 days overdue	9.8	7.8
More than 30 days but less than 91 days overdue	4.4	3.4
More than 90 days overdue	4.6	4.7
	48.2	40.5

The movement in the allowance for impairment of trade receivables during the year was as follows

	2008 £m	2007 £m
Balance at start of year	0.4	0.4
Increase in allowance	0.2	-
Balance at end of year	0.6	0.4

23 FINANCIAL RISK MANAGEMENT

The Group's multinational operations and debt financing expose it to a variety of financial risks. In the course of its business, the Group is exposed to foreign currency risk, interest rate risk, liquidity risk, and credit risk. Financial risk management is an integral part of the way the Group is managed. Financial risk management policies are set by the Board of Directors. These policies are implemented by a central treasury department that has formal procedures to manage foreign exchange risk, interest rate risk, and liquidity risk, including, where appropriate, the use of derivative financial instruments. The Group has clearly defined authority and approval limits.

In accordance with its treasury policy, the Group does not hold or use derivative financial instruments for trading or speculative purposes. Such instruments are only used to manage the risks arising from operating or financial assets or liabilities or highly probable future transactions.

23 FINANCIAL RISK MANAGEMENT CONTINUED

Foreign Currency Risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of sterling (translational exposures). The Group has operations around the world which record their results in a variety of different local functional currencies. In countries where the Group does not have operations, it invariably has some customers or suppliers that transact in a foreign currency. The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies but the Group's primary exposures relate to the US dollar, the Euro, and the Japanese Yen. To reduce uncertainty the Group maintains a rolling hedge equivalent to 80% of the exposure expected to arise over the next 12 months. The hedge comprises a mixture of fixed forward contracts and option based products. The remaining 20% is sold on the spot market as it arises. Losses on currency contracts recognised as a liability as at 31 March 2008 amount to £2.7m (2007 gain £0.3m).

Changes in the fair value of derivative financial instruments are recognised in the income statement immediately. However, in order to facilitate a more meaningful comparison of the Group's performance year on year such changes are treated as an adjusting item in the calculation of adjusted earnings (see note 1).

The Group's translational exposures to foreign currency risks can relate both to the income statement and net assets of overseas subsidiaries. The Group's policy is not to hedge the translational exposure that arises on consolidation of the income statements of overseas subsidiaries. The Group finances overseas company investments partly through the use of foreign currency borrowings in order to provide a natural economic hedge of foreign currency risk arising on translation of the Group's net investment.

Interest Rate Risk

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates. At this time, the majority of the Group's borrowings attract floating rates of interest and therefore the Group's principal interest rate risk is a cash flow risk. The Group does not currently use derivative financial instruments to manage either interest rate price or cash flow risk.

Liquidity Risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk by maintaining adequate committed lines of funding from high quality lenders. The facilities committed to the Group as at 31 March 2008 are set out in note 29.

Credit Risk

Credit risk arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial assets such as cash balances, derivative financial instruments, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts recognised in the balance sheet are net of appropriate allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Trade receivables are subject to credit limits, and control and approval procedures in the operating companies.

Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables. Credit risk associated with cash balances and derivative financial instruments is managed by transacting with financial institutions with high quality credit ratings. Accordingly the Group's associated credit risk is limited. The Group has no significant concentration of credit risk. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Group balance sheet.

23 FINANCIAL RISK MANAGEMENT CONTINUED**Exposure to credit risk**

The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at 31 March 2008 was £60.3m (2007: £47.6m).

	2008 £m	2007 £m
Available for sale equity securities	0.6	0.6
Trade receivables	47.6	40.1
Other receivables	3.6	2.5
Cash and cash equivalents	7.9	3.9
Forward exchange contracts	0.6	0.5
	60.3	47.6

The maximum exposure to credit risk for trade receivables is discussed in note 22.

Other receivables include £1.9m in respect of VAT and similar taxes which are not past due.

Capital Management

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the demographic spread of shareholders and the level of dividends to ordinary shareholders.

The Board encourages employees to hold shares in the company. Up to 31 March 2008 this has been carried out through a Save As You Earn option scheme in the UK, as well as various executive share option plans. Full details of these schemes are given in note 10. In April 2008 all UK employees were offered the opportunity to take part in a Share Incentive Plan. It is envisaged that no further Save As You Earn options will be offered.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. From time to time the Group purchases its own shares in the market, the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the Board. There were no changes to the Group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements. To assist the Board in capital management earnings per share is regularly reported to them.

24 FINANCIAL INSTRUMENTS**Fair values of financial assets and liabilities**

The fair values of financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows

	Carrying amount 2008 £m	Fair value 2008 £m	Carrying amount 2007 £m	Fair value 2007 £m
Available for sale equity securities	0.6	0.6	0.6	0.6
Trade receivables	47.6	47.6	40.1	40.1
Other receivables	3.6	3.6	2.5	2.5
Cash and cash equivalents	7.9	7.9	3.9	3.9
Derivative financial instruments				
Assets	0.6	0.6	0.5	0.5
Liabilities	(3.3)	(3.3)	(0.2)	(0.2)
Unsecured bank borrowings	-	-	(1.0)	(1.0)
Secured bank borrowings	(25.0)	(25.0)	-	-
Trade and other payables	(48.6)	(48.6)	(40.4)	(40.4)
Bank overdraft	(0.7)	(0.7)	(1.1)	(1.1)

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the above table

Available for sale equity securities

See note 19

Derivative financial instruments

Derivative financial instruments are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate

Floating rate borrowings

The fair value of floating rate borrowings approximates to the carrying value because interest rates are at floating rates where payments are reset to market rates at intervals of less than one year

Fixed rate borrowings

The fair value of fixed rate borrowings is estimated by discounting the future contracted cash flow using appropriate interest rates to net present value

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value

24 FINANCIAL INSTRUMENTS CONTINUED

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Maturity of financial liabilities**31 March 2008**

	Carrying amount £'000	Contractual cash flows £'000	Due within one year £'000	Due 1 – 5 years £'000	Due more than 5 years £'000
Bank overdrafts	0 7	0 7	0 7	-	-
Secured bank loans	25 0	29 6	1 1	28 0	0 5
Trade and other payables	48 6	48 6	48 6	-	-
Foreign exchange contracts	3 3	2 9	2 9	-	-
	77 6	81 8	53 3	28 0	0 5

31 March 2007

	Carrying amount £'000	Contractual cash flows £'000	Due within one year £'000	Due 1 – 5 years £'000	Due more than 5 years £'000
Bank overdrafts	1 1	1 1	1 1	-	-
Unsecured bank loans	1 0	1 0	1 0	-	-
Trade and other payables	40 4	40 4	40 4	-	-
Foreign exchange contracts	0 2	0 2	0 2	-	-
	42 7	42 7	42 7	-	-

At the reporting date the interest rate profile of the Group's interest – bearing financial instruments was

	Carrying amount 2008 £m	Carrying amount 2007 £m
Variable rate instruments		
Financial assets	7 9	3 9
Financial liabilities	(25 0)	(1 1)
Fixed rate instruments		
Financial liabilities	(0 8)	-

Bank overdraft

The bank overdraft is repayable on demand and carries an interest rate of 5.2%

Sensitivity analysis

At 31 March 2008 it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profit before tax by approximately £0.2m (2007: £nil)

As explained in note 23 the Group hedges 12 months forward against foreign currency movements. Accordingly, exchange rate fluctuations occurring during an operating period have limited impact on reported profit for that period. Had the Group not adopted this hedging policy then for the year ended 31 March 2008 it is estimated that a one percentage point weakening in the value of the US Dollar against sterling would have decreased the Group's profit before tax by approximately £0.3m (2007: £0.3m), a one percentage point weakening in the value of the Euro against sterling would have decreased the Group's profit before tax by approximately £0.2m (2007: £0.2m) and a one percentage point weakening in the value of the Japanese Yen against sterling would have decreased the Group's profit before tax by approximately £0.1m (2007: £0.1m).

