

> OXFORD INSTRUMENTS PLC

> ANNUAL REPORT AND ACCOUNTS 2002

> 2002

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> OXFORD INSTRUMENTS PLC

> REPORT OF THE DIRECTORS

The Directors present their Report and the Financial Statements of Oxford Instruments plc for the year ended 31 March 2002.

Principal activity and business reviews

The Company is the ultimate holding company of a group of subsidiary undertakings ('the Group') engaged in the research, development, manufacture and sale of advanced instrumentation. The business is reviewed in the Chairman's Statement on pages 4 and 5, the Operating Review on pages 6 to 11 and the Financial Review on pages 12 to 15.

Acquisitions

During the year the Group acquired the business and assets of CMI International Corporation, a manufacturer of coating measurement instruments in Chicago, USA, for a net cash consideration of \$2.0 million (£1.4 million).

Results and dividends

The results for the year are shown in the Group Profit and Loss Account on pages 28 and 29. 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 22 March 2002 makes a total of 8.4p per ordinary share for the year (2001 8.4p). Subject to shareholder approval, the final dividend will be paid on 4 October 2002 to shareholders registered at close of business on 6 September 2002.

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.

Andrew Mackintosh and Peter Hill who retire by rotation, offer themselves for re-election. Andrew Mackintosh has a service contract with the Company subject to two years' notice of termination. Peter Hill has a letter of appointment for three years, terminating on 14 December 2002. Nigel Keen's letter of appointment was renewed with effect from 25 February 2002 for a further three years.

Directors' interests

Save as disclosed on page 25 the Directors had no beneficial interest in the Company's issued share capital on the given dates.

As Directors of Oxford Instruments Pension Trustee Limited, Trustee of the Company's UK Pension Scheme, Martin Lamaison and Nigel Keen had a non-beneficial interest in nil ordinary shares at 31 March 2002 (2001 167,500). Further as a Trustee of the Company's Share Participation Scheme, Martin Lamaison had a non-beneficial interest in 54,913 ordinary shares at 31 March 2002 (2001 101,875). Between the year end and 6 June 2002, the Trustees of the Share Participation Scheme decreased their holdings by 95 shares sold on behalf of participants. Apart from this there were no other changes in the Directors' holdings between the year end and 6 June 2002.

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

Share capital

During the year 66,884 new shares were issued (2001 nil) under the Company's Savings Related Share Option Scheme. Details are set out in Note 26 on the Financial Statements.

Substantial shareholdings

The following are beneficial interests of 3% or more and any non-material interests of 10% or more, of which the Directors are aware, of the Company's issued ordinary share capital, the only class of voting capital, at 6 June 2002:

	Shares 000	% of total
Aberforth Partners' Clients *	7,718	16.1
Sir Martin and Lady Audrey Wood	3,506	7.3
Fidelity Investments	2,901	6.1
Global Asset Management Limited	2,593	5.4
Halifax Group plc	2,243	4.7
Britel Fund Trustees Limited **	1,839	3.8
Co-operative Insurance Society Limited	1,719	3.6
UBS Global Asset Management Limited	1,712	3.6
Post Office Pension Trustees Limited ***	1,491	3.1

* of which Aberforth Limited Partnership 1A and 1B has a beneficial interest of 3,437,992 (6.9%)

** of which Hermes Pensions Management has an interest in 1,594,500 (3.3%)

*** PossFund Custodian Trustee Limited, as custodian, is also considered to have an interest in these shares

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and the role of the accounting department in ensuring the integrity of the financial statements. It also highlights the need for regular audits and the importance of transparency in financial reporting.

2. The second part of the document focuses on the management of human resources, including recruitment, training, and performance evaluation. It emphasizes the importance of having a clear job description for each position and the need for ongoing communication between management and staff.

3. The third part of the document addresses the issue of risk management, discussing the various risks that a company may face and the strategies for mitigating them. It also touches on the importance of having a disaster recovery plan in place.

4. The fourth part of the document discusses the importance of maintaining a strong corporate culture and the role of leadership in shaping it. It also touches on the importance of having a clear vision and mission statement for the company.

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Employee reward, involvement and development

In a business where technology and innovation are key, the skills and contribution of our employees are critical to success. We are developing a performance culture that values excellence highly, and addresses under performance. Our regular performance and development reviews create a firm link between an employee's contribution to the business, and their own compensation.

