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OXFORD INSTRUMENTS

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Summary of Results

	2000 £ million	1999 £ million
Turnover of continuing operations, including share of joint venture	**200.5**	208.9
Group turnover of continuing operations, excluding share of joint venture	**160.1**	159.7
(Loss)/profit of continuing operations before exceptional items and taxation	**(0.8)**	12.7
Exceptional items	**(7.3)**	-
(Losses)/earnings attributable to shareholders	**(19.5)**	7.8
Net assets employed	**87.5**	98.9
Closing net cash	**2.6**	6.0

	2000 pence	1999 pence
(Losses)/earnings per share from continuing operations, excluding exceptional items	**(3.4)**	17.8
Dividends per share	**8.4**	8.4
Net assets per share	**183.0**	207.0

Number of employees of continuing operations	**1,517**	1,697

Oxford Instruments is a global leader in advanced instrumentation. Our products are used by people all over the world for scientific research, industrial chemical analysis and quality control, semiconductor processing and healthcare. Our customers include most of the world's major international companies as well as the leading research institutes.

Oxford Instruments brings together selected technology-based businesses which address global markets and which can grow profitably and maximise their commercial potential within the Group. We believe this can be best achieved by sharing appropriate resources and processes across the Group and have recently restructured our businesses to enable this.

Oxford Instruments is recognised as a world leader in several technologies, among others in the application of superconductivity, the creation of low temperatures, the production and detection of X-rays and in neurological measurements. We are proud of the expertise and enthusiasm of our employees and of our tradition of innovation through joint product development with our customers. We are committed to using our many strengths to create lasting value for our shareholders.

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Superconductivity

The world leader in the supply of high magnetic field superconducting magnets and ultra-low temperature equipment for use in scientific research, chemical analysis (nuclear magnetic resonance) and various industrial applications. Also the world leader in the supply of superconducting wire to magnet manufacturers and a major field service organisation supporting the installed base of magnets.

Superconductivity	**2000 £m**	1999 £m
Turnover	**71.3**	73.6
Operating (loss)/profit	**(5.3)**	1.2
Operating assets	**32.2**	35.1
Employees	**694**	784

Medical (was 'Medical Systems)

An international business supplying measuring instruments and accessories for the routine monitoring of certain physiological properties of the human body. We are a leader in the supply of products for the detection of muscle and nerve impulses, including the specialised needle electrodes needed to make this measurement. We also produce equipment to monitor heart function in humans throughout life and before birth. Customers are hospitals and doctors' clinics world-wide.

Medical	**2000 £m**	1999 £m
Turnover	**39.3**	39.1
Operating (loss)/profit	**(0.5)**	0.3
Operating assets	**20.1**	21.5
Employees	**333**	423

Analytical (was 'Instrumentation')

Our Analytical business specialises in instruments and components for the routine analysis of a wide range of industrial materials using the techniques of X-ray detection and nuclear magnetic resonance (NMR). We also supply products for the deposition and etching of various materials using plasma processing, often in the semiconductor industry. Customers include most major manufacturing companies world-wide.

Analytical	**2000 £m**	1999 £m
Turnover	**49.5**	47.0
Operating (loss)/profit	**(1.0)**	3.5
Operating assets	**30.5**	32.3
Employees	**490**	490

Oxford Magnet Technology (OMT)

Our joint venture partnership between Oxford Instruments (49%) and Siemens (51%) which manufactures superconducting magnets used in magnetic resonance imaging (MRI) bodyscanners. These are used in hospitals to aid diagnosis through imaging of the human body. Customers include Siemens and other major MRI system integrators such as Marconi and Toshiba.

OMT (100%)	**2000 £m**	1999 £m
Turnover	**100.6**	121.0
Operating profit	**11.8**	14.6
Operating assets	**12.7**	16.2
Employees	**500**	496

Our 'TopFlight' reorganisation

In September 1999 we initiated a major reorganisation of our UK-based businesses called project 'TopFlight'. Our challenge was to find a way forward that allowed us to make a major improvement in the consistency of our delivery of goods and services to customers and to achieve this from a lower cost base. A detailed bench-marking exercise confirmed that we have significant opportunities to improve our operational performance. We set ourselves objectives in four key areas within the 'TopFlight' project:

Make better use of the many synergies that exist across our businesses

Drive rapid improvement in key common processes through the businesses

Make more efficient use of our scarce resources - both human and financial

Create a lower cost management and organisation structure

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Financial summary
Overall orders for our wholly owned continuing operations were £168.6 million, virtually unchanged from the previous year. Shipments of £160.1 million were also close to last year (£159.7 million). However, the pre-tax, pre-exceptional loss for continuing businesses was £0.8 million as a result of significantly reduced margins, primarily from the costs of progressing a limited number of old and technically complex projects in our Superconductivity business.

Following disappointing results in the first half of the year and a wide-ranging review of operational effectiveness, we initiated a major programme under the name 'TopFlight' in September 1999 to address our organisational structure and cost base.

This reorganisation will result in an exceptional charge totalling £8.9 million of which £7.3 million has been charged against the results for last year and £1.6 million will be charged in 2000/01, consistent with the FRS12 accounting standard.

The closing cash balance was £2.6 million, down £3.4 million during the year.

The Directors have recommended a final dividend of 6.0p, making a total of 8.4p, unchanged from last year.

Changes in our markets
The level of new orders has been encouraging during a year when our priorities have been to improve our operational performance. Our major market in America has stayed strong, while our Asian markets have grown significantly from a low base as investment increases in that region. Japan remains the exception and subdued demand from both research and industrial customers continued to hold back our business there.

Orders in Europe were flat and the weakness of the euro significantly increased the competition for available business, impacting margins. However our medical products subsidiaries in Spain and Italy performed well. During the year we bought out our Eastern European analytical products distributor to strengthen our direct sales in this expanding region.

Progress on reshaping the business
Following a series of disappointing results over recent years, the Board authorised a major restructuring of the organisation in September 1999. Phase 1 of this programme, involving the creation of three new UK-based businesses, is complete. The second phase has been progressing well and includes a number of major site relocations as well as Group-wide projects to improve key business processes. This important project is explained in more detail elsewhere in this report.

People
There have been a number of changes to the Board during the year. Following the retirement of Sir Peter Williams in July 1999 the Board elected me as Chairman. Since then the Board has welcomed Peter Hill and Peter Morgan as non-executive Directors. Their arrival has strengthened the commercial experience and independence of the Board.

Sir Martin Wood, founder of the Company and Deputy Chairman, has announced his decision to retire at the Annual General Meeting but will continue to make his wide experience and scientific contacts available to us and will become Honorary President of the Company. His enthusiasm, vision and leadership have been an inspiration to all those with whom he has worked during the 41 years' life of the Company. I am delighted that Mike Brady has agreed to take on the role of Deputy Chairman.

This has been a particularly difficult year for all our employees. It has been necessary to make major changes to ensure a healthy future for both the staff and the business which has resulted in the departure of a number of colleagues and a temporary period of uncertainty for those who have stayed. I want to thank those who have continued to perform their roles so professionally during this period. Their continuing commitment is the key to our progressive recovery.

Prospects
Our businesses continue to occupy very strong technology and market positions in world-wide markets. Our 'TopFlight' re-engineering programme is creating an organisation that can better meet customer needs in our markets from a lower cost base. Our top priority is to succeed with this programme which will return the Group to profitability and improve our use of capital.

We are committed to ensuring that our businesses earn an improving and sustainable return, thereby delivering value to our shareholders and rewarding their support for the business during this transition.

Nigel Keen Chairman

How are we exploiting synergies?

The key to exploiting synergies has been the creation of three new UK businesses with similar organisation structures. We created the new organisations towards the end of 1999 and are already reallocating resources such as engineering and manufacturing staff across the sites which have been brought together under common management. We are relocating several businesses to new sites over the coming months and this will further help to reinforce this cost-effective way of operation. We are running a number of centrally coordinated programmes (outlined on page 7) and ensuring that best practice from one business is transferred to others. The 'Top Team' of senior managing directors meets monthly and ensures that the businesses continue to work together.

This has been a challenging year for the Group, but it also marks a critical phase as we position ourselves for the future. Markets have matured and become more competitive over the past few years - particularly since 1996 when the pound started to appreciate against other currencies. We evolved our business practices too slowly and did not keep up with increasing customer expectations. To change this we needed to undertake a fundamental reorganisation of the businesses. The pace of change within the organisation is now very high. While this imposes demands on those involved, it is our opportunity to improve rapidly in those areas which are key to our future growth and stability. This we are now doing.

Superconductivity

Our UK-based Superconductivity business has continued to suffer from the legacy of a limited number of technically complex projects entered into in some cases several years ago and the margins have been severely depressed. We have had some major technical successes during the year which have allowed us to ship a number of complex magnet systems, but other projects still remain to be completed.

Our progress improvement initiatives have enabled us better to estimate the resource required to fulfil these commitments and we are staffing the business accordingly. Also the 'TopFlight' programme has brought three UK-based magnet businesses under a new single management team, allowing better allocation of resources to where they are needed.

Orders during the year were down 13% reflecting a more careful approach to the technical risk and profitability of new business. This has led us to reject some potential orders. We have also agreed with a small number of customers to cancel their orders where the specification and the work involved would have led to excessive costs and delays. This strategy is improving the quality of our new order pipeline and will in time lead to improved margins.

A number of successes during the year confirm our position as the technical and market leader. We installed during the year a magnet at Oxford University which at 21Tesla is the highest laboratory-scale commercial superconducting magnetic field in the world. This magnet is being used for the study of new materials, including joint development programmes with Oxford Instruments. We have delivered to a Japanese customer the first of a revolutionary design of ultra-low temperature refrigerators. We have also sold significant numbers of other new cryogenic and magnet products into the biological materials research market.

The installation in Singapore of our second 'Helios' compact synchrotron is proceeding well, but we do not see near-term demand for more machines from the semiconductor industry. We are considering alternative options for the future of our synchrotron accessories business.

Under the 'TopFlight' programme we have accelerated a number of initiatives to improve operational performance. Focused effort on improving the quality of certain magnet product lines has resulted in a 50% reduction in test failures. Work on key strategic product development is proceeding with more control and higher visibility as the result of the injection of new project management resource. A new management information system has been installed and has been the trigger to upgrade a number of processes within the organisation. In addition we plan to consolidate our UK business from three sites to two during 2000/2001.

Overall we are working to a clear plan designed to achieve a level of operational excellence to match our technical expertise. This will allow us to improve our service to our customers and to return the business to sustained and growing profitability.

Our US-based superconducting wire and magnet service business has had a steady year, with firm demand from its main MRI magnet customers. Margins continue to decrease in the wire business under competitive and customer pressure, so performance improvement comes from increasing volumes and from cost-reduction. The MRI magnet service business continued to grow.

How are we improving our key processes?

Our 1999 benchmarking exercise highlighted several key areas for improvement. We now have common programmes sponsored by the Top Team and running across all UK businesses aimed at transforming our performance in four areas. New product development is critical for a company such as ours and we have a project to raise the professionalism of our project and risk management and engineer training and development so that in future we generate more innovative new products and deliver them on time and to cost. Our leading-edge products often require us to manufacture key components at the technical limits, sometimes leading to variable product yield. We therefore have a major programme aimed at bringing key manufacturing processes under full control. We have centralised the co-ordination of our procurement activities, resulting in progressive cost savings through Group-wide contract negotiation and improvement in the control of our supplier relationships. Our world-wide sales channel structure is a real strength of the group, but we need to look for ways to improve its effectiveness. We have therefore recently started a project to review our opportunities for improvement in the USA, our largest market. Meanwhile each business is also reviewing the order handling process to reduce delivery times.

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Analytical (previously Instrumentation)
Increased shipments in the second half of the year helped to improve the performance of our Analytical business and resulted in turnover for the year of £49.5 million, up 5% on the previous year and in a return to profitability in the second half. Total orders for Analytical were £56.6 million, with a particularly strong last quarter. Our strategic alliance with Horiba in Japan has made a promising start.

Our Plasma Technology product sales into the semiconductor industry were strong, fuelled by the growing need for equipment to make chips for telecommunication and fibre optical applications.

Increasing competition, the weakness of the euro and product mix all contributed to a significant reduction in margin in all product areas.

Under the 'TopFlight' reorganisation we have announced the consolidation of our UK analytical businesses from three sites to the two existing facilities in High Wycombe and Yatton. The move will be completed during this coming year following refurbishment of the High Wycombe facility and will allow the range of industrial products based on X-ray analysis and nuclear magnetic resonance (NMR) to share a single site.

We are also relocating our Fremont, California, based manufacturing activity which makes spectrometers, back to the UK. Separately, we have made a major investment in new clean-room facilities at Yatton to demonstrate and develop new applications on our plasma processing equipment.

The business of Auburn International acquired in April 1999 has had significant investment during the year but orders were disappointing, partly because of the long purchase cycle in the petrochemicals industry. However we remain confident about the potential of this business.

Our X-ray tube facility in California, USA, generated excellent results, with a significant increase in volumes and profits despite heavy investment in new product development during the year. The business has a strong position in its main markets and the new products will allow growth into new applications over the next two years.

Medical (previously Medical Systems)
Our Medical business returned to profit in the second half of the year, following actions taken by new management during the 'TopFlight' restructuring. New orders were £39.9 million, while turnover for the year was £39.3 million, close to last year. Sales of our new neurology products were strong, as was demand for our single-use needle electrodes. Sales of third-party products were also good, reflecting the strength of our international sales network.

During the year we have reviewed the performance of our European sales channels. As a result, we have restructured our operation in Germany to access more effectively the market for our three different product lines (neurology, cardiology and foetal monitoring) via indirect channels. We have also reviewed our future product needs and development resources, resulting in a new alliance which allows us to market products into the growing market for sleep-related complaints.

We have also transferred our rights to certain signal processing technology developed over some years at Oxford University to an externally funded start-up company (Oxford Biosignals Limited) in exchange for a 9% equity interest.