78 **25 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO NET BORROWING**

	2008 £m	2007 £m
Increase/(decrease) in cash and cash equivalents	4.2	(9.6)
Effect of foreign exchange rate changes on cash and cash equivalents	0.2	(0.3)
	4.4	(9.9)
Cash outflow from decrease in debt	1.0	1.9
Cash inflow from increase in debt	(24.2)	-
Borrowings acquired on acquisition	(0.8)	-
Movement in net cash in the year	(19.6)	(8.0)
Net cash at start of the year	1.8	9.8
Net (borrowing)/cash at the end of the year	(17.8)	1.8
Analysed as		
Cash and cash equivalents (per Balance Sheet)	7.9	3.9
Bank overdrafts	(0.7)	(1.1)
Cash and cash equivalents (per Statement of cash flows)	7.2	2.8
Borrowings	(25.0)	(1.0)
Net (borrowing)/cash at end of the year	(17.8)	1.8

26 HELD FOR SALE ASSETS

At the prior year end held for sale assets comprised a property in Eynsham, UK with a carrying value of £2m and a property in Abingdon, UK with a carrying value of £5m. Both properties were sold during the year (see note 5).

27 RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES

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	Share capital £m	Share premium account £m	Capital redemption reserve £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Total recognised (expense)/ income for the year	-	-	-	(1.7)	14.1	12.4
Credit in respect of employee service costs settled by award of share options	-	-	-	-	0.2	0.2
Proceeds from shares issued	0.1	0.7	-	-	-	0.8
Dividends paid	-	-	-	-	(4.0)	(4.0)
Opening equity shareholders' funds at 1 st April 2006	2.4	20.2	0.1	0.9	22.8	46.4
Closing equity shareholders' funds at 31 st March 2007	2.5	20.9	0.1	(0.8)	33.1	55.8

	£m	£m	£m	£m	£m	£m
Total recognised income for the year	-	-	-	3.1	7.2	10.3
Credit in respect of employee service costs settled by award of share options	-	-	-	-	0.2	0.2
Proceeds from shares issued	-	0.3	-	-	-	0.3
Dividends paid	-	-	-	-	(4.1)	(4.1)
Opening equity shareholders' funds at 1 st April 2007	2.5	20.9	0.1	(0.8)	33.1	55.8
Closing equity shareholders' funds at 31 st March 2008	2.5	21.2	0.1	2.3	36.4	62.5

The capital redemption reserve represents the nominal value of shares repurchased and then cancelled during the year ended 31 March 1999

The foreign exchange translation reserve comprises all foreign exchange differences arising since 1 April 2004 from the translation of the Group's net investments in foreign subsidiaries into Sterling

The Group holds 585,265 (2007 595,749) of its own shares in an employee benefit trust. The cost of these shares is included within retained earnings

Notes to the Financial Statements *Continued*

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28 CALLED UP SHARE CAPITAL

Issued and fully paid ordinary shares

	2008 Number of shares	2007 Number of shares
At the beginning of the year	49,197,896	48,738,592
Issued for cash	179,340	459,304
At the end of the year	49,377,236	49,197,896

	2008 Number of shares	2008 £m	2007 Number of shares	2007 £m
Authorised				
Ordinary shares of 5p each	58,000,000	2.9	58,000,000	2.9
Allotted, called up and fully paid				
Ordinary shares of 5p each	49,377,236	2.5	49,197,896	2.5

	Number of shares	Aggregate nominal value	Consideration per share
New issues of ordinary shares of 5p each during the year			
Exercise of Savings Related Share Options	53,401	£2,670	£1.27 - £2.02
Exercise of Executive Share Options	125,939	£6,297	£1.875 - £2.18

	2008 Number of shares	Option price range	Period when exercisable	2007 Number of shares
Options subsisting at the year end on unissued ordinary shares				
Executive Share Option Schemes	1,855,560	£1.48 - £2.425	01/04/08 – 17/12/17	1,856,707
Savings Related Share Option Scheme	503,610	£1.27 - £2.14	01/04/08 – 31/07/12	608,745
Total options subsisting on unissued ordinary shares	2,359,170			2,465,452
Percentage of issued share capital	4.8%			5.0%

	2008 Number of shares	Option price range	Period when exercisable	2007 Number of shares
Options subsisting at the year end on existing ordinary shares held in trust				
Senior Executive Long Term Incentive Scheme	265,000	Nil	15/07/08 – 25/07/14	179,500
Executive Share Option Scheme	48,850	£1.945 - £1.96	01/04/08 – 23/12/09	52,250
Individual Options	Nil			50,000
Savings Related Share Option Scheme	68,889	£1.64 - £1.75	01/04/08 – 31/07/09	79,321
Total options subsisting on existing ordinary shares held in trust	382,739			361,071

The holders of the ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company

29 BORROWINGS

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Borrowings with a book and fair value of £24.2m are supported by a £50m revolving credit facility made available to Oxford Instruments plc. It is repayable in July 2012 and carries a floating interest rate of LIBOR plus 0.65% on the first £14m and LIBOR plus 1% on the remainder. It is secured on certain freehold property and certain intellectual property of the Group. All necessary conditions precedent and covenants were met at 31 March 2008. It reprices on 28 April 2008. Thereafter repricing occurs after 1, 3 or 6 months at the Group's option.

Borrowings with a book and fair value of £0.8m relate to a mortgage made available to WAS Worldwide Analytical Systems AG in respect of a property in Uedem, Germany of which £0.1m is repayable within one year. The borrowing is denominated in Euro and carries a fixed rate of 4.6% until 2011. It is repayable in instalments of £0.1m per year until 2011 and in instalments of £50k per year until 2021.

Borrowings of £1.0m in the prior year relate to a US dollar bank loan made in the US to the Group's US operation. It was repayable on demand and carried an interest rate of LIBOR plus 1%. It was not secured on the assets of the Group.

30 RETIREMENT BENEFIT OBLIGATIONS

The Group operates defined benefit plans in the UK and US, both offer pensions in retirement and death benefit to members. Pension benefits are related to members' final salary at retirement and their length of service. Both schemes are now closed to new members.

The Group has opted to recognise all actuarial gains and losses immediately via the Statement of Recognised Income and Expense (SORIE).

The amounts recognised in the balance sheet are:

	UK 2008 £m	USA 2008 £m	Total 2008 £m	UK 2007 £m	USA 2007 £m	Total 2007 £m
Present value of funded obligations	154.0	7.0	161.0	159.4	6.5	165.9
Fair value of plan assets	(134.8)	(5.0)	(139.8)	(130.7)	(4.4)	(135.1)
Recognised liability for defined benefit obligations	19.2	2.0	21.2	28.7	2.1	30.8

Reconciliation of the opening and closing balances of the present value of the defined benefit obligation

	UK 2008 £m	USA 2008 £m	Total 2008 £m	UK 2007 £m	USA 2007 £m	Total 2007 £m
Benefit obligation at the beginning of the year	159.4	6.5	165.9	173.2	7.6	180.8
Interest on obligation	8.6	0.4	9.0	8.5	0.4	8.9
Current service cost	2.5	0.4	2.9	3.1	0.6	3.7
Contributions paid by plan participants	0.5	-	0.5	1.0	-	1.0
Benefits paid	(2.5)	(0.3)	(2.8)	(3.2)	(0.2)	(3.4)
Actuarial (gain)/loss on obligation	(14.5)	0.1	(14.4)	(23.2)	(0.9)	(24.1)
Exchange rate adjustment	-	(0.1)	(0.1)	-	(1.0)	(1.0)
Benefit obligation at the end of the year	154.0	7.0	161.0	159.4	6.5	165.9

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Reconciliation of the opening and closing balances of the fair value of plan assets

	UK 2008 £m	USA 2008 £m	Total 2008 £m	UK 2007 £m	USA 2007 £m	Total 2007 £m
Fair value of plan assets at the beginning of the year	130.7	4.4	135.1	123.3	4.1	127.4
Expected return on plan assets	9.0	0.3	9.3	7.9	0.3	8.2
Contributions by employers	4.3	0.7	5.0	3.8	0.6	4.4
Contributions paid by plan participants	0.5	-	0.5	1.0	-	1.0
Benefits paid	(2.5)	(0.3)	(2.8)	(3.2)	(0.2)	(3.4)
Actuarial (loss)/gain on assets	(7.2)	(0.1)	(7.3)	(2.1)	0.1	(2.0)
Exchange rate adjustment	-	-	-	-	(0.5)	(0.5)
Fair value of plan assets at the end of the year	134.8	5.0	139.8	130.7	4.4	135.1

Defined contribution schemes

Since 1 April 2001 all new joiners in the UK have been offered participation in the defined contribution Oxford Instruments Stakeholder Plan. During the year ended 31 March 2008 the Company paid contributions to the scheme on a variable scale up to a maximum of 5% for members who contributed at a rate of at least 2%. Employees make contributions at a rate of their choice. Other defined contribution schemes are the Oxford Instruments 1998 Executive Pension Scheme, a UK scheme, and the 401k defined distribution plan in the USA.