The Group shares with employees information on business activities, priorities and performance through regular team briefings and news bulletins. Additionally, each employee receives a copy of the Annual Report and Accounts. An open culture is fostered in which everyone's views and contribution are encouraged and respected and there is equality of opportunity irrespective of race, sex or disability. The Group's policy is to continue the employment of any employee becoming disabled as far as possible.

The Group is committed to managing actively individual and team performance and to developing and valuing core skills. By nurturing a tradition of innovation and accelerating the ongoing development of the skills required to satisfy our customers' present and future needs, the Group supports and grows its business.

Social, ethical and environmental considerations

The Board is aware of the guidelines issued recently by the Association of British Insurers (ABI) on corporate and social responsibility. As set out below, these matters are addressed currently in several ways. However the Board is reviewing its present procedures to ensure it is addressing appropriately the requirements of the ABI guidelines.

The Group provides financial support to various charitable organisations including certain local community based beneficiaries. Total donations made by the Group during the year amounted to £26,000 (2001 £44,000). There were no political donations. The main UK payroll operates a gift aid system to facilitate charitable donations by employees.

During the year the Group adopted specific corporate values to describe the way the Group wishes to operate in all aspects of its business.

The recruitment and retention of skilled employees is a key strategic aim of the Group. As well as the developments recorded above, a number of family friendly policies and principles have been adopted in the past year, to reflect an appropriate balance between work and home.

The Board is responsible overall for environmental policy and procedures. Responsibility for implementing and maintaining effective environmental management practices is assigned to the operational management teams. The Directors believe that the majority of the manufacturing processes have minimal environmental impact, but where any potential risks exist these are subject to tight controls. These are monitored regularly and are subject to review under the Group's internal control procedures.

As part of the Group's ongoing development, ways of improving efficiency so as to minimise the use of materials, energy and generation of waste and harmful emissions are constantly sought. In addition there are a number of recycling initiatives operated at site level throughout the Group, and in particular in relation to the recovery of helium gas.

During the year an assessment process for the selection of manufacturing suppliers was introduced. These are now subject to audit prior to selection as a preferred supplier. Where appropriate evidence of implementation of ISO14001 (the Environmental Standard) or equivalent standard is sought.

Payment of suppliers

The Group does not follow one 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 2002 were equivalent to 40 days and 45 days purchases respectively, based on the average daily amount invoiced by suppliers to the Company and Group during the year.

Annual General Meeting

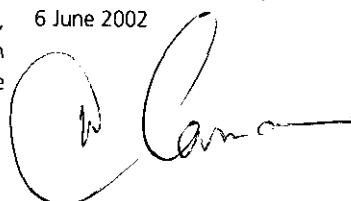
The Notice of the Annual General Meeting is set out on pages 54 to 56 together with explanatory text relating to the resolutions.

A resolution to re-appoint KPMG Audit Plc as Auditors will be proposed at the Annual General Meeting on 30 July 2002.

By Order of the Board

Martin Lamaison Company Secretary

6 June 2002



> OXFORD INSTRUMENTS PLC

> CORPORATE GOVERNANCE

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 has complied throughout the year with each of the provisions set out in Section 1 of the Combined Code, except where it has been explained in the Remuneration Report on pages 22 and 23 in respect of provisions B.1.6 and B.1.7. These provisions relate to the inclusion of cash bonuses, subject to a limit of 50% of basic salary, for pension purposes and the length of notice in service contracts.

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 ten 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 two further Non-Executive Directors. All 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. All Directors are required to seek re-election at the first Annual General Meeting following appointment, and subsequently at intervals of no more than three years.

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, 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. A programme of familiarisation with the Company's businesses is also arranged.

Board committees

Membership of Board Committees is given on page 16.

The Audit Committee, chaired by Richard Wakeling until 28 September 2001 and by Peter Morgan thereafter, is responsible for the review of the accounts and for ensuring that any matters raised by the auditors are given proper consideration in accordance with its written terms of reference. The external auditors attend all the meetings. The Committee is also responsible for keeping under review the scope and results of the external audit, 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 pages 22 and 23.

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.