How are we making better use of our scarce resources?

The management teams of the new enlarged businesses can take a broader view of where resources can best be used across their products. For example key engineering staff can more easily be allocated to the most appropriate projects, they can be supported with project management resources and external subcontractors where necessary. A review of site requirements has resulted in the decision to free up 35% of our UK space by site consolidation as well as 5% of our overseas space, allowing staff to work more closely together and freeing capital tied up in the buildings. We have decided to resource centrally certain programmes, such as procurement and the integration of our new management information system. This enables local management and staff to concentrate on business specific activities.

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Following extensive refurbishment, the relocation of our Medical business onto a single site in Old Woking, UK, will be complete by the end of June 2000. Quality of both instruments and accessories has already improved over the past few months following intensive efforts under the 'TopFlight' programme and these projects will continue on the single site with increased focus.

Oxford Magnet Technology (OMT)

Our joint venture with Siemens, which produces magnets for magnetic resonance imaging (MRI) bodyscanners, has continued to perform steadily, with total shipments during the year of £101 million. End-user demand from Siemens and the other main customers has remained firm, though not quite at the record levels of the previous year and we successfully renewed a long-term contract with one of our major customers. New clinical applications of this technology continue to be developed, aided by system price reductions which broaden the range of hospitals which can afford the product.

Cost-reduction programmes continue, with manufacturing lead times for magnets reduced by a further 20% during the year. Following the 'TopFlight' reorganisation our new Superconductivity business is better resourced to support the various joint technology and operations improvement programmes set up with OMT, for example in the areas of software design tools and procurement.

A new 'high field open' magnet was launched in November 1999. This innovative machine is designed to allow greater patient comfort and ease of patient access for the clinician.

During the year OMT won The Queens Award for Enterprise: International Trade 2000, a recognition of its particular success in exports during a difficult time for UK manufacturers.

The future

We still have many elements of our co-ordinated 'TopFlight' programme to complete and this will remain our top priority. We will carry out the site relocations during the current year. We will start to make significant cost savings from our centrally driven procurement programme. We will focus on maximising the business benefits from the new management information system installed in all but one UK site during the last two years. We will continue to drive forward the various improvement programmes in operations, new product development and the effectiveness of our sales channels.

Success in these projects is an essential foundation from which to grow the Group and generate an acceptable return for our shareholders.

We retain a very strong position in our various world-wide markets and there are a number of growing segments and organic growth opportunities for us to attack. We are investing in the activities of our 'New Ventures Board', which takes forward commercial ideas which lie outside the remit of the businesses and we are looking at different ways of bringing these ideas to market.

I know that the recent past has tested the patience of customers, shareholders and employees alike. I also know that I and my colleagues in the Group are committed to turning the businesses round and that the efforts of the past six months will allow us to do so.

Andrew Mackintosh Chief Executive

How are we creating a lower cost organisation?

Our financial results over the past few years and increasing market expectations demand that we find lower cost and more effective ways of satisfying our customers. Our new business structures have allowed us to reduce the number of our senior UK management teams from seven to four, saving significant cost and creating exciting career opportunities for a number of staff in the organisation. We have also minimised the number of management levels in each business to maximise flexibility, improve *communication and minimise overhead cost.* Our coordinated plan of site reductions, procurement initiatives and process improvement programmes will all deliver cost reductions and help to recreate a high quality customer-focused organisation.

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Trading results

Group turnover for continuing operations for the year to 31 March 2000 of £160.1 million was £0.4 million higher than the previous year. The Group operating loss of the continuing operations was £1.1 million, before exceptional items and interest, with the operating loss of the wholly owned businesses of £6.9 million being offset by the Group's share of the OMT joint venture's operating profit of £5.8 million.

This result was down £13.2 million on the previous year, with the wholly owned businesses down £11.8 million and the Group's share of the OMT joint venture's operating profit lower by £1.4 million. The results summarised by business groups are set out in Note 2 on the Financial Statements. Higher cost of sales at Superconductivity and competitive pricing pressure at Analytical and Medical all contributed to the operating profit shortfall on the previous year.

Discontinued operations include the operations of Nuclear Measurements in Oak Ridge, Tennessee and the scanning probe microscopy business in Cambridge, UK.

Turnover

Sales of the wholly owned businesses to overseas customers, of £140 million, including sales by overseas businesses of £103 million, represented 87% of total Group turnover. UK exports of £84 million produced a net benefit to the UK balance of payments of £68 million, after deducting imports of £16 million.

Turnover by region is shown in the chart opposite. The 1998 'Rest of Far East' figure includes the sale of 'Helios 2' Synchrotron to Singapore.

Exceptional items

The exceptional items relate to the costs incurred in the reorganisation of the Group's UK based businesses into a simplified operational structure and the business improvements announced in September 1999 as part of the 'TopFlight' programme, as well as the costs of reorganising the Group's Board and Senior Management.

Consistent with the FRS 12 Accounting Standard £7.3 million has been charged against the results for the year to 31 March 2000 and a further £1.6 million will be taken against the results for the next year. These exceptional costs do not include any future profit or loss on the disposal of properties which will become surplus as a result of the reorganisation.

Joint venture

The Group's 49% shareholding in Oxford Magnet Technology Limited ('OMT') has been accounted for in accordance with FRS 9 'Associates and joint ventures'. Under this standard the turnover of the Group is shown with and without the Group's share of the sales of OMT. After adjustment for trading between OMT and the Group as shown in Note 5 on the Financial Statements, the Group's share of OMT's turnover amounted to £40.4 million.

The Group's operating profit, net interest and profit before tax all include the Group's share of the joint venture's result for the year under each heading. In the Group Balance Sheet the Group's share of the gross assets and liabilities are shown under the heading of Investments.

The Group's share of OMT's operating profit was £1.4 million lower than the previous year reflecting the abnormally high volumes of the previous year as well as continuing price pressure from its major customers. The cash dividend received in December 1999 of £4.4 million is shown separately in the Group Cash Flow Statement.

The current policy of the Board of OMT is to recommend 100% distribution of annual earnings to its two shareholders in December each year.

Interest

Net interest receivable was £0.2 million, down £0.2 million reflecting lower average net cash but offset by higher average sterling interest rates.

Tax

Despite Group losses before taxation the Group tax charge of £1.6 million reflects the combination of taxable trading profits and the profit on sale of tangible assets in the USA and unrelieved taxable losses from trading operations and exceptional items in the UK.

These losses will be carried forward to offset against taxable UK profits in future years.

Employees

Reflecting the 'TopFlight' programme the number of employees of continuing operations at 31 March 2000 was 1,517, down by 180 since the previous year end.

Accounting policies

There have been no material changes in accounting policies during the year. The adoption of other new Financial Reporting Standards (FRS 15 - 'Tangible fixed assets' and FRS 16 - 'Current tax') has had no material effect on the results.

Exchange rates

If the same exchange rates as those experienced in 1998/9 had prevailed in 1999/00 turnover would have been £0.5 million higher at £160.6 million and Group operating loss, before exceptional items and interest, would have reduced by £0.9 million to £0.2 million. This does not allow for the volume effect when competing for business against non-sterling competitors. The principal exchange rates used to convert foreign currencies are set out in Note 35 on the Financial Statements.

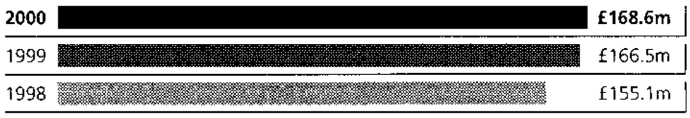
Our overall policy of selling forward net currency receivables provides certainty but not protection long term from continued sterling strength.

Balance sheet

In accordance with FRS10 negative goodwill arising from the purchase of the Vickers neurology business is being amortised over 5 years and goodwill arising from the purchase of the Auburn International instrumentation business and the Rofa East European distribution network is being amortised over 8 years and 5 years respectively. With the UK factory development now complete expenditure on fixed assets was more than offset by depreciation. An analysis of tangible fixed assets is shown in Note 14 on the Financial Statements.

The Group continues to own all its factories in the UK and the US, except for some of the facilities for Medical in Old Woking, UK and for X-Ray Technology in Scotts Valley, California, USA. Overseas sales offices are all leased. Outstanding lease and hire purchase obligations in respect of other fixed assets are negligible.

Orders (continuing businesses)

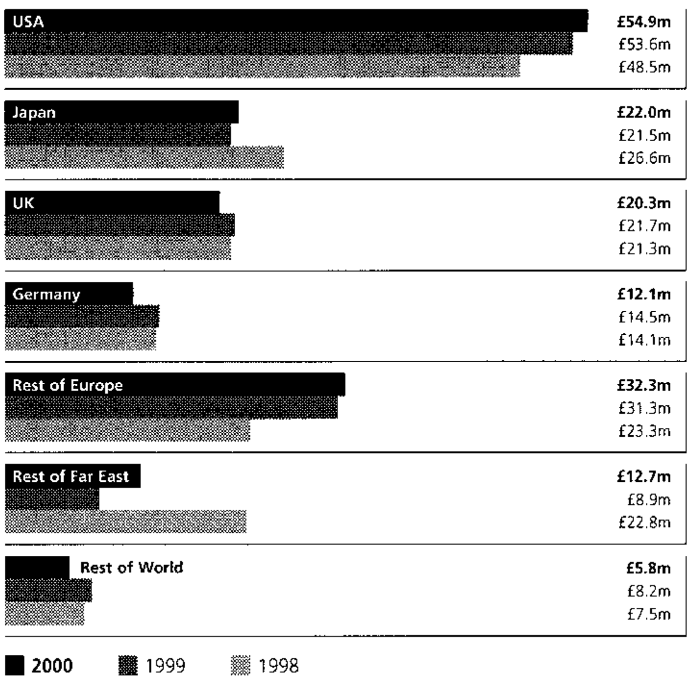


Turnover (continuing businesses)

Operating (loss)/profit (continuing businesses, excluding exceptionals and before interest)

Employees (continuing businesses)

Group turnover by region



Net working capital, excluding net cash, taxation and accrued dividends reduced by £6.9 million to £42.0 million. Overall the net working capital to sales ratio reduced to 26% (29%).

The Group ended the year with net cash of £2.6 million, made up of cash and short term deposits of £5.7 million offset by bank loans and overdrafts of £3.1 million.

Cashflow

The Group began the year with net cash of £6.0 million and ended the year with £2.6 million, a decrease of £3.4 million.

The chart opposite shows the inflows and outflows which contributed to this reduction as well as indicating the free cash flow for the year. Free cash flow, calculated after allowing for replacement capital expenditure, was an outflow of £0.3 million (1999 £4 million inflow). Disposals included the sale of Nuclear Measurements, Oak Ridge, Tennessee and the Cambridge scanning probe microscopy business and acquisitions included the instrumentation business of Auburn International and part fo the East European distribution organisation of Rofa (see Notes 17 and 18 on the Financial Statements).

Financing

At the year end the Group's bank facilities were more than sufficient for its short term needs. In addition to the unused multi-currency overdraft and short term borrowing facilities of £26 million available to the Group at 31 March 2000, the Group had contractually committed unsecured facilities of £10 million (or the foreign currency equivalent) at the financial year end.

At 31 March 2000 none of this medium term facility was in use. There is no known restriction on the Group's ability to transfer funds within the organisation.

The Group has contracted by guarantee to secure 49% of the external borrowings of the Oxford Magnet Technology joint venture up to a maximum of £7.6 million. At the year end the joint venture had total net borrowings of £1.8 million, of which the Group's guarantee covered £0.9 million.

There was no significant change in the capital structure of the Company during the year.

Treasury management

The Group Treasury function provides a service to all Group businesses. Group Treasury is responsible for sourcing and structuring all borrowing requirements. It also manages the location and investment of surplus funds which, when appropriate are invested predominantly in short term deposits, up to 12 months, with major financial institutions meeting the credit criteria approved by the Board. At the present time the Group has decided not to enter into any arrangements to hedge against future movements in interest rates.

However, given the high level of exports, the Group faces currency exposures on trading transactions undertaken by its UK subsidiaries in foreign currencies (transaction exposure). The Group has a policy of selling forward known and forecast net foreign currency receivables for up to 12 months ahead, although hedging of the Euro was somewhat reduced in the second half of the year.

Note 32 on the Financial Statements shows the value of contracts for forward sale of the major currencies in which the Group trades.

The Group does not hedge its currency exposure on the translation of profits earned in overseas subsidiaries (profit translation exposures).

Shareholders' return

Losses and dividends

The loss on ordinary activities before tax of £17.8 million was made up of a trading loss £0.8 million from continuing operations, exceptional items of £7.3 million and net loss from discontinued operations of £9.7 million, of which £12.0 million represented goodwill previously written off to reserves.

After a tax charge of £1.6 million the net loss for the financial year was £19.5 million.

With the average number of shares in issue 1.3 million lower at 47.2 million shares, basic losses per share were 41.3p. The Group's proposed final dividend of 6.0p per share (1999 6.0p), payable on 4 October 2000, makes a total dividend for the year of 8.4p, and remains the same as last year.

Share price

The market price of the Ordinary shares at the end of the financial year was £1.57, compared with £2.32 at the beginning of the year. The highest and lowest prices recorded on the financial year were £2.47 and £1.57 respectively.

Shareholders' funds

Shareholders' funds at the year end were £87.5 million, or £1.83 per share. There were no net borrowings.

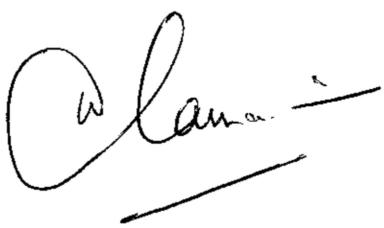
Year 2000 and the Euro

Following our Year 2000 project the Group did not experience any significant problems at the change of date. We are not aware of any Year 2000 effects at our major customers or suppliers, which might affect our business. The Group continues to exercise diligence in ensuring that systems and equipment are capable of correctly processing all relevant date-related information.