Expense recognised in the income statement

	2008 £m	2007 £m
Current service cost	2.9	3.7
Interest on obligation	9.0	8.9
Expected return on plan assets	(9.3)	(8.2)
Total – defined benefit	2.6	4.4
Contributions to defined contribution schemes	1.5	1.2
	4.1	5.6

The pension costs are recorded in the following lines of the income statement

	2008 £m	2007 £m
Cost of sales	1.6	1.6
Selling and marketing costs	0.8	0.8
Administration and shared services	0.9	1.6
Research and development	1.1	0.9
Financial income	(9.3)	(8.2)
Financial expenditure	9.0	8.9
	4.1	5.6

Notes to the Financial Statements *Continued*

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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Actuarial gains and losses shown in the Statement of recognised income and expense

	2008 £m	2007 £m
Actuarial gain	7 1	22 1

Actual return on plan assets

	2008 £m	2007 £m
Expected return on plan assets	9 3	8 2
Actuarial loss	(7 3)	(2 0)
Actual return on plan assets	2 0	6 2

History of experience gains and losses are as follows

	2008	2007	2006	UK 2005
Difference between the expected and actual return				
Amount £m	(7 2)	(2 1)	15 2	1 9
% of scheme assets	(5%)	(2%)	12%	2%
Experience gains/(losses) on scheme liabilities				
Amount £m	14 5	23 2	(25 1)	(6 8)
% of the present value of the scheme liabilities	(9%)	(15%)	15%	5%

	2008	2007	2006	US 2005
Difference between the expected and actual return				
Amount £m	(0 1)	0 1	-	-
% of scheme assets	(2%)	2%	-	-
Experience (losses)/gains on scheme liabilities				
Amount £m	(0 1)	0 9	(0 4)	(1 2)
% of the present value of the scheme liabilities	1%	(12%)	5%	20%

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED**Defined benefit scheme - United Kingdom**

A full actuarial valuation of the UK plan was carried out as at 31 March 2006 and has been updated to 31 March 2008 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms)

	As at 31 March 2008 %	As at 31 March 2007 %
Discount rate	6.4	5.4
Rate of salary increase	4.4	4.0
Rate of increase to pensions in payment (pre 1997)	2.8	2.5
Rate of increase to pensions in payment (post 1997)	3.4	2.8
Rate of inflation	3.4	3.0
Mortality – pre and post-retirement – males and females	PA92 – year of birth medium cohort	PA92 – year of birth

The assumptions used in determining the overall expected rate of return of the plan have been set with reference to yields available on government bonds and appropriate risk margins.

The mortality assumptions imply the following expected future lifetime from age 65

	2008	2007
Pre-retirement – males	22.9	20.9
Pre-retirement – females	25.7	23.9
Post-retirement – males	22.0	19.9
Post-retirement – females	24.9	22.9

The assumptions have been chosen by the Directors from a range of possible actuarial assumptions, which due to the timescales covered, may not be borne out in practice.

The assets in the plan and the expected rate of return were

	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 %	Value at 31 March 2007 £m
Equities	8.0	58.7	8.0	70.4
Corporate bonds	6.4	26.1	5.4	19.9
Gilts	4.5	29.2	4.5	27.0
Cash and other assets	5.3	5.7	5.3	2.8
Absolute return fund	7.3	15.1	7.3	10.6
		134.8		130.7

Notes to the Financial Statements *Continued*

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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Defined benefit scheme - United States

A full actuarial valuation of the US plan was carried out as at 1 January 2005 and has been updated to 31 December 2007 by a qualified independent actuary. Results at 31 March 2008 have been taken to be the same as those at 31 December 2008. The major assumptions used by the actuary were (in nominal terms)

	As at 31 March 2008 %	As at 31 March 2007 %
Discount rate	5.50	5.75
Rate of salary increase	4.00	4.00
Rate of increase to pensions in payment	0.00	0.00
Rate of inflation	3.00	3.00
Mortality – pre and post- retirement	RP-2000 combined mortality table, male and female projected to 2005 with scale AA	RP-2000 combined mortality table, male and female projected to 2005 with scale AA

The assumptions used in determining the overall expected rate of return of the plan have been set with reference to yields available on government bonds and appropriate risk margins.

The assets in the plan and the expected rate of return were

	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 %	Value at 31 March 2007 £m
Equities	9.2	2.7	9.2	2.3
Bonds	6.1	1.9	6.0	1.8
Property	8.2	0.4	8.4	0.3
		5.0		4.4

31 TRADE AND OTHER PAYABLES

	2008 £m	2007 £m
Trade payables	19.4	22.3
Social security and other taxes	1.7	1.1
Accrued expenses	21.8	13.9
Other creditors (including deferred consideration)	5.7	3.1
	48.6	40.4
Amounts due after more than one year – other creditors	(2.4)	(0.2)
	46.2	40.2

Deferred consideration relates to amounts payable in respect of acquisitions made during the year.

32 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Warranties £m	Other £m	Total £m
Balance at 1 April 2007	2.5	0.8	3.3
Provisions made during the year	2.0	0.1	2.1
Provisions used during the year	(1.2)	-	(1.2)
Provisions released during the year	(0.2)	(0.1)	(0.3)
Effect of movements in foreign exchange	0.1	0.1	0.2
Balance at 31 March 2008	3.2	0.9	4.1

Warranty provisions reflect the Group's standard terms and conditions. In general these apply for a year, and, as a result, the majority of the provision is expected to be utilised within a twelve-month period. Other provisions relate to obligations in respect of onerous leases and obligations to employees in Japan on termination of their employment.

33 OPERATING LEASES**Leases**

Non-cancellable future minimum operating lease rentals are payable as follows

	2008 £m	2007 £m
Less than one year	1.1	0.2
Between one and five years	1.6	4.0
More than five years	3.6	2.3
	6.3	6.5

During the year ended 31 March 2008 £1.7m was recognised as an expense in the Consolidated Income Statement in respect of operating leases (2007: £2.6m).

The leases relate to motor vehicles and various properties used mainly as sales offices.

34 CAPITAL COMMITMENTS

During the year ended 31 March 2008, the Group entered into contracts to purchase property, plant and equipment for £0.1m (2007: £0.2m). These commitments are expected to be settled in the following financial year.

35 CONTINGENCIES

Certain subsidiaries of the Group have, in the normal course of business, given guarantees in respect of performance bonds.

In an international group of companies a variety of legal claims arise from time to time. The Board, having taken legal advice, are of the opinion that the ongoing actions and investigations will not have a material impact on the Group's financial position.

36 RELATED PARTIES**87**

The Group has a related party relationship with its Directors and Executive officers

Transactions with key management personnel are disclosed in the Director's Remuneration Report on pages 32 to 39. There were no other significant transactions with key management personnel in either the current or preceding year other than the following:

During the year the Company had the following transactions with Imperialise Limited of which Nigel Keen is a Director:

	Purchases		Current liabilities	
	2008 £m	2007 £m	2008 £m	2007 £m
	0.1	0.1	-	-

37 GROUP ENTITIES

	Equity owned by the company %	Country of incorporation	Principal activity
Oxford Instruments Analytical Holdings Ltd	100	England	Holding
Oxford Instruments Overseas Holdings Ltd	100	England	Holding
Oxford Instruments Superconductivity Holdings Ltd	100	England	Holding
Oxford Instruments Overseas Marketing Ltd	*100	England	Marketing
Oxford Instruments Analytical Ltd	*100	England	Trading
Oxford Instruments Molecular Biotoools Ltd	*100	England	Trading
Oxford Instruments Plasma Technology Ltd	*100	England	Trading
Oxford Instruments Superconductivity Ltd (trading as Oxford Instruments NanoScience)	*100	England	Trading
Oxford Instruments America Inc	*100	USA	Distribution
Oxford Instruments OST Holdings LLC	*100	USA	Holding
Oxford Instruments (Tennessee) Inc	*100	USA	Holding
Oxford Instruments Holdings Inc	*100	USA	Holding
Austin Scientific Company	*100	USA	Trading
Oxford Instruments X-Ray Technology Inc	*100	USA	Trading
Oxford Superconducting Technology	*100	USA	Trading
Oxford Instruments (Shanghai) Company Ltd	*100	China	Trading
Oxford Instruments HKL Technologies A/S	*100	Denmark	Trading
Oxford Instruments Analytical Oy	*99.5	Finland	Trading
Oxford Instruments SAS	*100	France	Distribution
Oxford Instruments GmbH	*100	Germany	Distribution
Oxford Instruments Measurement Systems GmbH	*100	Germany	Distribution
Vericold Technologies GmbH	*100	Germany	Manufacturing
Worldwide Analytical Systems AG	*100	Germany	Manufacturing
Oxford Instruments KK	*100	Japan	Distribution
Oxford Instruments Pte Ltd	*100	Singapore	Marketing

A full list of the Group companies as at 31 March 2008 is available for inspection at the Company's registered office.