In addition there is a 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 attend and participate in the Annual General Meeting (AGM). At the 2001 AGM the chairmen of the audit, remuneration and nomination committees were available to answer questions. The results of proxy votes were declared at the 2001 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 a Regulatory Information Service are now made available promptly on the Company's website (www.oxford-instruments.com).

> OXFORD INSTRUMENTS PLC

> CORPORATE GOVERNANCE

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.

During the year the Directors have reviewed the effectiveness of the Group's system of internal controls. These controls include financial, operational, compliance and risk management.

It is the Group's aim to maintain firm financial disciplines with the objective of providing reasonable assurance of the safeguarding of assets against unauthorised use or disposition, 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 as follows:

- a formal schedule is in place of matters 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, Group Financial Director and Group Director of Market Development 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;
- individual financial executives report to their own operational head but there is also a well established and acknowledged functional reporting relationship through to the Group Financial Director;
- 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;
- rolling reforecasts for orders, turnover, operating profit and cash, covering the next six months in detail and from time to time a further six months in summary, are reviewed by the Board monthly;
- the Board approves all acquisition and divestment proposals, and there are established procedures for the planning, approval and monitoring of capital expenditure;
- performance against the original proposal for all major investments is revisited by the Board within two years of the expenditure;
- the Board maintains an internal control framework defining for each control area, the reporting mechanics and the responsibility;
- integral to the annual strategic planning cycle is the consideration of risk at each business; having identified the principal risks to achievement of strategic business objectives, each business is required to document the management and mitigating actions in place and proposed;
- the principal risks identified and the effectiveness of the management and the mitigating actions in place are reviewed regularly by the Board;
- the senior management of each business reviews business risks on a regular basis and reports significant changes to the Chief Executive;
- each Group site, except for representative sales offices, submits a self assessment internal control questionnaire every six months;
- 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; work performed is based on a standardised Group format but involves random testing, together with a review of the internal control questionnaire;
- where required, action plans are drawn up by the businesses in conjunction with Group to remedy any significant control weaknesses that are identified from completion of the internal control questionnaire or as a result of the internal audit; checks on the progress of the action items arising are then made;
- the Board reviews regularly management reports relating to internal control and risk, covering the results of the internal control questionnaires, internal audit visits, and the risk updates of the businesses;
- the Board also receives regular updates on treasury, tax, information technology, human resources, property, insurance and health and safety matters; and
- all requests to quote for substantial fixed price contracts are reviewed by a multi-disciplinary team to assess both technical and financial risk and to try to ensure an appropriate balance between risk and reward; however, no procedure can guarantee the avoidance of losses on fixed price contracts of a technical nature.

> OXFORD INSTRUMENTS PLC

> REMUNERATION REPORT

Executive remuneration

Remuneration committee

The Remuneration Committee is responsible for recommending to the Board the remuneration packages for Executive Directors and the bonus and share option strategy for the Group's executive management.

The Committee consists of Nigel Keen (Chairman), Professor Michael Brady, 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 committee consults the Chief Executive about the remuneration of the Financial Director. Watson Wyatt and New Bridge Street Consultants are retained to advise on benefits and option schemes respectively. In addition the Chairman maintains contact with principal shareholders regarding remuneration policy as appropriate.

The Company's remuneration policy is to ensure that remuneration packages are sufficient to attract, retain and motivate Executive Directors and Group executive management of the quality required.

Remuneration arrangements

Full details of the Directors' remuneration, pensions and share options are set out on pages 24 and 25.

Executive Directors

The remuneration arrangements for Executive Directors are currently as follows:

Salary

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

Annual bonus

The annual bonus is set at a percentage of basic salary on a sliding scale which is based so as to pay 50% to the Chief Executive and 35% to the Financial Director for on target performance. Bonuses are earned primarily in relation to the achievement of targeted economic added value, but with a part payable on the achievement of certain specific personal goals and a part related to comparative share price performance in the financial year. Bonuses are paid after the completion of the year end statutory 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 and in due course will be invited to participate in the All Employee Share Ownership Plan which was approved at the AGM 2001 and is intended, when implemented, to replace the existing Share Participation Scheme.

Following approval at the 2001 AGM the Executive Directors now participate in the 2001 Executive Share Option Scheme (2001 ESO). This is now the principal scheme used to incentivise senior management.