The change in systems outlined in the Financial Review last year has proceeded to plan and it is not believed there will be any significant further costs in relation to Year 2000 compliance.

During 1999 the Group's European subsidiaries started to introduce the Euro. Several sites installed new software to pre-empt Year 2000 problems and to deal with the implications of monetary union. The costs of making this transition were generally not separately identifiable, but were not considered to be significant.

Martin Lamaison Financial Director



Cash movements in the year to 31 March 2000

		£m
	Operating loss	(7.4)
-	Exceptional costs	(7.3)
+	Depreciation and amortisation	5.5
+	Reduction in working capital	7.6
=	Net cash outflow from operations	(1.6)
+	Dividend received	4.4
+	Net interest received	0.5
-	Taxation	(0.1)
-	Net replacement capital expenditure	(3.5)
=	Free cash outflow	(0.3)
-	Investments	(0.6)
-	Acquisitions	(3.4)
+	Disposals	5.9
-	Dividend paid	(5.1)
+	Issue of new shares	0.1
=	Net cash decrease	(3.4)
	Opening net cash	6.0
	Closing net cash	2.6

Inflows Outflows Free cashflow Net cash

Earnings per share (continuing businesses, excluding exceptionals)

2000	**(3.4)p**
1999	17.8p
1998	25.7p

Dividends per share

2000	**8.4p**
1999	8.4p
1998	8.1p

Net assets per share

2000	**183p**
1999	207p
1998	198p

Directors
The following Directors served throughout the year except as noted:

N J Keen FCA, Chairman
(Non-Executive Director until 27 July 1999)

Sir Martin Wood OBE FRS Hon FREng DL, Deputy Chairman

A J Mackintosh, Chief Executive

M Lamaison FCA, Financial Director and Company Secretary

Professor Michael Brady FREng FRS

P Hill (from 14 December 1999)

P Morgan (from 14 December 1999)

R K A Wakeling Barrister FCT

Sir Peter Williams CBE FREng FRS, Chairman (until 27 July 1999)

Chairman
Nigel Keen, 53, Independent Director, joined the Board in 1999 and is Chairman of the Cygnus Group of companies, established in 1984. He is Chairman of The Laird Group plc and is Chairman of both Axis-Shield plc and Deltex Medical Group plc.

Deputy Chairman
Sir Martin Wood, 73, founded the Group in 1959 and until 1983 was the Chairman. Through the Oxford Trust, Oxford Innovation Limited and Oxford Technology VCT plc, he plays an active role in supporting new science and technology based companies and in initiatives to stimulate the public understanding of science.

Executive Directors
Andrew Mackintosh, 44, was appointed Chief Executive in February 1998. He joined the Group in 1984 after an early career with Courtaulds, EMI and in university research, including a year spent in Japan. He has a BSc in Chemical Physics and PhD in Solid State Physics.

Martin Lamaison, 56, joined the Group in 1985 as Group Financial Director. Previously he was with Glaxo Wellcome plc and BOC Limited. He has a BA in Industrial Economics.

Non-Executive Directors
Professor Michael Brady, 55, Independent Director, joined the Board in 1995 and is BP Professor of Information Engineering at Oxford University. He is a Director of AEA Technology plc, Guidance and Control Systems Limited, Oxford Medical Image Analysis Limited and Oxiva Limited.

Peter Hill, 47, Independent Director, joined the Board in 1999 and is President of Invensys Air Systems, an operating division of Invensys plc. He is the former Head of Strategic Planning for BTR plc and was subsequently a Director of Merger Integration during the successful merger of BTR plc and Siebe plc to form Invensys plc. He was an Executive Director of Costain Group plc from 1992 to 1997.

Peter Morgan, 64, Independent Director, joined the Board in 1999. He is Deputy Chairman of Baltimore Technologies plc and a Director of Firth Holdings plc and AMP (UK) plc. He is a member of the Council of Lloyd's and a Director of the Association of Lloyd's Members. He is a former Chairman of SWALEC plc,NPI, Pace Micro Technology plc and KSCL Limited; a former Executive Director of IBM (UK) plc and IBM Europe and a former Director General of the Institute of Directors.

Richard Wakeling, 53, Senior Independent Director, joined the Board in 1995 and is the Chairman of Henderson Technology Trust plc. He is also a Non-Executive Director of Logica plc and MG plc. He was formerly Chief Executive of Johnson Matthey plc.

Advisers
Financial Advisers: Robert Fleming & Co Limited

Stockbrokers: Cazenove & Co

Auditor: KPMG Audit Plc

Tax Advisers: Arthur Andersen

UK Solicitors: Laytons

US Counsel: Holland & Knight

Principal Bankers: Barclays Bank plc; First Union National Bank; HSBC Bank plc; Dresdner Bank AG; Bank of Tokyo-Mitsubishi Limited

Board Committees
Audit: Richard Wakeling, Chairman; Professor Michael Brady; Peter Hill; Nigel Keen; Peter Morgan; Sir Martin Wood

Remuneration: Nigel Keen, Chairman; Professor Michael Brady; Peter Hill, Peter Morgan; Richard Wakeling

Nomination: Nigel Keen, Chairman; Professor Michael Brady; Peter Hill, Peter Morgan; Richard Wakeling; Sir Martin Wood

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Oxford Instruments plc Accounts 2000

OXFORD INSTRUMENTS

The Directors present their Report and the Statement of Accounts of Oxford Instruments plc for the year ended 31 March 2000.

Principal activity and business reviews

The Company is the ultimate holding company of a group of subsidiary and associated undertakings ('the Group') engaged in the research, development, manufacture and sale of advanced instrumentation. The business is reviewed in the Chairman's Statement on page 4, the Operating Review on pages 6 to 11 and the Financial Review on pages 12 to 15.

Acquisitions and disposals

During the year the Group acquired the on line instrumentation business of Auburn International Inc for a cash consideration of $4.5 million and the Eastern European instrumentation distribution network of Rofa for cash consideration of £0.6 million. Further the Group completed the disposal of its Nuclear Measurements instruments business based in Oak Ridge Tennessee for cash proceeds of US $9.5 million and its scanning probe microscopy business based in Cambridge for £80,000.

Results and dividends

The results for the year are shown in the Group Profit and Loss Account on pages 26 and 27. The Directors recommend a final dividend of 6.0p per ordinary share, which together with the interim dividend of 2.4p per ordinary share paid on 29 March 2000 makes a total of 8.4p per ordinary share for the year (1999 8.4p). Subject to shareholder approval, the final dividend will be paid on 4 October 2000 to shareholders registered at close of business on 8 September 2000.

Directors

Profiles of all the Directors, including the Non-Executive Directors, appear on page 16. All the Directors served on the Board for the whole year under review unless indicated otherwise. Nigel Keen succeeded Sir Peter Williams as Chairman on 27 July 1999.

Sir Martin Wood has announced his intention not to seek re-election at the forthcoming Annual General Meeting and will retire. Peter Hill and Peter Morgan, who have been appointed since the last Annual General Meeting, and Andrew Mackintosh, Martin Lamaison and Richard Wakeling, who retire by rotation, offer themselves for re-election. Richard Wakeling, Peter Hill and Peter Morgan have letters of appointment for three years, terminating on 1 August 2001, 14 December 2002 and 14 December 2002 respectively. Andrew Mackintosh and Martin Lamaison have service contracts with the Company subject to two years' notice of termination.

Directors' interests

Save as disclosed on page 24 the Directors had no beneficial interest in the Company's issued share capital on the given dates.

As a Director of Oxford Instruments Pension Trustee Limited, Trustee of the Company's UK Pension Scheme, Martin Lamaison had a non-beneficial interest in 167,500 ordinary shares at 31 March 2000 (1999 167,500).

Further as Trustees of the Company's Share Participation Scheme Martin Lamaison and Sir Martin Wood had a non-beneficial interest in 219,377 ordinary shares at 31 March 2000 (1999 251,169). Between the year end and 13 June 2000 the Trustees of the Share Participation Scheme decreased their holdings by 102 shares sold on behalf of participants. Apart from this there were no other changes in the Directors' holdings between the year end and 13 June 2000.

No Director was beneficially interested in the shares of any subsidiary company at any time during the year.

Share capital

During the year no shares were re-purchased and cancelled (1999 2,511,995) and 60,300 new shares were issued (1999 45,990) under the Company's Share Participation Scheme, Executive Share Option Scheme and Savings Related Share Option Scheme. Details are set out in Note 26 on the Financial Statements.

Substantial shareholdings

The following are beneficial interests, of which the Directors are aware, of 3% or more of the Company's issued ordinary share capital, the only class of voting capital, at 13 June 2000:

	Shares 000	% of Total
Fidelity Investments	5,843	12.2
Phillips and Drew Life Limited	3,162	6.6
Sir Martin Wood	3,106	6.5
Global Asset Management Limited	1,893	4.0
3i Group plc	1,785	3.7
Prudential Corporation plc	1,738	3.6
Aberforth Smaller Companies Trust	1,639	3.4

Save for the above, no person has reported any material interest of 3% or more or any non-material interest exceeding 10% of the Company's issued share capital.

Employment policies
It is the policy of the Group to give full and fair consideration to applications for employment from persons with disabilities and to continue wherever possible the employment of staff who may become disabled.

Employee involvement
The Group operates from a number of sites world-wide and employee practices are appropriate to each location.

The Group has a policy of two way communication with its employees. Employees are kept informed of activities which are of concern to them or which are likely to affect their interests, typically through a system of briefing groups and employee forums. Regular company meetings and company notice boards are used to report financial performance, quality achievements and general Group news. Each employee receives a copy of the annual Report and Accounts.

The Group is committed to managing actively individual and team performance and development.

Interest in the Group's well-being is encouraged by performance related incentive schemes and employees also have the opportunity to acquire shares under the Group's Share Participation and Share Option Schemes.

Donations
Charitable donations made by the Group during the year amounted to £26,000 (1999 £64,000). There were no political donations.

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 at 31 March 2000 were equivalent to 45 days and 50 days purchases respectively, based on the average daily amount invoiced by suppliers to the Company and Group during the year.

Annual General Meeting
A resolution to re-appoint KPMG Audit Plc as Auditor will be proposed at the Annual General Meeting on 1 August 2000. Further it is proposed to renew the authority to purchase in the Stock Market up to 10% of the Company's issued share capital. The Directors will implement such purchases, which will reduce the issued share capital of the Company, only if they are satisfied that these purchases are in the best interests of the Company and its shareholders and that the effect will be to increase earnings per share.

It is also proposed to appoint Sir Martin Wood to the position of Honorary President. In this connection it is intended to amend the provisions of the Company's Articles of Association governing such an appointment.

By Order of the Board
Martin Lamaison
Company Secretary
13 June 2000

Directors' Responsibilities in relation to the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period.

In preparing those financial statements, the Directors confirm that suitable accounting policies have been used and applied consistently; reasonable and prudent judgements and estimates have been made; applicable accounting standards have been followed; and the financial statements have been prepared on the going concern basis.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Board recognises the importance of good corporate governance and has, over the years, ensured that appropriate corporate governance procedures are in place within the Company and are kept under regular review.

Compliance

During the period under review the Company has applied the principles set out in the Combined Code on corporate governance and, except where it has been explained below and, where appropriate, in the Remuneration Report on page 22, has complied throughout the year with each of the provisions set out in Section 1 of the Combined Code. Specific areas of non-compliance with the Combined Code include:

- identification of Richard Wakeling as Senior Independent Director was not formally confirmed by the board until 27 April 1999 although he had acted in this capacity prior to this date;
- cash bonuses, which are normally deemed to be an integral part of remuneration, are pensionable;
- Executive Directors have service contracts with the Company which provide for termination by no more than two years' notice.

The Company has adopted the transitional approach for the internal control aspects of the Combined Code as set out in the letter from the UK Listing Authority dated 27 September 1999.

Principles of corporate governance

Board of Directors

The Board is responsible for the direction and overall performance of the Group with particular emphasis on policy matters and strategic issues. A timetable for Board meetings is agreed annually. The Board meets formally seven times a year and additionally as necessary. There is an agenda of matters specifically reserved for discussion by the Board. The Board is provided with appropriate information relating to matters for discussion prior to each meeting and seeks further information as necessary.

The Board comprises the Chairman and Deputy Chairman, both Non-Executive, two Executive Directors and four Non-Executive Directors. The Non-Executive Directors bring independent judgement to bear on issues of strategy, performance and resources, including key appointments and standards of conduct.

The Non-Executive Directors are appointed for an initial term of three years, renewable by mutual consent.

The Company's Articles authorise any Director to take independent professional advice if necessary at the Company's expense and have access to the advice and services of the Company Secretary, or if appropriate, to the Assistant Company Secretary. Any Director becoming a Director of a listed company for the first time is given the choice of external or internal training.

Board committees

Membership of Board Committees is given on page 16.

The Audit Committee, chaired by Richard Wakeling, is responsible for review of the accounts and for ensuring that any matters raised by the auditors are given proper consideration. The external auditor attends all the meetings. The Committee is also responsible for keeping under review the scope and results of the external audit and its cost effectiveness and the independence and objectivity of the external auditors. At each meeting the Executive Directors, who attend by invitation, are asked to leave so that the external auditors may raise, if they wish, any matters relating to the Executive Directors with the Committee.

The Remuneration Committee, chaired by Nigel Keen, 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. The Remuneration Report of the Board is set out on page 22.

The Nomination Committee, chaired by Nigel Keen, is responsible for recommending to the Board all Board appointments and for ensuring that the Board has an appropriate balance of expertise and ability among the Non-Executive Directors. It also recommends to the Board at the end of each three year term whether the Non-Executive Director's appointment should be renewed for a further three years.

The Technology Advisory Committee has now been replaced by the New Ventures Board. This Board is convened by Andrew Mackintosh and Professor Michael Brady to assess opportunities for significant growth from innovative ideas that do not fall within the remit of the Group's existing businesses. Meetings are held on the same days as meetings of the Group's Board of Directors. Attendance is determined by the matters to be addressed at each meeting and may involve experts from both inside and outside the Group.