With the exception of holding companies, all the above companies are engaged in advanced instrumentation. Equity owned by subsidiary companies is indicated by an asterisk (*). All the above companies are included in the Group accounts.

Oxford Instruments Analytical Oy is accounted for as though it is a 100% subsidiary since the 0.5% minority interest is not considered material.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates

Provisions

Note 32 contains information about provisions. Provisions are judgemental by their nature. Amounts provided are the Group's best estimate of exposure based on currently available information.

Impairment of goodwill

Note 18 contains information about the assumptions relating to goodwill impairment tests. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Foreign currency exposure

Note 23 contains information about the foreign currency exposure of the Group and risks in relation to foreign exchange movements.

Pension assumptions

The principal actuarial assumptions applied to pensions are shown in note 30. The actuarial evaluation of pension assets and liabilities is based on assumptions in respect of inflation, future salary increases, discount rates, returns on investments and mortality rates. Due to their sizes relatively small changes in the assumptions underlying the actuarial valuation of pension schemes can have a significant impact on the net pension liability included in the balance sheet and the associated deferred tax asset.

Tax

Note 20 contains information regarding the impact on the carrying value of deferred tax of changes in tax rates.

39 SUBSEQUENT EVENTS

The interim dividend of 2.4p per share (total cost £1.1m) was paid after the balance sheet date. In addition on 10 June 2008 the Director's proposed a final dividend of 6.0p per ordinary share (total cost £2.9m). The total amount of £4.0m has not been provided for and there are no income tax consequences.

See note 16 for details of acquisitions made after the balance sheet date and note 19 for details of disposals made after the balance sheet date.

40 EXCHANGE RATES

The principal exchange rates to sterling used were

Average translation rates	2008	2007	Year end rates	2008	2007
US Dollar	2.01	1.89	US Dollar	1.99	1.96
Euro	1.42	1.47	Euro	1.25	1.47
Yen	228	221	Yen	198	232

Parent Company Balance Sheet *as at 31 March 2008*

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	Notes	2008 £m	2007 £m
Fixed assets			
Tangible assets	c	1 2	1 5
Investments in subsidiary undertakings	d	51 6	51 4
Other investments	d	0 6	0 6
		53 4	53 5
Current assets			
Debtors	e	85 4	60 2
Cash at bank and in hand		19 4	19 3
		104 8	79 5
Creditors amounts falling due within one year			
Bank loans and overdrafts		(1 8)	(1 4)
Other creditors	f	(12 5)	(12 6)
		(14 3)	(14 0)
Net current assets		90 5	65 5
Total assets less current liabilities		143 9	119 0
Creditors amounts falling due after more than one year			
Bank loans	g	(24 2)	-
Provisions for liabilities and charges	h	(0 3)	(0 3)
Net assets		119 4	118 7
Equity shareholders' funds		119 4	118 7
Share capital	j	2 5	2 5
Share premium account	j	21 2	20 9
Other reserves	j	7 7	7 7
Profit and loss account	j	88 0	87 6

The financial statements were approved by the Board of Directors on 10 June 2008 and signed on its behalf by

Jonathan Flint
Director

Kevin Boyd
Director



Notes to the Parent Company Financial Statements

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a) Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable UK GAAP accounting standards and under the historical cost accounting rules. In accordance with S230(4) of the Companies Act 1985, the Company is exempt from the requirement to present its own profit and loss account

In accordance with FRS1 the company is exempt from preparing its own cash flow statement

In accordance with FRS 8 Related Parties, the company is exempt from such disclosure requirements

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

Taxation

The charge for taxation is based on the result 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

Leases

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

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	50 years
Machinery and equipment	5 to 10 years
Computer equipment	4 years
Motor vehicles	4 years
Furniture and fittings	10 years

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

Post retirement benefits

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 k for the additional disclosures required by FRS 17

Foreign currencies

The Company enters into forward exchange contracts to mitigate the currency exposures 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

a) Accounting Policies Continued

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 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.

Own shares held by ESOP trust

Transactions of the Group-sponsored ESOP trust are included in the Group financial statements. In particular, the trust's purchase of shares in the company are debited directly to equity.

Share-based payments

The share option programme allows employees to acquire shares of the 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 employees become 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.

When options are granted to employees of subsidiaries of the Company, the fair value of options granted is recognised as an employee expense in the financial statements of the subsidiary undertaking together with the capital contribution received. In the financial statements of the Company, the options granted are recognised as an investment in subsidiary undertakings with a corresponding increase in equity.

Dividends on shares presented within shareholders' 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 to the Parent Company Financial Statements *Continued*

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b) Profit for the year

The Company's profit for the financial year was £4.3m (2007: £nil)

The auditor's remuneration comprised £69,000 (2007: £65,000) for statutory audit and £nil (2007: £6,000) for tax advice

The average number of people employed by the Company (including Directors) during the year was 39 (2007: 45). All of these individuals were involved in administration.

The aggregate payroll costs (including Directors) of these people were as follows:

	2008 £m	2007 £m
Wages and salaries	3.2	2.8
Social security costs	0.3	0.3
Other pension costs	0.2	0.4
	3.7	3.5

The share-based payment expense was £nil (2007: £nil)

Full details of the emoluments paid to Directors can be found in the Directors' Remuneration Report on pages 32 to 39.

c) Tangible fixed assets

	Property £m	Other fixed assets £m	Total £m
Cost			
Balance at 1 April 2007	0.3	2.9	3.2
Additions	-	0.6	0.6
Disposals	(0.3)	(0.2)	(0.5)
Balance at 31 March 2008	-	3.3	3.3
Depreciation			
Balance at 1 April 2007	0.1	1.6	1.7
Charge for year	-	0.6	0.6
Eliminated on disposals	(0.1)	(0.1)	(0.2)
Balance at 31 March 2008	-	2.1	2.1
Net book value			
At 31 March 2007	0.2	1.3	1.5
At 31 March 2008	-	1.2	1.2

Net book value is analysed by fixed asset category as follows:

	2008 £m	2007 £m
Property		
Freehold buildings	-	0.2
Other fixed assets		
Computer equipment	1.2	1.3

d) Investments

	Investments in subsidiary undertakings £m	Other investments £m	Total £m
Cost or valuation			
Balance at 1 April 2007	67.1	0.6	67.7
Additions	0.2	-	0.2
Balance at 31 March 2008	67.3	0.6	67.9

	Investments in subsidiary undertakings £m	Other investments £m	Total £m
Amortisation balance as at 1 April 2007 and 31 March 2008	15.7	-	15.7
Net book value at 31 March 2007	51.4	0.6	52.0
Net book value at 31 March 2008	51.6	0.6	52.2

Other investments at 31 March 2008 comprise

Investment	Principal activity	Percentage of company owned
ARKeX Limited	Supply of gravity-gradiometry exploration and related services to the oil, gas and minerals industries	16.7%
Oxford Diffraction Limited	X-ray diffraction systems and ancillary products for chemical crystallography and protein structure determination	23.0%

The addition to subsidiary investments of £0.2m (2007 £0.4m) relates to the awarding of share options to employees of subsidiary companies. Details of the subsidiary investments are given in note 37.