Shareholder relations

All shareholders are invited to participate in the AGM. At the 1999 AGM the chairmen of the audit, remuneration and nomination committees were available to answer questions. The results of proxy votes were declared at the 1999 AGM after each resolution had been dealt with on a show of hands and this practice will be continued at future General Meetings.

All major announcements issued through the Stock Exchange Announcements Office are now made available as soon as possible on the Company's website (www.oxford-instruments.com) and, where significant, are also mailed to each shareholder.

Internal control

The Board is ultimately responsible for the Group's system of internal controls 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 misstatement or loss.

The Combined Code introduced a new requirement, that the Directors review the effectiveness of the Group's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including financial, operational, compliance and risk management.

Guidance for Directors 'Internal Control: Guidance for Directors on the Combined Code (the Turnbull guidance)' was published in September 1999. However, the Directors have taken advantage of the UK Listing Authority's transitional rules and have continued to review and report upon internal financial controls in accordance with the ICAEW's 1994 guidance 'Internal Control and Financial Reporting'.

Nevertheless the Board confirm they have established procedures necessary to implement the Turnbull guidance such that they can fully comply with it for the accounting period ending on 31 March 2001.

One specific area where new procedures have been established is in relation to fixed price contracts in our Superconductivity business. In accordance with the standard terms and conditions of public institutions throughout the world the Company enters into fixed price contracts some of which contain late delivery penalty and cancellation clauses. As part of the Company's recent changes in risk management all requests to quote for material contracts of this nature are now reviewed by a multi-disciplinary team to assess both technical and financial risk and to try to ensure an appropriate balance between risk and reward. However, no procedure can guarantee the avoidance of losses on fixed price contracts.

It is the Group's aim to maintain firm financial disciplines with the object of providing reasonable assurance of the safeguarding of assets against unauthorised use or disposition and the maintenance of proper accounting records and the reliability of financial information within the business for publication.

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

- a formal schedule of matters is reserved to the Board for decision with appropriate delegation of authority throughout the management structure;
- the Group's management structure 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 and Group Financial Director form the Group's Management Top Team; there are clearly defined lines of management responsibilities at all levels up to and including the Group Board; the Group's accounting and reporting functions reflect this organisation;
- authorisation limits are set at appropriate levels throughout the Group;
- the Board reviews strategic issues and options formally once a year and during the year as appropriate;
- an annual financial budget is approved by the Board, followed by monthly consideration by the Board of actual monthly results compared to budget and prior year performance;
- monthly rolling reforecasts, covering the next six months for orders, turnover, operating profit and cash, are prepared by each business; this procedure was introduced during the year to 31 March 2000;
- the Board approves all acquisition and divestment proposals, and there are established procedures for planning, approval and monitoring of capital expenditure;
- the Board maintains an internal control framework defining for each control area the reporting mechanics and the responsibility;
- the Audit Committee reviews regularly matters relating to internal control;
- 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 or by the external auditors based on a standardised Group format but involving random testing;
- individual financial executives report to their own operational head but there is a well established and acknowledged functional reporting relationship through to the Group Financial Director.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Financial Statements.

Remuneration committee

The Committee consists of Nigel Keen (Chairman), Professor Michael Brady, Richard Wakeling, Peter Hill and Peter Morgan, all Non-Executive Directors, having no personal financial interest other than as shareholders in the matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business. The principal function of the Committee is to define the Company's policy on the remuneration, benefits and terms of employment for each individual Executive Director.

Remuneration policy

The Company's executive remuneration policy is to ensure that individual remuneration reflects the long term performance of the Company, the performance of each Director and the interests of the shareholders. Further, the policy is to see that the overall remuneration programme enables the Company to attract and retain high calibre executives. For these purposes the Committee consults with external advisers on levels of remuneration in broadly comparable companies.

Remuneration arrangements

Full details of the Directors' remuneration, pensions and share options are set out on pages 23 and 24.

Executive Directors

The remuneration arrangements for Executive Directors are currently as follows:

Salary

Basic salary is considered in relation to similar sized jobs in comparable organisations as advised by independent benefits consultants.

Annual bonus

The annual bonus is set at up to 50% of basic salary payable against the achievement of budgeted pre-tax profit, with a small part receivable only on the achievement of certain specific personal goals. Bonuses are paid after the completion of the year end audit. Discretionary bonuses may also be paid from time to time to reflect special achievements.

Long term incentive schemes

The Executive Directors participate in the SAYE and Share Participation Schemes on the same basis as other employees. The Executive Directors are no longer granted options under the Executive Share Option Scheme ('ESO') but receive options under the Senior Executive Long Term Incentive Scheme ('SELTIS') on a regular basis. SELTIS options are exercisable at nil consideration between three and seven years from the date of grant of the options provided that earnings per share increase by not less than 4% per annum above RPI over the performance period. The cost of the shares purchased to support these options is being written off over the initial three year performance period.

Pension arrangements

Executive Directors are members of the Oxford Instruments Pension Scheme. For the year to 31 March 2000 contributions were paid to the Scheme by both the Company and the Directors, being 10.5% and 6% of pensionable salary respectively. Pensionable salary is the Director's basic salary plus any cash bonuses which are normally deemed to be an integral part of remuneration unless specified otherwise by the Remuneration Committee. In addition contributions are paid by the Company to an Executive Pension Scheme to provide additional retirement benefits.

Other benefits

Other benefits include car expenses and allowances and participation in the Company's private health insurance scheme.

Non-Executive Directors

Non-Executive Directors receive fixed fees agreed by the full Board plus re-imbursement of expenses incurred in attending Board and other meetings. They do not receive any other form of remuneration or share options, with the sole exception of Sir Martin Wood, whose car expenses are reimbursed.

Service contracts

The length of notice in the Executive Directors' contracts is two years. This reflects the Remuneration Committee's policy to provide appropriate and competitive service contracts having regard to the industry in which the Group competes.

The Committee's policy on early termination is to provide compensation which reflects the Company's contracted obligations, whilst recognising the principle of mitigation of damages. However, Andrew Mackintosh and Martin Lamaison are entitled to two year's total annual remuneration if their employment is terminated within three years of change of control of the Company.

Outside appointments

The Board allows Executive Directors to accept appropriate outside non-executive appointments provided the aggregate commitment is compatible with their duties as Executive Directors. Fees paid for these services may be retained by the Executive Director concerned. There are currently no such appointments.

Directors' remuneration

The basis of Executive Directors' remuneration arrangements is reviewed in the Remuneration Report on page 22. Directors' remuneration for the year was as follows:

	Salary £000	Annual bonus £000	Benefits £000	Total remuneration 2000 £000	Total remuneration 1999 £000
Executives					
Andrew Mackintosh, Chief Executive	195	19	12	**226**	179
Martin Lamaison, Financial Director	150	15	10	**175**	148
Sir Peter Williams	65	-	4	**69**	203
	410	34	26	**470**	530
Non Executives					
Nigel Keen, Chairman	45	-	-	**45**	2
Sir Martin Wood, Deputy Chairman	35	-	3	**38**	38
Professor Mike Brady	25	-	-	**25**	25
Peter Hill	7	-	-	**7**	-
Peter Morgan	7	-	-	**7**	-
Richard Wakeling	25	-	-	**25**	25
Total	554	34	29	**617**	620

Sir Peter Williams, who retired as Chairman and a Director of the Company on 27 July 1999, was paid £459,000 compensation for loss of office, giving total payments for the year of £528,000 (1999 £203,000).

As shown above Andrew Mackintosh was the highest paid Director for the year under review. His total remuneration was £226,000 (1999 £179,000). During the year no options made to Directors under the long term incentive scheme were exercised (1999 nil).

Directors' pensions

The Executive Directors participate in the Oxford Instruments Pension Scheme, a defined benefit pension arrangement sponsored by the Company. This Scheme provides benefits based on earnings at or near retirement and is funded via a separate trust. In accordance with Scheme rules earnings for this purpose include salary and annual bonus (unless otherwise specified by the Remuneration Committee). In addition the Directors participate in a defined contribution 'top-up' arrangement providing a lump sum at retirement and also an additional capital sum of one times the member's salary for death before retirement.

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, as well as the Company's contribution to the 'top-up' arrangements:

	Age as at 31 March 2000 years	Accrued years of service years	Member's contributions during the year £000	Additional annual pension earned during the year in excess of inflation £000	Accrued annual entitlement at year end £000	Top-up contributions paid by the company 2000 £000	Top-up contributions paid by the company 1999 £000
Andrew Mackintosh	44	15	11	3	55	**12**	11
Martin Lamaison	56	15	9	3	46	**13**	13

All benefits are due at age 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 3% per annum subject to any applicable statutory requirements. The accrued annual entitlement of Andrew Mackintosh, the highest paid Director, at 31 March 1999 was £51,000.

For death before retirement 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 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 the balance of a five year guarantee if applicable. 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.

Shareholdings

The beneficial interests of the Directors in the Company's share capital, all in fully paid up shares, at the respective year ends were:

	2000 Shares	1999 Shares
Professor Michael Brady	**2,500**	2,500
Peter Hill	**-**	-
Nigel Keen	**35,000**	-
Martin Lamaison	**38,621**	38,259
Andrew Mackintosh	**47,318**	26,874
Peter Morgan	**10,000**	-
Richard Wakeling	**-**	-
Sir Martin Wood	**3,105,760**	2,675,760

Options

Directors' interests in options under the Senior Executive Long Term Incentive Scheme (SELTIS), the Executive Share Option Schemes 1985 and 1995 (ESO) and the Savings Related Share Option Schemes 1985 and 1995 (SAYE) and in individual options were:

	Scheme	2000	Number of Options during the year Granted	Exercised	Lapsed	1999	Weighted exercise price	Date for earliest exercise	Date for latest exercise
Andrew Mackintosh	ESO	**30,000**	-	-	-	30,000	£3.93	09/12/96	27/11/05
	SAYE	**-**	-	-	(997)	997	£2.42		
	SAYE	**5,506**	-	-	-	5,506	£2.93	01/02/00	31/07/04
	SAYE	**1,201**	1,201	-	-	-	£1.87	01/02/03	31/07/03
	SELTIS	**95,765**	44,000	-	-	51,765	nil	12/07/99	13/07/06
	Individual	**100,000**	-	-	-	100,000	£2.95	06/03/03	06/03/08
Martin Lamaison	SAYE	**4,792**	-	-	-	4,792	£3.60	01/02/00	31/07/02
	SAYE	**1,716**	1,716	-	-	-	£1.77	01/02/05	31/07/05
	SELTIS	**91,000**	33,000	-	-	58,000	nil	18/12/98	13/07/06
	Individual	**50,000**	-	-	-	50,000	£2.95	06/03/03	06/03/08

There were no Directors' gains on exercise of share options during the year to 31 March 2000 (1999 £7,368). The highest paid Director this year, Andrew Mackintosh, made a gain of £5,257 on the exercise of share options last year.

Under the terms of the Senior Executive Long Term Incentive Scheme options on 77,000 ordinary shares were granted on 14 July 1999 to Andrew Mackintosh and Martin Lamaison. The market price at date of grant was £2.07. The cost of shares purchased under this Scheme (see Note 16) is being amortised over three years. The charge against profit in the year to 31 March 2000 for all options for the Executive Directors under this Scheme was £106,000 (1999 £195,000).

The market price of Oxford Instruments plc shares on 31 March 2000 was £1.57 (1999 £2.32) and the range during the year was £1.57 to £2.47.

There were no changes in Directors' beneficial interests in shares and share options between the end of the financial year and 13 June 2000.

We have audited the financial statements on pages 26 to 51.

Respective responsibilities of Directors and Auditor

The Directors are responsible for preparing the Annual Report. As described on page 19, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statements on pages 20 and 21 reflect the Company's compliance with the seven provisions of the Combined Code specified for our review by 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, including the corporate governance statement, 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.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2000 and of the loss of the Group for year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
13 June 2000

KPMG Audit Plc

	Notes	Continuing operations £000	Exceptional items £000	Discontinued operations £000	**2000 £000**
Turnover	2,3				
Group and share of joint venture turnover		200,479	-	589	**201,068**
Less share of joint venture's turnover	5	(40,378)	-	-	**(40,378)**
Group turnover *(including acquisitions of £1,596,000)*		160,101	-	589	**160,690**
Cost of sales	4	(114,446)	(765)	(737)	**(115,948)**
Gross profit		45,655	(765)	(148)	**44,742**
Net operating expenses	4	(52,514)	(6,582)	(335)	**(59,431)**
Group operating loss *(including acquisition loss of £741,000)*		(6,859)	(7,347)	(483)	**(14,689)**
Share of operating profit of joint venture	5	5,800	-	-	**5,800**
Total operating loss					
Group and share of joint venture		(1,059)	(7,347)	(483)	**(8,889)**
Profit on sale of discontinued business before goodwill		-	-	2,855	**2,855**
Goodwill previously written off to reserves		-	-	(11,986)	**(11,986)**
Loss before interest		(1,059)	(7,347)	(9,614)	**(18,020)**
Group net interest receivable/(payable)	6	226	-	(32)	**194**
Share of joint venture's net interest receivable	5	3	-	-	**3**
Loss on ordinary activities before tax	7	(830)	(7,347)	(9,646)	**(17,823)**
Tax on loss on ordinary activities	10	(767)	26	(906)	**(1,647)**
Loss for the financial year attributable to shareholders		(1,597)	(7,321)	(10,552)	**(19,470)**
Dividends	12				**(3,941)**
Retained loss for the financial year	27				**(23,411)**

	Notes	pence	pence	pence	**pence**
Losses per share	13				
Basic losses per share		(3.4)	(15.5)	(22.4)	**(41.3)**
Diluted losses per share		(3.4)	(15.5)	(22.3)	**(41.2)**

	Notes	Continuing operations £000	Discontinued operations £000	1999 £000
Turnover	2,3			
Group and share of joint venture turnover		208,907	8,124	217,031
Less share of joint venture's turnover	5	(49,220)	-	(49,220)
Group turnover		159,687	8,124	167,811
Cost of sales	4	(104,192)	(6,030)	(110,222)
Gross profit		55,495	2,094	57,589
Net operating expenses	4	(50,500)	(3,110)	(53,610)
Group operating profit/(loss)		4,995	(1,016)	3,979
Share of operating profit of joint venture	5	7,165	-	7,165
Total operating profit/(loss)				
Group and share of joint venture		12,160	(1,016)	11,144
Profit on sale of discontinued business before goodwill		-	-	-
Goodwill previously written off to reserves		-	-	-
Profit/(loss) before interest		12,160	(1,016)	11,144
Group net interest receivable/(payable)	6	694	(136)	558
Share of joint venture's net interest payable	5	(183)	-	(183)
Profit/(loss) on ordinary activities before tax	7	12,671	(1,152)	11,519
Tax on profit/(loss) on ordinary activities	10	(4,027)	357	(3,670)
Profit/(loss) for the financial year attributable to shareholders		8,644	(795)	7,849
Dividends	12			(3,971)
Retained profit for the financial year				3,878

	Notes	pence	pence	pence
Earnings per share	13			
Basic earnings/(loss) per share		17.8	(1.6)	16.2
Diluted earnings/(loss) per share		17.8	(1.6)	16.2

There is no material difference between reported and historical profit.