On 4 April 2008 the Company sold its holding in Oxford Diffraction Limited for a gross cash consideration of £3.5m. An additional cash amount of up to £1.1m may be received over the next three years conditional on the performance of Oxford Diffraction Limited. The profit on disposal on the initial consideration was £3.2m.

e) Debtors

	2008 £m	2007 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	84 1	58 9
Other debtors	0 6	0 3
Derivative financial instruments	0 2	0 3
Prepayments and accrued income	0 1	0 3
	85 0	59 8
Amounts falling due after one year		
Deferred tax	0 4	0 4
	85 4	60 2

f) Creditors amounts falling due within one year

	2008 £m	2007 £m
Trade creditors	0 3	0 4
Amounts owed to subsidiary undertakings	10 5	10 2
Tax, social security and sales related taxes	0 7	0 7
Accruals and deferred income	0 6	0 8
Derivative financial instruments	0 3	0 2
Other creditors	0 1	0 3
	12 5	12 6

g) Creditors amounts falling due after one year

Details of the bank loans are included in note 29 on page 81

h) Provisions for liabilities and charges

	Vacant lease provision £m
At beginning and end of the year	0 3

i) Deferred Tax

	2008 £m	2007 £m
Deferred tax asset		
At beginning and end of the year	0 4	0 4

The amounts of deferred tax assets, representing the full potential liability, are as follows

	Recognised		Unrecognised	
	2008	2007 £m	2008	2007 £m
Excess of depreciation over corresponding capital allowances	0 4	0 4	0 2	0 1
Carried forward tax losses	-	-	0 2	-
	0 4	0 4	0 4	0 1

i) Deferred Tax Continued

A deferred tax asset has been recognised in the accounts relating to short-term timing differences and accelerated capital allowances. 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.

j) Reserves

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
Balance at 1 April 2007	2.5	20.9	0.1	7.6	87.6	118.7
Retained profit for the year	-	-	-	-	4.3	4.3
Premium on issued shares	-	0.3	-	-	-	0.3
Share options awarded to employees of subsidiaries	-	-	-	-	0.2	0.2
Dividends paid	-	-	-	-	(4.1)	(4.1)
Balance at 31 March 2008	2.5	21.2	0.1	7.6	88.0	119.4

k) 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 this 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 reasonable 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 following disclosures relate to the pension commitments for the whole scheme.

The latest actuarial valuation was carried out at 31 March 2006 and updated to 31 March 2008 by a qualified independent actuary.

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

	At 31 March 2008 %	At 31 March 2007 %
Rate of increase in salaries	4.4	4.0
Rate of increase in pensions in payment (pre 1997)	2.8	2.5
Rate of increase in pensions in payment (post 1997)	3.4	2.8
Discount rate	6.4	5.4
Inflation assumptions	3.4	3.0

k) Pension commitments Continued

	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 %	Value at 31 March 2007 £m	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
Equities	8.0	58.7	8.0	70.4	7.5	66.5	8.0	56.1
Corporate bonds	6.4	26.1	5.4	19.9	4.9	8.4	n/a	-
Gilts	4.5	29.2	4.5	27.0	4.2	26.9	4.7	23.6
Property	-	-	-	-	6.0	10.6	6.5	8.8
Cash and other assets	5.3	5.7	5.3	2.8	4.5	0.9	4.0	1.6
Absolute return fund	7.3	15.1	7.3	10.6	7.0	10.0	7.5	8.5
Total market value of assets		134.8		130.7		123.3		98.6
Present value of scheme liabilities		(154.0)		(159.4)		(173.2)		(139.1)
Deficit in the scheme		(19.2)		(28.7)		(49.9)		(40.5)
Related deferred tax asset *		5.4		8.6		15.0		12.2
Net pension liability		(13.8)		(20.1)		(34.9)		(28.3)

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

The contributions paid by the Company were £0.2m (2007 £0.3m)

l) Guarantees

The Company has given a guarantee to the pension scheme in respect of the liability of its UK subsidiaries to the pension scheme

m) Commitments

	2008 £m	2007 £m
Operating leases which expire		
Within one year	-	-
In the second to fifth years inclusive	0.1	0.1
Over five years	-	-
	0.1	0.1

There were no capital commitments as at 31 March 2008 (2007 £nil)

n) Subsequent events

See note 39 for details of dividends paid or declared after the balance sheet date

Notice of the 2008 Annual General Meeting

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THIS DOCUMENT IS IMPORTANT

If you are in any doubt as to what action you should take, you are recommended to consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have recently sold or transferred all your shares in Oxford Instruments plc please pass this document and the accompanying Form of Proxy to the purchaser or transferee, or to the agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice is hereby given that the forty-fourth Annual General Meeting of Oxford Instruments plc will be held at 2.30pm on 23 September 2008 at the offices of Oxford Instruments Group Head Office, Tubney Woods, Abingdon, Oxon, OX13 5QX to transact the following business:

1 Directors' Report and Accounts

To receive and adopt the Reports and Financial Statements for the year ended 31 March 2008 and the Report of the Auditors thereon.

2 Final dividend

To declare the final dividend for the year to 31 March 2008.

3 Directors' Remuneration Report

To approve the Directors' Remuneration Report set out on pages 32 to 37 of the Reports and Financial Statements for the year ended 31 March 2008.

4 Re-election of Directors

- (a) To re-elect Mike Hughes who retires by rotation but, being eligible, will be proposed for re-election.
- (b) To re-elect Kevin Boyd who retires by rotation but, being eligible, will be proposed for re-election.
- (c) To re-elect Nigel Keen who is required to retire annually as he has been a Non-Executive Director for more than 9 years.
- (d) To re-elect Peter Morgan who is required to retire annually as he has been a Non-Executive Director for more than 9 years.
- (e) To re-elect Mike Brady who is required to retire annually as he has been a Non-Executive Director for more than 9 years.

5 Appointment and remuneration of Auditors

- (a) To appoint KPMG Audit Plc as Auditors to the Company for the period until the next Annual General Meeting.
- (b) To authorise the Directors to agree the remuneration of the Auditors.

6 Permission for the Directors to allot further shares

To consider as an Ordinary Resolution that the authority conferred by Article 10.1 of the Articles of Association be renewed until the earlier of the expiry of the next following Annual General Meeting of the Company and the date which is fifteen months from the date of the passing of this Resolution and that the Section 80 amount be £431,138.

7 Relaxation of the restrictions which normally apply when ordinary shares are issued for cash

To consider as a Special Resolution that the authority conferred by Article 10.2 of the Articles of Association be renewed until the earlier of the expiry of the next following Annual General Meeting of the Company and the date which is fifteen months from the date of the passing of this Resolution and that the Section 89 amount be £123,443.

8 Authority to buy back up to 10% of the Company's issued share capital

To consider as a Special Resolution that pursuant to Article 4 of the Articles of Association of the Company and subject to the provisions of the Companies Act 1985 ("the Act") the Company be generally and unconditionally authorised to purchase by market purchase (as defined by Section 163 of the Act) up to 4,937,723 ordinary shares of 5p each in its own capital subject to the following:

- (i) the purchase price for any share so purchased shall not exceed a sum (exclusive of all expenses) equal to 105% of the average of the middle market quotations for ordinary shares for the five business days immediately preceding the day of purchase (as derived from the London Stock Exchange Daily Official List) and shall not be less than the nominal value of the share,
- (ii) the authority shall expire on the earlier of the close of the following Annual General Meeting or the expiry of fifteen months from the date of the passing of this Resolution,
- (iii) the Company may make a contract for purchase which would, or might, be executed wholly or partly after the expiry of the authority, and
- (iv) any shares purchased pursuant to the authority may be selected by the Directors in any manner as they from time to time deem appropriate.

9 Donations to EU political organisations and EU political expenditure

To consider as an Ordinary Resolution that the Company be and is hereby authorised to:

- (i) make Donations to any one or more EU Political Organisation which is not a Registered Party, and
- (ii) incur EU Political Expenditure in an aggregate amount not exceeding £100,000 per annum during the period commencing on the date of this Resolution and ending on the date of the Annual General Meeting in 2009.