Group Statement of Total Recognised Gains and Losses year ended 31 March 2000

	2000 £000	1999 £000
(Loss)/profit for the financial year	**(19,470)**	7,849
Exchange differences on foreign currency net investments of the Group	**28**	1,014
Total recognised gains and losses for the financial year	**(19,442)**	8,863

The joint venture has no recognised gains or losses other than the share of profit for the year of £4,058,000 (1999 £4,890,000).

	Notes	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Fixed assets					
Goodwill	15	**2,798**	-	**-**	-
Negative goodwill	15	**(1,191)**	(1,624)	**-**	-
Intangible assets		**1,607**	(1,624)	**-**	-
Tangible assets	14	**40,815**	42,749	**1,045**	1,279
Investments					
Share of gross assets of joint venture		**11,772**	13,266	**-**	-
Share of gross liabilities of joint venture		**(8,069)**	(9,263)	**-**	-
Net investment in joint venture	5	**3,703**	4,003	**-**	-
Other investments	16	**1,321**	1,059	**68,367**	69,799
Total investments		**5,024**	5,062	**68,367**	69,799
Total fixed assets		**47,446**	46,187	**69,412**	71,078
Current assets					
Stocks	20	**36,114**	34,481	**-**	-
Debtors	21	**63,208**	63,867	**35,061**	37,143
Cash at bank and in hand	22	**5,709**	9,130	**32,844**	27,125
		105,031	107,478	**67,905**	64,268
Creditors: amounts falling due within one year					
Bank loans and overdrafts	23	**(3,105)**	(3,099)	**(17,678)**	(14,155)
Other creditors	23	**(53,284)**	(47,214)	**(6,401)**	(7,995)
		(56,389)	(50,313)	**(24,079)**	(22,150)
Net current assets		**48,642**	57,165	**43,826**	42,118
Total assets less current liabilities		**96,088**	103,352	**113,238**	113,196
Provisions for liabilities and charges	24	**(8,552)**	(4,441)	**(74)**	-
Net assets employed		**87,536**	98,911	**113,164**	113,196

	Notes	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Capital and reserves					
Called up share capital	26	**2,392**	2,389	**2,392**	2,389
Share premium account	27	**18,656**	18,556	**18,656**	18,556
Other reserves	27	**15,930**	15,930	**7,719**	7,719
Profit and loss account	27	**50,558**	62,036	**84,397**	84,532
Equity shareholders' funds	28	**87,536**	98,911	**113,164**	113,196

The financial statements were approved by the Board of Directors on 13 June 2000 and signed on its behalf by:

Andrew Mackintosh
Director

Martin Lamaison
Director

	Notes	2000 £000	1999 £000
Net cash (outflow)/inflow from operating activities	29	**(1,563)**	12,908
Dividend from joint venture		**4,358**	3,087
Returns on investments and servicing of finance	30	**491**	643
Taxation		**(119)**	(7,485)
Capital expenditure and financial investment	30	**(4,062)**	(6,247)
Acquisitions	17	**(3,454)**	(149)
Disposals	18	**5,896**	-
Equity dividends paid		**(5,095)**	(2,896)
Cash outflow before management of liquid resources and financing		**(3,548)**	(139)
Management of liquid resources	30	**5,041**	(182)
Financing	30	**103**	(5,239)
Increase/(decrease) in cash in the year		**1,596**	(5,560)

Reconciliation of Net Cash Flow to Movement in Net Funds year ended 31 March 2000

	Notes	2000 £000	1999 £000
Increase/(decrease) in cash in the year		**1,596**	(5,560)
Change in liquid resources	30	**(5,041)**	182
Translation difference		**18**	93
Movement in net funds in the year		**(3,427)**	(5,285)
Opening net funds		**6,031**	11,316
Closing net funds	31	**2,604**	6,031

1 ACCOUNTING POLICIES

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

Basis of presentation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and conform with UK Generally Accepted Accounting Principles ('UK GAAP').

The Company has adopted the following new Financial Reporting Standards: FRS 15 'Tangible fixed assets'; FRS 16 'Current tax'. Neither had any material effect on the Group results.

As defined in FRS 3 'Reporting Financial Performance' discontinued operations are material, clearly separate operations which have been sold or permanently terminated either during the financial year or during the subsequent period up to the date of approval of the accounts. All other operations are classified as continuing operations.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary undertakings made up to 31 March 2000. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights and over which it exercises significant influence. The Group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss and its interest in their net assets is included in investments in the consolidated balance sheet.

All significant intra-group transactions have been eliminated on consolidation. Under Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. The profit for the financial year dealt with in the financial statements of the holding company was £3.8 million (1999 £15.1 million)

Goodwill

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 April 1998, when FRS 10 'Goodwill and intangible assets' was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration and associated costs given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 April 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Negative goodwill arising on consolidation in respect of acquisitions since 1 April 1998 is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

On the subsequent disposal or termination of a business acquired since 1 April 1998, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost, less provisions.

Turnover

Turnover, which excludes value added tax and similar sales based taxes, represents sales to external customers of products and services and is stated before commissions payable to agents. Turnover is recognised on shipment, except for long term contracts.

Long term contracts

Contracts which take more than six months to complete and are significant in size are included in the financial statements to reflect progress towards completion. Turnover includes the value of work carried out during the year in respect of these long term contracts including amounts not invoiced to customers. Profit recognition reflects the stage reached, the estimated costs to complete and the degree of risk remaining on each long term contract.

1 ACCOUNTING POLICIES continued

Stocks

Stocks and work in progress are valued at the lower of cost, including materials, direct labour and an attributable proportion of production overheads, and net realisable value, net of payments on account. Provision is made for obsolete, slow moving and defective stock where appropriate.

Work in progress on long term contracts is valued at cost, net of amounts taken to cost of sales, after deducting foreseeable losses and progress payments not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Research and development and grants

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

Depreciation

Depreciation is calculated on a straight line basis to write off the cost less estimated residual value of tangible fixed assets in equal instalments over their estimated useful lives using the following annual rates:

Freehold buildings, long leasehold land and buildings	2%	Machinery and other equipment	10% to 20%
		Computer equipment	25%
Furniture and fittings	10%	Vehicles	25%

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.

Deferred tax

Deferred tax is provided using the liability method. Provision is made for the tax effect of all timing differences for taxation and accounting purposes, but only to the extent that it is probable that liabilities will crystallise in the foreseeable future. There is no recognition of deferred tax assets to the extent that they exceed deferred tax liabilities.

Leases

Operating lease rentals are charged to the profit and loss account on an accruals basis. The Group has no significant leases of a capital nature.

Pensions

The cost of providing retirement pensions and related benefits is assessed in accordance with the advice of qualified independent actuaries and is charged to the profit and loss account as a constant percentage of employees' earnings over the periods benefiting from the employees' services. The difference between the charge to the profit and loss account and the contributions paid to the schemes is shown as an asset or liability in the balance sheet and an appropriate deferred tax adjustment is made.

Foreign currencies and financial derivatives

The Group enters into forward exchange contracts to eliminate the currency exposures that arise on sales and purchases denominated in foreign currencies.

Transactions in foreign currencies are translated into sterling at appropriate forward contract rates or the rate ruling on the date of transaction where no forward cover exists. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date or at appropriate forward contract rates.

Exchange profits and losses arising from the above are dealt with in the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance the net assets of foreign subsidiaries. These are taken directly to reserves together with the exchange difference on the net assets of the related investments.

For foreign entities, profits and losses are translated at the average exchange rate for the year, and assets and liabilities are translated at the rates ruling at the balance sheet date. The exchange differences arising from translating overseas investments are taken directly to reserves.

2 SEGMENT INFORMATION - ANALYSIS BY BUSINESS

	Continuing operations £000	Exceptional items £000	Discontinued operations £000	**2000 £000**
Group turnover				
Superconductivity	71,328	-	589	**71,917**
Analytical	49,470	-	-	**49,470**
Medical	39,303	-	-	**39,303**
	160,101	-	589	**160,690**
Group operating loss				
Superconductivity	(5,332)	(2,092)	(483)	**(7,907)**
Analytical	(982)	(2,179)	-	**(3,161)**
Medical	(545)	(3,076)	-	**(3,621)**
	(6,859)	(7,347)	(483)	**(14,689)**
Net operating assets				
Superconductivity	32,230	-	-	**32,230**
Analytical	30,502	-	-	**30,502**
Medical	20,055	-	-	**20,055**
	82,787	-	-	**82,787**

	Continuing operations £000	Exceptional items £000	Discontinued operations £000	1999 £000
Group turnover				
Superconductivity	73,556	-	1,120	74,676
Analytical	47,001	-	7,004	54,005
Medical	39,130	-	-	39,130
	159,687	-	8,124	167,811
Group operating profit/(loss)				
Superconductivity	1,233	-	(1,123)	110
Analytical	3,466	-	107	3,573
Medical	296	-	-	296
	4,995	-	(1,016)	3,979
Net operating assets				
Superconductivity	35,107	-	(551)	34,556
Analytical	32,338	-	3,287	35,625
Medical	21,451	-	-	21,451
	88,896	-	2,736	91,632

Details of the businesses are set out on page 2 and on pages 6 to 10. Discontinued operations include the operations of Nuclear Measurements in Oak Ridge, Tennessee, USA and the scanning probe microscopy business in Cambridge UK which were sold on 1 April 1999 and 13 December 1999 respectively (see Note 18).

2 SEGMENT INFORMATION - ANALYSIS BY BUSINESS continued

The net operating assets reconcile to Group net assets as follows:

	2000 £000	1999 £000
Capital and reserves	**87,536**	98,911
Current taxation	**(1,725)**	(1,783)
Provision relating to exceptional items	**3,384**	-
Dividends payable	**2,827**	3,973
Closing net cash	**(2,604)**	(6,031)
Goodwill	**(1,607)**	1,624
Investments	**(5,024)**	(5,062)
Net operating assets	**82,787**	91,632

3 SEGMENT INFORMATION - GEOGRAPHICAL ANALYSIS

	UK £000	Continental Europe £000	North America £000	Far East £000	Rest of World £000	2000 £000
Group turnover by destination						
Group and share of joint venture	16,154	79,475	64,108	35,412	5,919	**201,068**
Less share of joint venture's turnover	4,292	(35,038)	(9,046)	(546)	(40)	**(40,378)**
Group turnover to third parties	20,446	44,437	55,062	34,866	5,879	**160,690**
including discontinued operations	*141*	*37*	*191*	*220*	-	***589***
Group turnover by origin						
Group and share of joint venture	174,498	-	26,570	-	-	**201,068**
Less share of joint venture's turnover	(40,378)	-	-	-	-	**(40,378)**
Group turnover to third parties	134,120	-	26,570	-	-	**160,690**
including discontinued operations	*589*	-	-	-	-	***589***
Profit/(loss) before tax						
Group operating (loss)/profit by origin	(11,799)	-	4,457	-	-	**(7,342)**
Share of operating profit of joint venture	5,800	-	-	-	-	**5,800**
Exceptional items	(6,959)	(377)	(11)	-	-	**(7,347)**
Operating profit/(loss)	(12,958)	(377)	4,446	-	-	**(8,889)**
including discontinued operations	*(483)*	-	-	-	-	***(483)***
Profit on sale of discontinued business						**2,855**
Goodwill previously written off to reserves						**(11,986)**
Net interest receivable						**197**
Loss before tax						**(17,823)**
Net assets employed by location	54,651	3,283	28,803	799	-	**87,536**

3 SEGMENT INFORMATION - GEOGRAPHICAL ANALYSIS continued

	UK £000	Continental Europe £000	North America £000	Far East £000	Rest of World £000	1999 £000
Group turnover by destination						
Group and share of joint venture	17,007	90,056	69,198	32,094	8,676	217,031
Less share of joint venture's turnover	4,827	(42,383)	(10,792)	(687)	(185)	(49,220)
Group turnover to third parties	21,834	47,673	58,406	31,407	8,491	167,811
including discontinued operations	*116*	*1,829*	*4,780*	*999*	*400*	*8,124*
Group turnover by origin						
Group and share of joint venture	185,510	-	31,521	-	-	217,031
Less share of joint venture's turnover	(49,220)	-	-	-	-	(49,220)
Group turnover to third parties	136,290	-	31,521	-	-	167,811
including discontinued operations	*1,120*	-	*7,004*	-	-	*8,124*
Profit before tax						
Group operating profit/(loss) by origin	(88)	-	4,067	-	-	3,979
Share of operating profit of joint venture	7,165	-	-	-	-	7,165
Operating profit	7,077	-	4,067	-	-	11,144
including discontinued operations	*(1,123)*	-	*107*	-	-	*(1,016)*
Net interest receivable						375
Profit before tax						11,519
Net assets employed by location	73,462	2,783	22,103	563	-	98,911

4 COST OF SALES, NET OPERATING EXPENSES AND EXCEPTIONAL ITEMS

Cost of sales and net operating expenses

	Exceptional items £000	Continuing operations £000	Discontinued operations £000	**2000 £000**
Cost of sales	765	114,446	737	**115,948**
Distribution costs	512	33,236	98	**33,846**
Research and development costs	138	11,330	99	**11,567**
Administrative expenses	5,932	7,948	138	**14,018**
Net operating expenses	6,582	52,514	335	**59,431**

	Continuing operations £000	Discontinued operations £000	1999 £000
Cost of sales	104,192	6,030	110,222
Distribution costs	31,581	1,291	32,872
Research and development costs	11,519	1,005	12,524
Administrative expenses	7,400	814	8,214
Net operating expenses	50,500	3,110	53,610

Cost of sales and net operating expenses of the continuing operations for the year ended 31 March 2000 include in relation to acquisitions: cost of sales £937,000, distribution costs £467,000, research and development costs £310,000 and administration expenses £623,000.

4 COST OF SALES, NET OPERATING EXPENSES AND EXCEPTIONAL ITEMS continued

Exceptional items

Exceptional items relate to continuing activities and include certain costs incurred in connection with the reorganisation of the Group's UK based businesses into a simplified operational structure and the business improvement programme announced on 16 September 1999, as well as the costs of reorganising the Group's Board and senior management. A further £1,593,000 of exceptional items relating to the reorganisation is required by FRS12 to be charged in the year ending 31 March 2001.

	2000 £000	1999 £000
Exceptional items	**7,347**	-

Research and development costs

In addition to the £11,567,000 (1999 £12,524,000) charged against research and development, no further costs (1999 £261,000) have been charged to cost of sales in respect of funded projects. These figures are stated net of grants receivable of £716,000 (1999 £834,000). The total research and development costs, gross of funding and stock movements, were £12,283,000 (1999 £13,619,000). During the financial year the OMT joint venture also spent in total £5,312,000 (1999 £4,090,000) on research and development.

5 JOINT VENTURE

The Group owns 49% of the issued share capital of Oxford Magnet Technology Limited ('OMT') of 3,000,000 £1 ordinary shares. It is engaged in advanced instrumentation and is registered and operates in England. The Group has accounted for its interest in OMT as a joint venture under FRS 9.

The year end of Oxford Magnet Technology Limited is 30 September. The summary financial details set out below have been extracted both from the management accounts and from the audited financial statements for OMT in respect of the periods relevant to the Group's financial year ended 31 March 2000 and show the Group's 49% share of the OMT results:

	2000 £000	1999 £000
Turnover	**49,304**	59,275
Operating profit	**5,800**	7,165
Net interest receivable/(payable)	**3**	(183)
Profit on ordinary activities before tax	**5,803**	6,982
Taxation	**(1,745)**	(2,092)
Profit for the financial year attributable to shareholders (see Note 16).	**4,058**	4,890
Fixed assets	**2,402**	2,291
Current assets	**9,370**	10,975
Creditors: amounts falling due within one year	**(7,329)**	(9,263)
Net current assets	**2,041**	1,712
Total assets less current liabilities	**4,443**	4,003
Provisions for liabilities and charges	**(740)**	-
Net assets employed	**3,703**	4,003

5 JOINT VENTURE continued

The Group share of the joint venture's turnover as shown in the Group Profit and Loss Account on pages 26 and 27 has been derived after adjusting for trading between the Group and OMT as follows:

	2000 £000	1999 £000
49% of joint venture turnover	**49,304**	59,275
Less 49% of sales of materials and services by OMT to Group	**(4,396)**	(4,895)
Less 49% of sales of materials and services by Group to OMT	**(4,530)**	(5,160)
Group share of joint venture's turnover	**40,378**	49,220

Details of the business of OMT are set out on page 2.

6 NET INTEREST RECEIVABLE

	2000 £000	1999 £000
Interest receivable on deposits at short call	**301**	872
Interest payable on bank loans and overdrafts	**(107)**	(314)
Group net interest receivable	**194**	558
Share of joint venture's net interest (receivable)/payable	**3**	(183)
Total net interest receivable	**197**	375

7 LOSS/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	2000 £000	1999 £000
Operating (loss)/profit is stated after (charging)/crediting:		
Depreciation of tangible fixed assets	**(5,626)**	(5,190)
Amortisation of Oxford Instruments shares held under the Long Term Incentive Plan	**(243)**	(310)
Amortisation of investments	**(72)**	-
Amortisation of goodwill	**96**	433
Net profit on disposal of tangible fixed assets	**351**	69
Rentals payable in respect of operating leases:		
Hire of plant and machinery	**(315)**	(247)
Other operating leases	**(2,070)**	(1,607)
Fees paid to Auditor and its associates:		
Group audit	**(242)**	(283)
Tax and other advisory services	**(82)**	(39)

The fees for auditing the parent company's accounts were £47,000 (1999 £49,000).

8 EMPLOYEES

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

	2000	1999
Production	**823**	1,012
Sales and marketing	**441**	443
Research and development	**191**	185
Administration	**164**	169
	1,619	1,809

On average there were 10 (1999 93) employees in the discontinued operations during the year.

The number of employees at 31 March was:

By country	2000	1999
UK	**973**	1,143
USA	**335**	415
Germany	**57**	67
Japan	**45**	55
France	**31**	35
Italy	**24**	24
Spain	**23**	21
Rest of World	**29**	28
	1,517	1,788

By business	2000	1999
Superconductivity	**694**	809
Analytical	**490**	556
Medical	**333**	423
	1,517	1,788

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

	2000 £000	1999 £000
Wages and salaries	**46,713**	49,119
Social security costs	**4,577**	4,815
Other pension costs	**3,233**	3,226
	54,523	57,160

Under the Group's Share Participation Scheme the Board appropriates each year an amount which is charged to profit and is allocated in the form of Oxford Instruments plc shares to eligible employees on the basis of salary. The shares are held on trust for a minimum of two years and rank for dividend after allocation. The charge to profit during the current financial year was £nil (1999 £120,000) as no appropriation was made.

9 PENSIONS

	2000 £000	1999 £000
The total pension cost for the Group was as follows:		
Oxford Instruments Pension Scheme	**2,521**	2,591
Other schemes	**712**	635
	3,233	3,226

The Group operates a number of pension schemes throughout the world. The major schemes, covering 84% (1999 82%) of the Group's employees, are of the defined benefit type. The assets of the schemes are held in separate trustee administered funds.

9 PENSIONS continued

In the UK the Group and its employees contribute to the Oxford Instruments Pension Scheme. The cost of this scheme is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The last actuarial valuation of this scheme was at 31 March 1997 when the actuary advised that the regular company funding rate for the Scheme should be 14.4% falling to 12.9% over the long term reflecting the restructuring of both benefits and contributions with effect from 1 April 1996. The principal assumptions underlying the 1997 valuation, allowing for the effect of the removal of ACT tax credits, were that the return on investments would be 8.5% per annum, salary increases would average 6.25% per annum, future pensions in payment would increase at 3% per annum for service pre 6 April 1997 and 4% for service post 5 April 1997 and equity dividends would rise at 4.5%.

At the date of the last actuarial valuation the market value of the assets of this scheme was £53.9 million. The actuarial value of the assets represented 124% of the value of the benefits that had accrued to members at that date after allowing for assumed future increases in earnings. This surplus is being spread over the remaining working life of the scheme members, estimated to be 15 years, and has resulted in a stable long term pension cost to the Group of 10.3% of pensionable salary allowing for the long term change in the regular rate. During the year the Group contributed to the Scheme at a rate of 10.5% (1999 10.5%) of pensionable salary. Provisions for liabilities include £333,000 (1999 £375,000) in respect of the UK Oxford Instruments Pension Scheme. At the year end the Oxford Instruments Pension Scheme held 167,500 Oxford Instruments plc shares (1999 167,500).

The latest actuarial valuations of the other Group schemes show those funds to have sufficient assets to meet current accrued obligations to existing members and pensions. No significant surpluses existed.

10 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2000 £000	1999 £000
United Kingdom:		
Corporation tax credit at 30% (1999 31%)	**(1,762)**	(390)
Increased by relief for overseas tax	**(17)**	(24)
Adjustments relating to prior years	**(681)**	(401)
UK corporation tax on share of profit of joint venture	**1,745**	2,092
Total UK taxation	**(715)**	1,277
Overseas tax:		
Current tax	**2,706**	2,564
Adjustments relating to prior years	**(344)**	(171)
Total overseas tax	**2,362**	2,393
Total current tax	**1,647**	3,670
Deferred tax	**-**	-
Total tax on profit/(loss) on ordinary activities	**1,647**	3,670

11 DIRECTORS' REMUNERATION AND INTERESTS

Information on Directors' remuneration, pensions, shareholdings and options is set out on pages 23 and 24 and forms part of these financial statements.

12 DIVIDENDS

	2000 £000	1999 £000
Interim dividend of 2.4p (1999 2.4p) per share, paid on 29 March 2000	**1,114**	1,136
Final dividend of 6.0p (1999 6.0p), payable on 4 October 2000	**2,827**	2,835
	3,941	3,971

Subject to the approval of the shareholders at the Annual General Meeting on 1 August 2000, the proposed final dividend will be paid on 4 October 2000 to shareholders registered at the close of business on 8 September 2000. The dividends payable on the shares held in trust under the Executive Incentive Scheme and the Executive Share Option Scheme have been waived (see Note 16).

13 LOSSES/EARNINGS PER SHARE

Losses/earnings per share has been calculated as follows:

	2000 £000	1999 £000
Net (loss)/profit for the financial year - continuing operations	**(1,597)**	8,644
Exceptional items after tax	**(7,321)**	-
Net loss for the financial year - discontinued operations	**(10,552)**	(795)
Net (loss)/profit for the financial year	**(19,470)**	7,849

	000 Shares	000 Shares
Weighted average ordinary shares in issue during year	**47,175**	48,449
Dilutive effect of employee share options	**109**	114
Diluted weighted average ordinary shares	**47,284**	48,563

14 TANGIBLE FIXED ASSETS

	Group Property £000	Group Other fixed assets £000	Group Total £000	Company Property £000	Company Other fixed assets £000	Company Total £000
Cost						
At 31 March 1999	30,852	40,955	71,807	246	1,541	1,787
Exchange adjustments	55	(99)	(44)	-	-	-
Additions	122	4,720	4,842	-	191	191
Reclassification	(1,849)	1,849	-	-	-	-
Disposals	(986)	(3,559)	(4,545)	-	(59)	(59)
At 31 March 2000	**28,194**	**43,866**	**72,060**	**246**	**1,673**	**1,919**
Depreciation						
At 31 March 1999	4,125	24,933	29,058	56	452	508
Exchange adjustments	29	(77)	(48)	-	-	-
Additions	-	-	-	-	57	57
Amounts provided	397	5,229	5,626	5	350	355
Disposals	(377)	(3,014)	(3,391)	-	(46)	(46)
At 31 March 2000	**4,174**	**27,071**	**31,245**	**61**	**813**	**874**
Net book value						
At 31 March 1999	26,727	16,022	42,749	190	1,089	1,279
At 31 March 2000	**24,020**	**16,795**	**40,815**	**185**	**860**	**1,045**

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

	Group 2000 £000	Group 1999 £000	**Company 2000 £000**	Company 1999 £000
Property				
Freehold land	**3,950**	4,143	-	-
Freehold buildings	**12,627**	13,254	**185**	190
Long leasehold land and buildings	**7,131**	7,171	-	-
Short leasehold land and buildings	**312**	2,159	-	-
	24,020	26,727	**185**	190
Other Fixed Assets				
Machinery and other equipment	**7,665**	8,169	**7**	6
Fixtures and fittings	**4,775**	2,907	**13**	15
Computer equipment	**2,771**	3,212	**758**	964
Vehicles	**1,584**	1,734	**82**	104
	16,795	16,022	**860**	1,089

The Directors believe the open market value of freehold land and buildings exceeds the book value by approximately £5.0 million (1999 £3.5million), which if realised through disposal would create a tax liability of approximately £0.5 million (1999 £0.5million). Freehold land is not depreciated, but the remainder of the property gross amount of £24.2 million is depreciated.

15 INTANGIBLE ASSETS - GOODWILL

	Goodwill £000	Negative goodwill £000	Group Total £000
Cost			
At 31 March 1999	-	(2,057)	(2,057)
Acquisition	3,135	-	3,135
At 31 March 2000	**3,135**	**(2,057)**	**1,078**
Amortisation			
At 31 March 1999	-	433	433
Amortisation	(337)	433	96
At 31 March 2000	**(337)**	**866**	**529**
Net book value			
At 31 March 1999	-	(1,624)	(1,624)
At 31 March 2000	**2,798**	**(1,191)**	**1,607**

Negative goodwill arose on the acquisition of the neurology business from Vickers PLC and is being written back to the profit and loss account over the period to 17 December 2003. Goodwill arose on the acquisition of the Auburn Instrumentation product lines during the year and is being written off to the profit and loss over eight years. Goodwill also arose on the acquisition of part of the 'Rofa' East European distribution network during the year and is being written off over five years.

16 INVESTMENTS

	Group 2000 £000	Group 1999 £000	**Company 2000 £000**	Company 1999 £000
Shares in subsidiary undertakings	**-**	-	**65,552**	67,106
Shares in joint venture	**-**	-	**1,634**	1,634
Investment in joint venture	**3,703**	4,003	**-**	-
Executive Option and Incentive Scheme shares held in trust	**788**	604	**788**	604
Other investments	**533**	455	**393**	455
	5,024	5,062	**68,367**	69,799

In August 1999 and January 2000 87,000 and 37,735 Oxford Instruments plc shares were purchased under the Senior Executive Long Term Incentive Scheme. The cost of these shares is being written off over the three year period to 31 March 2002. In addition 74,750 Oxford Instruments shares were purchased in January 2000 under the Executive Share Option Scheme. The cost of these shares will be recovered on exercise.