For the purposes of this Resolution, the expressions "Donations", "EU Political Organisations", "EU Political Expenditure" and "Registered Party" have the meanings set out in section 347A of the Companies Act 1985 (as amended by the Political Parties, Elections and Referendums Act 2000)

10 Amendments to the Company's Articles of Association

To consider as a Special Resolution that the Articles of Association in the form laid before the meeting and for the purposes of identification signed by the Chairman be and are adopted as the Articles of Association of the Company in the place and to the exclusion of all existing Articles of Association

Meeting notes

1 A member entitled to attend and vote at the AGM may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him. In order to be valid an appointment of proxy (together with any authority under which it is executed or a copy of the authority certified notari ally) must be returned, no later than 48 hours before the meeting by one of the following methods

– in hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU,

– via www.capitashareportal.com

2 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to given instructions to the person holding the shares as to the exercise of voting rights

3 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote

(or withhold a vote) as corporate representative in accordance with those directions, and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above

4 The issued share capital of the Company as at 10 June 2008 was 49,389,750 ordinary shares, carrying one vote each

5 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company as at 2.30pm on 21 September 2008 shall be entitled to attend or vote at the Meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the relevant register of securities after 2.30pm on 21 September 2008 shall be disregarded in determining the rights of any person to attend or vote at the Meeting

6 Copies of the following documents will be available for inspection at the Registered Office of the Company and at the offices of the Company's solicitors, Laytons, Carmelite, 50 Victoria Embankment, London EC4Y 0LS during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this Notice until the conclusion of the Meeting: (i) the service contracts of the Executive Directors, (ii) the register of interests of Directors (and their families) in the shares of the Company, and (iii) the written terms of reference of the Board Committees, (iv) a copy of the company's existing Articles of Association showing the amendments as tracked changes

The Directors believe that the proposed resolutions are in the best interests of the Company and its shareholders, and accordingly unanimously recommend shareholders to vote in favour of resolutions 1 to 10 inclusive to be proposed at the Annual General Meeting, as they propose to do so in respect of their beneficial shareholdings

By Order of the Board
Susan Johnson-Brett, Company Secretary
23 July 2008



Explanatory Notes on the Proposed Resolutions

The explanatory notes below summarise the purpose of the Resolutions to be voted upon by shareholders at this year's Annual General Meeting

Resolutions 1 to 6 and 9 will be proposed as ordinary resolutions. More than 50% of the votes cast must support these resolutions in order for them to be passed. Resolutions 7, 8 and 10 will be proposed as special resolutions and 75% or more of the votes cast must support them in order for these resolutions to be passed

Resolution 1 – Shareholders will be asked to approve the adoption of the Reports and Financial Statements for the year ended 31 March 2008

Resolution 2 – Shareholders will be asked to approve payment of a final dividend of 6p per ordinary share for the year ended 31 March 2008. If approved at the Annual General Meeting, the dividend will be paid on 23 October 2008 to shareholders registered at the close of business on 26 September 2008

Resolution 3 – Shareholders will be asked to approve the adoption of the Directors' Remuneration Report for the year ended 31 March 2008. Under the Directors' Remuneration Report Regulations 2002, Directors are required to ask shareholders to vote on the Directors' Remuneration Report (shown on pages 32 to 39 of the Annual Report and Accounts 2008). The Directors, who have unanimously endorsed the Directors' Remuneration Report, consider that asking the shareholders to vote on this Report facilitates accountability and transparency

Resolution 4 – The Company's Articles of Association state that at each Annual General Meeting, the following Directors must retire from office: (i) any Director who has held office for three years or more since his last election or for whom the Meeting is the third Annual General Meeting since he was last elected, and (ii) one third of the Directors at the commencement of the Annual General Meeting. All Directors take it in turn to retire in this way. This gives shareholders the chance to confirm their re-appointments. At the 2008 Annual General Meeting Mike Hughes and Kevin Boyd are retiring under this provision and, being eligible, are standing for re-election

(a) Mike Hughes is an Independent Non-Executive Director and joined the Board in 2004. He is a member of the Audit, Remuneration and Nomination Board Committees

(b) Kevin Boyd, Group Finance Director, was first elected at the Annual General Meeting in 2006, having been appointed by the Board as an Executive Director in August of that year

(c) Nigel Keen, Chairman, was first elected at the Annual General Meeting in 1999 and as of February 2008 has

served on the Board for nine years. He is currently Chairman of the Nomination and Remuneration Committees as the Board considers that for a small company the Chairman's prime roles are to procure an excellent strategy for the business, to recruit and retain the best available management team to execute this strategy, to put in place a Board of independent directors whose experience can add value to the work of the management, and to ensure that the business maintains the highest standard of corporate governance. In order to fulfil these obligations the Board believes that it is appropriate and necessary for the Chairman of the Board to also be Chairman of the Nomination and the Remuneration Committees. Nigel Keen also serves as Chairman of Oxford Instruments Pension Trustee Limited, which is the Trustee of the UK defined benefit pension scheme

(d) Peter Morgan is an Independent Non-Executive Director and as of April 2008 had served on the Board for nine years. He is currently Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. Peter Morgan has indicated his intention to retire as Chairman of the Audit Committee at the end of 2008 and the Board is currently in the final stage of appointing a new non-executive director to replace him and to become Chairman of the Audit Committee. He first became a Non-Executive Director of the Company in 1999, accordingly the Board has considered whether it is appropriate in view of his length of service that he continue in office and if so whether he should continue to be considered to be independent. After careful consideration, taking into account the composition of the board as a whole, his wide ranging commercial experience unrelated to the Group or other members of the Board and the fact that he qualifies as independent in all other criteria referred to in the Combined Code, the Board has concluded that it is appropriate that he continues in office until the next Annual General Meeting and that he should properly be considered to be independent

(e) Mike Brady is Deputy Chairman and (until July 2007) Senior Independent Director and as of June 2008 had served on the Board for thirteen years. He is currently a member of the Audit, Remuneration and Nomination Board Committees. Mike Brady first became a Non-Executive Director of the Company in 1995, accordingly the Board has considered whether it is appropriate in view of his length of service that he continue in office and if so whether he should continue to be considered to be independent. Having taken into account his technical expertise as the only Non-Executive Director from a scientific profession, the value of that expertise to Board discussions, the strength of his professional and business interests unrelated to the Group or other members of the Board, his continual constructive probing of the technical aspect of proposals considered by the Board, the composition of the Board generally and the fact that he qualifies as independent in all other criteria referred to in the Combined Code, the Board has concluded that it is appropriate that he

continues in office and that he should properly be considered to be independent. This year, Nigel Keen, Peter Morgan and Mike Brady retire in accordance with the provisions of the Combined Code and offer themselves for re-election to allow shareholders the opportunity to express their views on the matter.

In reviewing the recommendations of the Nomination Committee concerning these re-elections, the Board has concluded that each of the Non-Executive Directors in question is independent in character and judgment and continues to make effective and valuable contribution to the Board and to demonstrate commitment to the role. The formal performance evaluations have shown that each of their performances are still effective and the Board feel that they have all demonstrated commitment to the role. The Board unanimously recommends their re-election.

The biographical details of all the Directors standing for re-election are set out on pages 20 to 21 of the Annual Report and Accounts 2008.

Resolutions 5 (a) and (b) – The Company is required to appoint auditors at each general meeting at which accounts are laid before the shareholders. The auditors are appointed from the conclusion of the forthcoming Annual General Meeting until the conclusion of next year's Annual General Meeting. Following the recommendation of the Audit Committee, shareholders will be asked to appoint KPMG Audit Plc as the Company's auditors until next year's Annual General Meeting and to authorise the Directors to set their fees.

Resolution 6 – This Resolution lifts the restrictions which would apply to the Directors' power to allot or agree to allot new shares and will allow the Directors to allot or agree to allot further relevant securities up to an aggregate nominal amount of £431,138. This represents the unissued ordinary share capital on 31 March 2008. This authority replaces the previous power of the Directors to allot relevant securities and, if passed, will lapse at the earlier of the Annual General Meeting following its passing or, if later, on 22 December 2009. The Directors have no present intention of allotting new ordinary shares, other than pursuant to the exercise of options under employees' share schemes. The Company presently holds no treasury shares.

Resolution 7 – Unless they are given an appropriate authority, Directors may allot new equity shares (including treasury shares) for cash (excluding shares issued under employees' share schemes) only if they have first been offered to existing shareholders in proportion to their holdings. There may however be occasions when in order to act in the best interests of the shareholders and the Company, the Directors will need the flexibility to finance business opportunities

as they arise by the issue of a small number of shares for cash in circumstances such as the acquisition of a new company or business by the Group. The maximum number of ordinary shares to be covered under the power, with the exception of a rights issue or other pre-emptive offers, is 2,468,861 which represents 5% of the issued ordinary share capital on 31 March 2008. This Special Resolution replaces the Directors' existing authority and, if passed, will lapse at the earlier of the Annual General Meeting following its passing or if later, on 22 December 2009.

Resolution 8 – This Special Resolution is a renewal of the authority granted to Directors at the 2007 Annual General Meeting. It allows the Company to buy back up to 4,937,723 of its issued ordinary shares on the stock market. This is equal to 10% of the Company's issued share capital on 31 March 2008. The Resolution sets out the lowest and highest prices the Company can pay for the shares.