In total 724,750 shares (1999 525,265) are now held in the Employee Benefit Trust in relation to these two Schemes. Dividends on these shares are being waived.

16 INVESTMENTS continued

Movements in investments during the year were as follows:

	Shares in subsidiary undertakings £000	Shares in joint venture £000	Investment in joint venture £000	Executive incentive scheme shares £000	Other Investments £000
Cost or valuation					
At 31 March 1999	67,106	1,634	4,003	604	455
Share of retained profit for the year	-	-	4,058	-	-
Dividends received	-	-	(4,358)	-	-
Oxford Instruments plc shares acquired	-	-	-	427	-
Amounts written off	-	-	-	(243)	(72)
Additions	620	-	-	-	150
Reductions	(2,174)	-	-	-	-
At 31 March 2000	**65,552**	**1,634**	**3,703**	**788**	**533**
Representing:					
Investments at cost less amounts written off	65,552	1,634	1,470	788	533
Share of post acquisition retained profit	-	-	2,233	-	-
	65,552	**1,634**	**3,703**	**788**	**533**

Other investments include £140,000 (1999 £nil) of investments held by subsidiary companies.

17 ACQUISITIONS

The Group acquired the business of Auburn International Inc ('Auburn') on 13 April 1999 for a total cash consideration of $4.5 million and part of the East European distribution network of Rofa ('Rofa') on 31 December 1999 for a total cash consideration of £0.6 million.

The fair values attributed to the businesses at the dates of the acquisition were:

	Book value £000	Accounting policy alignment £000	Fair value adjustments £000	Fair value to the Group £000
Auburn				
Tangible fixed assets	35	-	-	35
Stocks	148	-	-	148
Debtors	19	-	-	19
Net assets	202	-	-	202
Goodwill				2,590
Net outflow of cash in respect of the purchase				2,792
Rofa				
Tangible fixed assets	36	-	-	36
Net assets	36	-	-	36
Goodwill				545
Net outflow of cash in respect of the purchase				581

W A Technology Limited

A further £81,000 was paid as deferred consideration in relation to the acquisition of W A Technology Limited in April 1996. This goodwill has been written off directly to profit and loss reserve (see Note 28).

18 DISPOSALS

On 1 April 1999 the Group sold its Nuclear Measurements business based in Oak Ridge, Tennessee, USA for a cash consideration of $9.5 million. The results of this business for the year to 31 March 1999 are shown under Discontinued Operations in the Group Profit and Loss Account on pages 26 and 27. The freehold property, with a market value believed to be in excess of the net book value of $0.9 million, will be sold separately.

There was an estimated net loss on disposal of the business as follows:

	£000
Profit on sale of net tangible assets	2,855
Less goodwill previously written off against reserves	(11,450)
Net loss on disposal of the Nuclear Measurements business	(8,595)

On 13 December 1999 the Group sold its scanning probe microscopy business based in Cambridge for a cash consideration of £80,000. The results of this business for the year to 31 March 2000 are shown under Discontinued Operations in the Group Profit and Loss Account on pages 26 and 27.

There was an estimated net loss on disposal of the business as follows:

	£000
Profit on sale of net tangible assets	-
Less goodwill previously written off against reserves	(536)
Net loss on disposal of the scanning probe microscopy business	(536)

19 PRINCIPAL SUBSIDIARY UNDERTAKINGS

	Equity owned by the Company %	Country of incorporation or registration and principal operations	Principal activity
Oxford Instruments Superconductivity Limited	100	England	Manufacture
Oxford Instruments Medical Limited	100	England	Manufacture
Oxford Instruments Analytical Limited	100	England	Manufacture
Oxford Instruments Plasma Technology Limited	100	England	Manufacture
Oxford Instruments Overseas Marketing Limited	*100	England	Marketing
Oxford Instruments Overseas Holdings Limited	100	England	Holding
Oxford Instruments Holdings Inc	*100	USA	Holding
Oxford Instruments Inc	*100	USA	Holding
Oxford Medical Inc	*100	USA	Holding
Oxford Superconducting Technology	*100	USA	Manufacture
Medelec Inc	*100	USA	Distribution
Oxford Instruments America Inc	*100	USA	Distribution
Oxford Instruments (Tennessee) Inc	*100	USA	Manufacture
X-Ray Technologies Inc	*100	USA	Manufacture
Microspec Corporation	*100	USA	Manufacture
Oxford Instruments GmbH	*100	Germany	Distribution
Oxford Instruments SARL	*100	France	Distribution
Oxford Instruments BV	*100	The Netherlands	Distribution
Oxford Instruments Nederland BV	*100	The Netherlands	Distribution
Oxford Instruments SA	*100	Spain	Distribution
Oxford Instruments SpA	*100	Italy	Distribution
Oxford Instruments NV	*100	Belgium	Distribution
Oxford Instruments KK	*100	Japan	Distribution
Oxford Magnets KK	*100	Japan	Distribution
Oxford Instruments Pte Limited	*100	Singapore	Distribution

19 PRINCIPAL SUBSIDIARY UNDERTAKINGS continued

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.

During the year the trade and assets of Oxford Medical Limited and Medelec Limited were combined and renamed Oxford Instruments Medical Limited, Oxford Analytical Instruments Limited and Link Analytical were combined and renamed Oxford Instruments Analytical Limited and Oxford Instruments (UK) Limited and Oxford Instruments Synchrotron Research Limited were combined and renamed Oxford Instruments Superconductivity Limited. Tennelec/Nucleus Inc, Medelec Inc and X-Ray Technology Inc changed their names to Oxford Instruments (Tennessee) Inc, Oxford Instruments Medical Inc and Oxford Instruments X-Ray Technology Inc respectively. A full list of the Group companies is available for inspection at the Company's registered office.

20 STOCKS

	Group 2000 £000	Group 1999 £000
Raw materials and consumables	**13,109**	9,697
Work in progress	**15,421**	15,199
Finished goods and goods for resale	**7,584**	9,585
	36,114	34,481

21 DEBTORS

	Group 2000 £000	Group 1999 £000	**Company 2000 £000**	Company 1999 £000
Amounts falling due within one year				
Trade debtors	**46,074**	46,835	**-**	-
Amounts recoverable on contracts	**4,364**	5,331	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**32,257**	35,418
Amounts owed by joint venture	**972**	1,030	**-**	-
ACT recoverable	**1,040**	1,764	**1,040**	-
Other debtors	**8,127**	6,284	**1,608**	1,506
Prepayments and accrued income	**2,631**	*2,623*	**156**	*219*
Total debtors	**63,208**	63,867	**35,061**	37,143

22 CASH AT BANK AND IN HAND

	Group 2000 £000	Group 1999 £000	**Company 2000 £000**	Company 1999 £000
Cash on short term bank deposits	**1,500**	6,541	**1,500**	6,541
Cash at bank and in hand	**4,209**	2,589	**31,344**	20,584
	5,709	9,130	**32,844**	27,125

23 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2000 £000	Group 1999 £000	**Company 2000 £000**	Company 1999 £000
Bank loans and overdrafts	**3,105**	3,099	**17,678**	14,155
Payments received on account	**10,009**	5,731	**-**	-
Trade creditors	**13,731**	12,668	**443**	189
Amounts owed to subsidiary undertakings	**-**	-	**2,502**	3,064
Amounts owed to joint venture	**1,639**	2,802	**-**	-
Other creditors	**3,797**	4,004	**48**	301
Corporation tax, UK and overseas	**3,180**	202	**207**	79
Payroll tax, social security and sales related taxes	**1,557**	1,675	**25**	63
Accruals and deferred income	**16,544**	16,159	**349**	326
Proposed dividends	**2,827**	3,973	**2,827**	3,973
Other creditors	**53,284**	47,214	**6,401**	7,995

24 PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty provisions £000	Closure and restructuring provisions £000	Pension obligations £000	Environmental provisions £000	Group Total £000	Company Closure and restructuring provisions £000
At 31 March 1999	3,538	497	375	31	4,441	-
Provided in the year	2,577	7,375	(42)	-	9,910	1,886
Reclassification	-	-	698	14	712	-
Utilised in the year	(2,038)	(4,432)	-	-	(6,470)	(1,812)
Released unused	(47)	-		-	(47)	-
Exchange movements	11	(6)		1	6	-
At 31 March 2000	**4,041**	**3,434**	**1,031**	**46**	**8,552**	**74**

Pension obligations and environmental provisions totalling £712,000, previously shown in accruals have been reclassified within provisions for liabilities and charges.

25 DEFERRED TAX

	Group Provided 2000 £000	Group Provided 1999 £000	**Group Unprovided 2000 £000**	Group Unprovided 1999 £000
The amounts for deferred tax liabilities/(assets), representing the full potential liability, are set out below:				
Excess of capital allowances over corresponding depreciation	**1,329**	1,351	**-**	-
Other timing differences	**(737)**	(1,351)	**-**	(397)
Carried forward losses	**(592)**	-	**(4,222)**	(496)
	-	-	**(4,222)**	(893)

At 31 March 2000 the Company had £32,000 (1999 £60,000) of accelerated capital allowances that were not provided.

26 CALLED UP SHARE CAPITAL

	2000 Shares 000	2000 £000	1999 Shares 000	1999 £000
Authorised				
Ordinary shares of 5p each	**58,000**	**2,900**	58,000	2,900
Allotted, called up and fully paid				
Ordinary shares of 5p each	**47,834**	**2,392**	47,774	2,389

	Number of shares	Aggregate nominal value	Consideration per share
New issues of ordinary shares of 5p each during the year			
Allocations under Share Participation Scheme	20	£1	£2.13
Exercise of Executive Share Options	-	-	-
Exercise of Savings Related Share Options	60,280	£3,014	£1.70
Existing ordinary shares of 5p repurchased and cancelled during the year	-	-	-

	2000 Number of shares	Option price range	Period when exercisable	1999 Number of shares
Options subsisting at the year end on unissued ordinary shares				
Executive Share Option Scheme	**674,500**	£2.10 - £4.87	01/04/00 - 20/06/09	806,000
Savings Related Share Option Scheme	**1,531,203**	£1.67 - £3.87	01/04/00 - 31/07/05	1,474,824
Total options subsisting on unissued ordinary shares	**2,205,703**			2,280,824
Percentage of issued share capital	**4.6%**			4.8%
Options subsisting at the year end on existing ordinary shares held in trust or to be purchased				
Senior Executive Long Term Incentive Scheme	**489,265**	nil	01/04/00 - 23/12/06	308,265
Executive Share Option Scheme	**250,750**	£1.95 - £1.96	01/04/00 - 24/12/09	183,000
Individual Options	**150,000**	£2.95	06/03/03 - 06/03/08	150,000
	890,015			641,265

27 RESERVES

	Share premium account £000	Capital redemption reserve £000	Other reserves £000	Group Profit and loss account £000
At 31 March 1999	18,556	125	15,805	62,036
Retained loss for the financial year	-	-	-	(23,411)
Premium on shares issued during the year	100	-	-	-
Goodwill written back to profit and loss account	-	-	-	11,986
Goodwill written off during year (see Note 17)	-	-	-	(81)
Other exchange adjustments	-	-	-	28
At 31 March 2000	**18,656**	**125**	**15,805**	**50,558**

Purchased goodwill of £39,726,000 (1999 £51,631,000), previously eliminated against reserves, has been offset against the profit and loss account.

27 RESERVES continued

	Share premium account £000	Capital redemption reserve £000	Other reserves £000	Company Profit and loss account £000
At 31 March 1999	18,556	125	7,594	84,532
Retained loss for the financial year	-	-	-	(135)
Premium on shares issued during the year	100	-	-	-
At 31 March 2000	**18,656**	**125**	**7,594**	**84,397**

28 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group 2000 £000	Group 1999 £000	**Company 2000 £000**	Company 1999 £000
(Loss)/profit for the financial year	**(19,470)**	7,849	**3,806**	15,053
Dividends paid and proposed	**(3,941)**	(3,971)	**(3,941)**	(3,971)
Retained (loss)/profit for the financial year	**(23,411)**	3,878	**(135)**	11,082
Exchange differences on foreign currency net investments	**28**	1,014	-	-
New share capital subscribed - Par value (see Note 26)	**3**	3	**3**	3
New share capital subscribed - Premium (see Note 27)	**100**	81	**100**	81
Shares repurchased and cancelled during the year	-	(5,323)	-	(5,323)
Goodwill written back to profit and loss account	**11,986**	-	-	-
Goodwill written off during year (see Note 17)	**(81)**	(149)	-	-
Net (reduction)/addition to equity shareholders' funds	**(11,375)**	(496)	**(32)**	5,843
Opening equity shareholders' funds	**98,911**	99,407	**113,196**	107,353
Closing equity shareholders' funds	**87,536**	98,911	**113,164**	113,196

29 NET CASH FLOW FROM OPERATING ACTIVITIES

	Continuing operations £000	Discontinued operations £000	**2000 £000**
Group operating loss	(14,206)	(483)	**(14,689)**
Depreciation charges, amortisation and net profit on disposal of fixed assets	5,439	55	**5,494**
Change in stocks	(3,934)	250	**(3,684)**
Change in debtors	918	635	**1,553**
Changes in creditors and provisions	11,407	(1,644)	**9,763**
Net cash flow from operating activities	(376)	(1,187)	**(1,563)**

29 NET CASH FLOW FROM OPERATING ACTIVITIES continued

	Continuing operations £000	Discontinued operations £000	1999 £000
Group operating profit/(loss)	4,995	(1,016)	3,979
Depreciation charges, amortisation and net profit on disposal of fixed assets	4,833	165	4,998
Change in stocks	(109)	40	(69)
Change in debtors	3,682	(272)	3,410
Changes in creditors and provisions	(345)	935	590
Net cash flow from operating activities	13,056	(148)	12,908

Included in net cash flows from operating activities are outflows of £3,963,000 (1999 £nil) relating to exceptional items.