The Directors are committed to creating shareholder value. Buying back the Company's shares is one of the options they keep under review. The Directors will only implement such purchases if they think it is in the shareholders' best interests. Before making such a decision they would consider the effect on earnings per share.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 allow companies to hold shares acquired by way of market purchase in treasury, rather than having to cancel them. The Company may therefore consider holding any of its own shares that it purchases pursuant to the authority conferred by this Resolution as treasury shares as an alternative to cancelling them. This would give the Company the ability to re-issue such shares quickly and cost effectively, and would provide the Company with additional flexibility in the management of its capital base. The Directors believe that it is desirable for the Company to have this flexibility.

Unless the Directors determine that they are to be held as treasury shares (see above) any shares in its own capital purchased by the Company shall be cancelled and the number of shares in issue will be reduced accordingly. Shares held in treasury will not automatically be cancelled and will not be taken into account in future calculations of earnings per share (unless they are subsequently resold or transferred out of treasury).

No dividends will be paid on shares whilst held in treasury and no voting rights will be exercisable in respect of treasury shares.

This power will automatically lapse at the end of the Company's next Annual General Meeting or on 22 December 2009 whichever is earlier.

Resolution 9—The Company did not make any donations to political parties in the European Union in the year under review and it is the Company's current policy not to do so. However, the Political Parties, Elections and Referendums Act 2000 ("PPERA") effective from February 2001, defines EU Political Organisations and Donations very widely and, as a result, in certain circumstances, donations intended for charitable or similar purposes may now be regarded as political in nature.

In order to comply with its obligations and to avoid any inadvertent infringement of PERA, the Company considers it is prudent to seek shareholders' approval for a maximum aggregate level of donation. Resolution 9 seeks authority for the Company to make Donations to EU Political Organisations or incur EU Political Expenditure not exceeding £100,000 per annum. The Company has no present intention of using this authority for any purpose other than a continuation of normal business and employment practices. In particular this authority will not be used to make any political donations as that expression would have been understood before PERA became law.

This authority would last until the conclusion of the Company's Annual General Meeting in 2009.

Resolution 10 – The principal changes to the Articles of Association are summarised below and a copy of the Company's existing Articles of Association ("the Existing Articles") showing the amendments as tracked changes is available for inspection as stated at note 6 to the notice of the meeting -

(a) Statutory Provisions

The Existing Articles contain references to the Companies Act 1985 and these have been amended to cause them to correspond with the relevant provisions of the 2006 Act both in the definitions clause and throughout the Existing Articles.

(b) Extraordinary Resolutions

The concept of extraordinary resolutions has been abandoned under the 2006 Act and accordingly those provisions of the Existing Articles which refer to extraordinary resolutions have been amended appropriately.

(c) General Meetings

The provisions of the Existing Articles relating to the convening of general meetings and notice periods for doing so are amended to conform to the relevant provisions of the 2006 Act. In particular, a general meeting to consider a special resolution now requires only 14 days' notice instead of the former 21 days' notice.

(d) Voting

The provisions of the Existing Articles relating to the appointment and powers of proxy are amended to reflect the relevant provisions of the 2006 Act. In particular, proxies may vote on a show of hands and not only on a poll, multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to different shares held by the appointing member.

(e) Corporate Representatives

The new Articles enable a corporate shareholder to appoint separate representatives to exercise the rights attached to different shares held by it and permit those rights to be exercised in different ways by the respective representatives.

(f) Directors' Conflicts of Interest

The 2006 Act sets out Directors' general duties and as from 1 October 2008 these duties include the obligation that a director avoids any situation where he has or can have a direct or indirect interest which conflicts or may conflict with the interests of the Company. The obligation is widely-drafted and could include circumstances where the Company's interests are not prejudiced, accordingly, the 2006 Act specifically empowers directors to authorise conflicts and potential conflicts where appropriate if the Articles of Association of the company contain a provision to this effect and it also permits that such Articles of Association to contain other provisions for dealing with conflicts of interest so as to avoid breaches of duty. The new Articles give the directors the authority to give such approval and include other provisions to allow conflicts of interest to be dealt with in a way similar to the current position. The new Articles contain safeguards which will apply when directors decide whether or not to give authority in respect of a conflict or potential conflict only directors with no interest in the matter under consideration may participate in the relevant decision and in doing so they must act in a way which they consider in good faith will be most likely to promote the company's success. The directors may impose limits or conditions in giving authority where they feel this to be appropriate.

In addition, to avoid difficulties arising in relation to confidential information in the context of a conflict, the new Articles contain provisions in this respect.

(g) Execution of Documents

The 2006 Act amends the ways in which a company may execute documents and the new Articles contain provisions in this regard.

Historical Financial Summary under UK GAAP

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	2004 £m
Profit and loss account	
Group and share of joint venture turnover	193 1
Less share of joint venture turnover	(10 8)
Group turnover *	182 3
Group operating profit before goodwill, exceptional items and discontinued businesses **	7 9
Exceptional items	(1 6)
Discontinued businesses before goodwill **	0 1
Goodwill amortisation	(0 7)
Group operating profit	5 7
Group share of operating loss of joint venture	(0 2)
Total operating profit	5 5
Loss on sale of business before goodwill	-
Profit on disposal of investment before goodwill	6 8
Goodwill previously written off	(0 2)
Net interest payable	(0 2)
Profit on ordinary activities before tax	11 9
Taxation	(1 9)
Profits attributable to shareholders	10 0
Balance sheet	
Intangible assets – goodwill	2 6
Tangible fixed assets	32 6
Investments	1 6
Stocks	28 5
Debtors	58 9
Other creditors	(47 5)
Net current assets, excluding net cash	39 9
Cash at bank and on short term deposits	23 2
Bank loans and overdrafts	(2 5)
Net cash	20 7
Provisions for liabilities and charges	(5 3)
Net assets employed	92 1
Equity shareholders' funds ***	92 1
Cash flow	
Net cash inflow from operating activities	17 8
Interest and dividends, paid and received	(4 0)
Taxation	(2 4)
Investing activities	6 1
Net cash inflow before management of liquid resources and financing	17 5
	pence
Per ordinary share	
Earnings	21 3
Earnings from continuing operations before exceptional items **	25 7
Dividends	8 4
Employees	
Average number of employees	1,537

* Not adjusted for change of accounting policy regarding revenue in 2007

** After adjusting for disposal of Medical business 2004 only

*** After deducting investment in own shares 2004

Historical Financial Summary under IFRS

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	2005 £m	2006 £m	2007 £m	2008 £m
Income statement				
Revenue	135.8	147.4	161.6	176.5
Trading profit	7.4	4.4	8.3	10.6
Other operating income	0.2	2.0	-	0.7
Amortisation of acquired intangibles	(1.3)	(0.2)	(1.1)	(2.9)
Restructuring and non-recurring costs	(6.2)	(6.7)	(5.2)	-
Operating profit/(loss)	0.1	(0.5)	2.0	8.4
Net financing costs	-	(0.4)	(0.7)	(3.4)
Profit/(loss) before taxation	0.1	(0.9)	1.3	5.0
Income tax expense	(1.7)	(2.5)	(2.8)	(2.3)
Loss after taxation but before profit on discontinued operations	(1.6)	(3.4)	(1.5)	2.7
Profit from discontinued operations, net of tax	7.2	-	-	-
Profit/(loss) for the year	5.6	(3.4)	(1.5)	2.7
Balance sheet				
Property, plant and equipment	23.0	23.4	21.5	22.4
Intangible assets	12.5	15.6	18.1	44.0
Available for sale equity securities	1.6	1.0	0.6	0.6
Deferred and current tax	14.1	18.1	10.3	1.5
Inventories	23.9	27.1	25.6	34.9
Trade and other receivables	46.5	45.4	45.6	54.1
Held for sales assets	5.4	5.0	7.0	-
Trade and other payables	(44.3)	(39.0)	(40.4)	(48.6)
Net current assets excluding net cash	82.7	96.6	88.3	108.9
Cash and cash equivalents	28.6	12.7	2.8	7.2
Bank borrowings	(2.1)	(2.9)	(1.0)	(25.0)
Net cash	26.5	9.8	1.8	(17.8)
Provisions and other items	(7.9)	(6.6)	(3.5)	(7.4)
Retirement benefit obligations	(43.3)	(53.4)	(30.8)	(21.2)
Net assets employed	58.0	46.4	55.8	62.5
Capital and reserves attributable to the company's equity holders	58.0	46.4	55.8	62.5
Cash flow				
Net cash from operating activities	5.9	(8.0)	5.2	(0.1)
Net cash from investing activities	15.3	(7.0)	(9.7)	(15.1)
Net cash from financing activities	(14.7)	(1.2)	(5.1)	19.4
Net increase/(decrease) in cash equivalents	6.5	(16.2)	(9.6)	4.2
	pence	pence	pence	pence
Per ordinary share				
Earnings – continuing	(3.0)	(7.2)	(3.2)	5.6
Adjusted earnings *	13.9	3.9	9.6	11.7
Dividends – excluding special dividend	8.4	8.4	8.4	8.4
Dividends – special	25.0	-	-	-
Employees				
Average number of employees **	1,325	1,412	1,388	1,501