30 CASH FLOWS NETTED IN THE CASH FLOW STATEMENT

	2000 £000	1999 £000
Interest received	**593**	952
Interest paid	**(102)**	(309)
Net cash inflow from returns on investment and servicing of finance	**491**	643
Purchase of fixed assets	**(4,806)**	(5,683)
Sale of fixed assets	**1,321**	345
Investments acquired	**(577)**	(909)
Net cash outflow for capital expenditure and financial investment	**(4,062)**	(6,247)
Decrease in term deposits	**5,041**	1,459
Decrease in term loans	**-**	(1,641)
Net cash inflow/(outflow) from management of liquid resources	**5,041**	(182)
Issue of ordinary shares including share premium	**103**	84
Repurchase of ordinary shares	**-**	(5,323)
Net cash inflow/(outflow) from financing	**103**	(5,239)

Liquid resources are defined as deposits and loans repayable within one year.

31 MOVEMENTS IN NET FUNDS

	At 31 March 2000 £000	Exchange rate effect £000	Cash movement in year £000	At 31 March 1999 £000
Cash at bank and in hand	**4,209**	131	1,489	2,589
Bank overdrafts	**(2,187)**	20	107	(2,314)
Net cash	**2,022**	151	1,596	275
Cash on deposit	**1,500**	-	(5,041)	6,541
Debt due within one year	**(918)**	(133)	-	(785)
Net funds	**2,604**	18	(3,445)	6,031

32 DERIVATIVES AND FINANCIAL INSTRUMENTS

Forward foreign currency contracts

The Group enters into forward foreign currency contracts to eliminate the currency exposures that arise on sales and purchases denominated in foreign currencies.

Changes in the fair value of foreign currency contract hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses at 31 March 2000 was as follows:

	Gains £000	(Losses) £000	Net Total £000
Unrecognised gains and losses at 31 March 1999	653	(486)	167
Gains and losses arising in previous year recognised in current year	(653)	486	(167)
Gains and losses arising in current year and not recognised in current year	203	(761)	(558)
Unrecognised gains and losses at 31 March 2000	**203**	**(761)**	**(558)**

All unrecognised gains and losses are expected to be recognised within one year.

The gross contract values of the forward contracts which the Group had not yet recognised at 31 March 2000 were:

	Gross contract value million	**Book value £000**	**Fair value £000**
US Dollars	$33	-	**(95)**
Japanese Yen	Yen 1,500	-	**(547)**
Euros	Euro 3	-	**84**
		-	**(558)**

The net foreign currency monetary assets after taking account of contract hedges at 31 March 2000 were:

	Net monetary assets £000
US Dollars	-
Japanese Yen	-
Euros	**2,900**

These net monetary assets relate only to items that are not denominated in the reporting currency of the operating company in which they are recorded.

Financial assets and financial liabilities

Other than short term debtors and short term creditors the Group had the following financial assets and financial liabilities at the 31 March 2000:

	Currency	Interest rate	**Book value £000**	**Fair value £000**
Cash in hand and short term deposits	Sterling	floating	**1,876**	**1,876**
Cash in hand	US Dollar	floating	**2,567**	**2,567**
Cash in hand and short term deposits	Euro	floating	**519**	**519**
Cash in hand	Japanese Yen	none	**747**	**747**
Total financial assets			**5,709**	**5,709**
Bank loans	Japanese Yen	floating	**918**	**918**
Bank overdraft	US Dollar	floating	**2,187**	**2,187**
Total financial liabilities			**3,105**	**3,105**

All financial assets and liabilities mature within one year or on demand. Interest rates for financial assets are based on money market rates for the terms involved. Interest rates on the financial liabilities are determined by reference to LIBOR.

33 CONTINGENT LIABILITIES

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Guarantees in respect of subsidiary undertakings' indebtedness	-	-	**2,187**	2,337
Other bank guarantees and contingent liabilities	**6,890**	6,129	-	-
	6,890	6,129	**2,187**	2,337

Where the Company has issued guarantees to secure bank facilities for its subsidiary undertakings the value of these guarantees are shown only to the extent that these facilities were being used by its subsidiary undertakings at the year end. There are no unfunded pension or post retirement medical costs. No security has been given in respect of any contingent liability.

34 OTHER COMMITMENTS

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Capital commitments				
Contracted for but not provided	**929**	131	-	-

Leasing commitments

Annual commitments under non cancellable operating leases expiring within:

		Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
1 year	Land and buildings	**430**	295	-	-
	Other	**23**	81	-	-
	Total	**453**	376	-	-
2 to 5 years	Land and buildings	**651**	756	-	-
	Other	**64**	54	-	-
	Total	**715**	810	-	-
Thereafter	Land and buildings	**652**	567	-	-
	Other	-	-	-	-
	Total	**652**	567	-	-

35 EXCHANGE RATES

The principal exchange rates to sterling used were:

Average translation rate	2000	1999
US Dollar	**1.61**	1.65
Euro	**1.56**	1.47
Yen	**178**	213

Year end rate	2000	1999
US Dollar	**1.60**	1.61
Euro	**1.67**	1.50
Yen	**164**	191

Average contract rate	2000	1999
US Dollar	**1.62**	1.60
Euro	**1.54**	1.45
Yen	**203**	198

Notice is hereby given that the thirty sixth Annual General Meeting of Oxford Instruments plc will be held at 2.30pm on 1 August 2000 at the offices of Oxford Instruments Superconductivity Limited, Tubney Woods, Abingdon, Oxon OX13 5QX to transact the following business:

Ordinary Business

Directors' Report and Accounts - Resolution 1

To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31 March 2000 and the Report of the Auditor thereon.

Final Dividend - Resolution 2

To declare the final dividend for the year to 31 March 2000

Re-election of Directors - Resolutions 3(a), 3(b), 3(c), 3(d) and 3(e)

To re-elect Andrew Mackintosh, Martin Lamaison and Richard Wakeling who retire by rotation but, being eligible, will be proposed for re-election:

Andrew Mackintosh - Resolution 3(a)

Martin Lamaison - Resolution 3(b)

Richard Wakeling - Resolution 3(c)

To re-elect Peter Hill and Peter Morgan who, having been appointed since the last Annual General Meeting, retire, but being eligible, will be proposed for re-election:

Peter Hill - Resolution 3(d)

Peter Morgan - Resolution 3(e)

Appointment and Remuneration of Auditors - Resolutions 4(a) and 4(b)

To appoint KPMG Audit Plc as Auditors to the Company for the period until the next Annual General Meeting - Resolution 4(a)

To authorise the Directors to agree the remuneration of the Auditors - Resolution 4(b)

Renewal of Directors' authority - Resolution 5

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 £797,236.

Partial disapplication of statutory pre-emption rights - Resolution 6

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 £119,585.

Authority to Purchase in the Stock Market up to 10% of the Company's issued share capital - Resolution 7

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 4,783,420 ordinary shares of 5p each in its own capital subject to the following:

(i) the purchase price for any shares 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 Meting or the expiry of fifteen months from the date of the passing of the 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

(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

Special Business

Amendment of Articles of Association - Resolution 8

To consider as a Special Resolution that the Articles of Association of the Company be and are amended by the deletion therefrom of Article 83 and the substitution therefor of the following Article:

83 President: Either the Company in general meeting or the Directors may from time to time appoint any person to the office of President, Honorary President or Life President on such terms and for such period as the resolution appointing him may specify and (whether such appointment was made by the Company in general meeting or by the Directors) may from time to time remove any person from such office or vary the terms or period of his appointment. Any person holding such office may do so on an honorary basis or may be paid such remuneration as is specified in his appointment or as the Directors in their discretion shall think fit and may, but need not, be a Director. Subject to the terms of his appointment, any person holding such office shall not be entitled by virtue of that office to receive notice of, attend, speak or vote at meetings of the Board of Directors nor receive information which Directors are entitled to receive by virtue of their office nor have any other power, authority or responsibility. Any person for the time being holding such office may at any time resign therefrom by notice to the Office.

By Order of the Board
Martin Lamaison
Company Secretary
30 June 2000

Notes

1 Copies of the service contracts with Andrew Mackintosh and Martin Lamaison respectively, will be available for inspection at the registered office of the Company and at the offices of the Company solicitors, Laytons, Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0LS on any weekday expect Saturdays and Public Holidays during normal business hours and at the place of the meeting for a period of at least fifteen minutes prior to and during the meeting.

2 The register of Directors' shareholdings and transactions will also be available for inspection at the commencement of and during the Annual General Meeting

3 A Member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll vote, instead of him. A proxy need not be a member of the Company. To be effective a form of proxy must be lodged with the Company's Registrar at Independent Registrars Group, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4BR no later than forty-eight hours before the time fixed for the meeting.

Financial calendar

31 March 2000	Financial year end
13 June 2000	Announcement of preliminary results
1 August 2000	Annual General Meeting
1 September 2000	Ordinary shares quoted ex-dividend
8 September 2000	Record date for final dividend
4 October 2000	Payment of final dividend
Mid November 2000	Announcement of half year results
End March 2001	Payment of interim dividend
31 March 2001	Financial year end

Administrative enquiries

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 whose address is:

IRG plc
Bourne House, 34 Beckenham Road,
Beckenham, Kent BR3 4TU
Tel 020 8650 4866
Fax 020 8658 3430

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 for a dividend mandate form.

Shareholder enquiries

Shareholders who have questions relating to the Group's business or who wish to have additional copies of the Report and Accounts or Interim Statement or to receive a copy of the Group Corporate Brochure should apply to:

Company Secretary
Oxford Instruments plc,
Old Station Way, Eynsham,
Witney, Oxon OX8 1TL
Tel 01865 881437
Fax 01865 881944
E-mail info.oiplc@oxinst.co.uk
Website www.oxford-instruments.com

Share dealing scheme

In association with Cazenove & Co 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:

Cazenove & Co
12 Tokenhouse Yard, London EC2R 7AN
Tel 020 7588 2828
Fax 020 7606 9205

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, together with a letter of instruction.

Analysis of shareholders as at 31 March 2000

Size of shareholding	Number of holders	% of total	Total holding	% of total
Up to 5,000 shares	3,191	90.6	2,366,067	4.9
5,001 to 50,000 shares	243	6.9	3,732,106	7.8
50,001 to 200,000 shares	35	1.0	3,614,427	7.6
Over 200,000 shares	53	1.5	38,121,606	79.7
	3,522	100.0	47,834,206	100.0

Company registration

Registered office: Old Station Way,
Eynsham, Witney, Oxon OX8 1TL
Registered number: 775598
Registered in England

	1996 £000	1997 £000	1998 £000	1999 £000	**2000 £000**
Profit and loss account					
Group and share of joint venture turnover	177,542	174,995	199,336	217,031	**201,068**
Less share of joint venture's turnover	(31,205)	(27,939)	(27,126)	(49,220)	**(40,378)**
Group turnover	146,337	147,056	172,210	167,811	**160,690**
Group operating profit/(loss)	13,589	16,543	11,956	3,979	**(14,689)**
Share of operating profit of joint venture	*6,264*	4,555	2,659	7,165	**5,800**
Total operating profit/(loss)	19,853	21,098	14,615	11,144	**(8,889)**
Profit on sale of business	-	-	-	-	**2,855**
Goodwill previously written off	-	-	-	-	**(11,986)**
Net interest receivable	1,605	1,877	1,223	375	**197**
Profit/(loss) on ordinary activity before tax	21,458	22,975	15,838	11,519	**(17,823)**
Taxation	(7,887)	(7,766)	(4,801)	(3,670)	**(1,647)**
Earnings/(losses) attributable to shareholders	13,571	15,209	11,037	7,849	**(19,470)**
Balance sheet					
Intangible assets - goodwill	-	-	-	(1,624)	**1,607**
Tangible fixed assets	21,340	31,160	42,279	42,749	**40,815**
Investments	12,151	3,804	2,660	5,062	**5,024**
Stocks	31,823	35,323	33,863	34,481	**36,114**
Debtors	46,498	47,607	62,018	63,867	**63,208**
Other creditors	(42,780)	(45,277)	(47,797)	(47,214)	**(53,284)**
Net current assets, excluding net cash	35,541	37,653	48,084	51,134	**46,038**
Cash at bank and on short term deposits	19,197	26,825	14,816	9,130	**5,709**
Bank loans and overdrafts	(2,840)	(2,642)	(3,500)	(3,099)	**(3,105)**
Net cash	16,357	24,183	11,316	6,031	**2,604**
Provisions for liabilities and charges	(3,137)	(4,385)	(4,932)	(4,441)	**(8,552)**
Net assets employed	82,252	92,415	99,407	98,911	**87,536**
Shareholders' funds	82,252	92,415	99,407	98,911	**87,536**
Cash flow					
Net cash inflow/(outflow) from operating activities	13,165	17,012	14,580	12,908	**(1,563)**
Interest and dividends, paid and received	229	9,681	582	834	**(246)**
Taxation	(5,014)	(5,678)	(3,411)	(7,485)	**(119)**
Investing activities	(9,800)	(14,439)	(25,433)	(6,396)	**(1,620)**
Net cash (outflow)/inflow before financing	(1,420)	6,576	(13,682)	(139)	**(3,548)**
	pence	pence	pence	pence	**pence**
Per ordinary share					
Earnings/(losses)	27.6	30.8	22.2	16.2	**(41.3)**
Dividends	6.5	7.5	8.1	8.4	**8.4**
Net assets attributable to shareholders	166.2	185.6	197.9	207.0	**183.0**
Employees					
Average number of employees	1,477	1,535	1,674	1,809	**1,619**

Provisions for liabilities and charges have been restated in accordance with FRS 12.

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