* Before other operating income, amortisation of acquired intangibles, restructuring and non-recurring costs and mark to market gains or losses in respect of certain derivatives

** Employee numbers in 2005 and 2006 exclude temporary employees

Shareholder Information

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Financial calendar

27 February 2008	Ordinary shares quoted ex-dividend
29 February 2008	DRIP date (Dividend Reinvestment Plan)
29 February 2008	Record date for interim dividend
31 March 2008	Financial year end
7 April 2008	Payment of interim dividend
10 June 2008	Announcement of preliminary results
10 June 2008	Announcement of final dividend
Late July	Publication of Annual Report
23 September 2008	Annual General Meeting
24 September 2008	Ordinary shares quoted ex-dividend
26 September 2008	Record date for final dividend
29 September 2008	DRIP Date
23 October 2008	Payment of final dividend

Administrative enquiries concerning shareholdings

Administrative enquiries concerning shareholdings in Oxford Instruments plc, such as the loss of a share certificate, dividend payments, or a change of address should be directed, in the first instance, to the Registrar, Capita Registrars

Capita Registrars
Northern House, Woodsome Park, Fenay Bridge,
Huddersfield, West Yorkshire HD8 0GA
Tel 0871 664 0331

Correspondence should refer to Oxford Instruments plc and state clearly the registered name and address of the shareholder. Please notify the Registrar promptly of any change of address.

Dividend bank mandates

If you wish dividends to be paid directly into a bank or building society account and notification to be sent to your shareholder register address, please contact the Company's Registrar at the address given above for a dividend mandate form.

Consolidation of share certificates

If your total registered ordinary shareholding is represented by several share certificates, you may wish to have these replaced by one consolidated certificate. There is no charge for this service. You should send your share certificates to the Company's Registrar (address as above), together with a letter of instruction.

Capita Share Dealing Services

A quick and easy share dealing service to either sell or buy shares in many leading UK companies is provided by Capita Share Dealing Services. An on-line and telephone facility is available providing our shareholders with an easy to access and simple to use service.

There's no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade "real time" at a known price which will be given to you at the time you give your instruction.

To deal on-line or by telephone all you need is your surname, Investor Code (IVC*) reference number, full postcode and your date of birth. Your Investor Code can be found on a

recent share certificate, statement or tax voucher. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service, or to buy and sell shares, please contact
www.capitadeal.com (online dealing)
0871 664 0446 (telephone dealing – calls cost 10p per minute plus network extras)
Full terms, conditions and risks apply and are available on request or by visiting www.capitadeal.com

This is not a recommendation to buy or sell shares. Remember the price of shares can go down as well as up, and you are not guaranteed to get back the amount that you originally invested.

* Should you not be able to locate your IVC number, please contact Capita Registrars on 0871 664 0313 (calls cost 10p per minute plus network extras).

Shareholder enquiries

Shareholders who have questions relating to the Group's business or who wish to have additional copies of the Annual Report and Accounts or Interim Statement should apply to Company Secretary

Oxford Instruments plc
Tubney Woods, Abingdon, Oxon OX13 5QX
Tel 01865 393200
Fax 01865 393442
E-mail info.oip@oxinst.com
Website www.oxford-instruments.com

Company registration

Registered office Tubney Woods
Abingdon Oxon OX13 5QX
Registered number 775598
Registered in England

Website – www.oxford-instruments.com

Oxford Instruments has an extensive website which gives details of all its products and services, contact information, vacancies and latest news announcements. An interactive investor relations section gives information on recent trading reports, share price data and forthcoming events. During 2008, the web site will be redesigned and relaunched to reflect the extensive range of applications and processes that Oxford Instruments tools and systems address.

Share dealing scheme

In association with JPMorgan Cazenove Limited a low cost share dealing service has been introduced providing shareholders with a simple way of buying and selling Oxford Instruments plc ordinary shares. Further information is available from the Company Secretary or JPMorgan Cazenove Limited
20 Moorgate, London, EC2R 6DA
Tel 020 7155 5377
Fax 020 7155 9220

Analysis of shareholders as at 31 March 2008

Size of shareholding	Number of holders	% of total	Total holding	% of total
Up to 5,000 shares	2,660	90.54	1,740,118	3.52
5,001 to 50,000 shares	190	6.47	2,871,387	5.82
50,001 to 200,000 shares	50	1.70	5,199,549	10.53
Over 200,000 shares	38	1.29	39,566,182	80.13
Total	2,938	100.00	49,377,236	100.00

Oxford Instruments plc

Oxford Instruments Directory

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Oxford Instruments plc

Head Office

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Oxon OX13 5QX, UK
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Industrial Analysis

X-ray Fluorescence, X-ray Technology, Optical Emission Spectroscopy, Coating Thickness Measurement

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Tel +44 (0) 1494 442255
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Fax +1 831 439 6051
email sales@oxfordxtg.com

Wellesweg 31
47589 Uedem, Germany
Tel +49 (0) 2825 9383-0
Fax +49 (0) 2825 9383-100
email info@was-ag.com

NanoAnalysis

X-ray Microanalysis and Electron Backscatter Diffraction

Halifax Road, High Wycombe,
Bucks HP12 3SE, UK
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Fax +44 (0) 1494 524129
email nanoanalysis@oxinst.com

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Fax +45 9657 2609
email hkl@oxinst.com

Lejonvägen 28
Box 1097
S-18122 Lidingö
Sweden
Tel +46 8 544 81550
Fax +46 8 544 81558
email sales@nordiska.se

Plasma Technology

Plasma etching, deposition equipment and nanostructure fabrication

North End, Yatton, Bristol
BS49 4AP UK
Tel +44 (0) 1934 837000
Fax +44 (0) 1934 837001
email plasma.technology@oxinst.com

12214 Plum Orchard Drive
Silver Spring
MD 20904, USA
Tel +1 301 572 7834
Fax +1 301 572 6435
email welcome@tdi.com

NanoScience

Physical Science low temperature and high vacuum environments

Tubney Woods, Abingdon,
Oxon OX13 5QX, UK
Tel +44 (0) 1865 393200
Fax +44 (0) 1865 393333
email nanoscience@oxinst.com

Bahnhofstrasse 21
85737 Ismaning
Germany
Tel +49 89 9699 8560
Fax +49 89 9699 8569
email info@vericold.com

Molecular Biotoools

In-vitro dynamic nuclear polarising (DNP) systems, NMR, and imaging systems

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Oxon OX13 5QX, UK
Tel +44 (0) 1865 393200
Fax +44 (0) 1865 393333
email molecularbiotoools@oxinst.com

8403 Cross Park Drive Suite 3F
Austin, Texas 78754, USA
Tel +1 512 339 0640
Fax +1 512 339 0620
email benchtopNMR@ma.oxinst.com

Oxford Superconducting Technology

Superconducting wire and MRI support services

600 Milik Street, P O Box 429,
Carteret,
New Jersey 07008-0429, USA
Tel +1 732 541 1300
Fax +1 732 541 7769
email sales@ost.oxinst.com

Austin Scientific
Cryogenic pumps and compressors
4114 Todd Lane, Austin,
Texas 78744, USA
Tel +1 512 441 6893
Fax +1 512 443 6665
email cryo-sales@oxinst.com

Regional Sales and Service Offices

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Room 714, Tower 3
Henderson Centre,
No. 18 Jianguomennei Avenue,
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Tel 86 (0)10 6518 8160/1/2
Fax 86 (0)10 6518 8155
email bj@oichina.cn

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No. 1 Plaza,
No. 800 Nanjing East Road
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Tel +86 (0)21 6360 8530/1/2/3
Fax +86 (0)21 6360 8535
email sh@oichina.cn

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Pingbei Road, Xinzhuang
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