Options under the 2001 ESO scheme may not be exercised unless the performance conditions over 3 years are satisfied. The options are based 50% on the Company's earnings per share (EPS) performance and 50% on its total shareholder return (TSR) performance. No extension of the performance period is permitted. In the case of both the EPS and the TSR performance, the options issued in September 2001 under this scheme will become exercisable proportionately by reference to the levels of target performance achieved, as follows:

EPS/TSR performance	Proportion of relevant half of options exercisable
average of 30% per annum or more	50%
average of 15% per annum to 29.99% per annum	pro rata between 12.25% and 50%
average of 15% per annum	12.25%
less than an average of 15% per annum	nil

In addition the Committee has reviewed the appropriate long term incentive for Andrew Mackintosh, Chief Executive. Accordingly during the year, in addition to the options granted to him under the 2001 ESO, the Committee have granted to Andrew Mackintosh, under the Senior Executive Long Term Incentive Scheme (SELTIS) and two individual option agreements, further options to purchase a total of 366,496 existing shares to be held by the existing employee benefit trust for employees of the Company. These options are exercisable subject to achievement of the same performance conditions as apply to the options granted under the 2001 ESO as outlined above.

The options granted under SELTIS and the additional individual options will not dilute shareholders holdings and, save for the amortisation and interest costs of the loan of £101,000 for the purchase of shares the subject of the grant under SELTIS and the interest costs on the loan of £311,000 to finance the options on the second of the two individual option agreements, will not involve any additional cost to shareholders.

> OXFORD INSTRUMENTS PLC

> REMUNERATION REPORT

The Committee is confident that in this way it has constructed an incentive for the Chief Executive which is appropriate and in shareholders' best interests.

The Committee reviews total option incentives for the Executive Directors and other senior managers annually.

Pension arrangements

Executive Directors are members of the Oxford Instruments Pension Scheme. For the year to 31 March 2002 contributions were paid to the Scheme by both the Company and the Directors, being 11.5% and 6.75% of pensionable salary respectively. Pensionable salary is defined as the Director's basic salary plus any cash bonuses, subject to a limit of 50% of basic salary, which are normally deemed to be an integral part of remuneration unless specified otherwise by the Remuneration Committee. However the Committee has agreed that the policy of including bonuses as part of pensionable salary will be reviewed for any future Executive Director appointments. In addition contributions are paid by the Company to an Executive Pension Scheme to provide additional retirement benefits.

Other benefits

Other benefits include car 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 reimbursement of expenses incurred in attending Board and other meetings. They do not receive any other form of remuneration or share options.

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. However this policy will also be reviewed on the appointment of a new Executive Director.

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.

Nigel Keen Chairman of the Remuneration Committee
6 June 2002



> OXFORD INSTRUMENTS PLC

> DIRECTORS' REMUNERATION AND PENSIONS

Information on Directors' remuneration and pensions and Directors' interests set out below forms part of the Financial Statements (see Note 11 on the Financial Statements).

Directors' remuneration

The basis of Executive Directors' remuneration arrangements is reviewed in the Remuneration Report on pages 22 and 23. Directors' remuneration for the year was as follows:

	Salary £000	Annual bonus £000	Benefits (see Note 1) £000	2002 £000	Total remuneration 2001 £000
Executive Directors					
Andrew Mackintosh, Chief Executive	200	25	13	238	237
Martin Lamaison, Financial Director	154	21	13	188	177
	354	46	26	426	414
Non-Executive Directors					
Professor Michael Brady	25	—	—	25	25
Peter Hill	25	—	—	25	25
Nigel Keen	60	—	—	60	60
Peter Morgan	25	—	—	25	25
Richard Wakeling	11	—	—	11	25
Sir Martin Wood	—	—	—	—	13
Total	500	46	26	572	587

(1) Benefits include company car and fuel allowances and medical cover.

As shown above Andrew Mackintosh was the highest paid Director for the year under review. His total remuneration was £238,000 (2001 £237,000). During the year no options made to Directors under the long term incentive scheme were exercised (2001 nil).

Richard Wakeling and Sir Martin Wood retired as Directors on 28 September 2001 and 1 August 2000 respectively.

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 members' compulsory 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 2002 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	2002 £000	Top-up contributions paid by the company 2001 £000
Andrew Mackintosh	46	17	14	9	72	14	13
Martin Lamaison	58	17	11	6	56	14	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 either 3% or 5% per annum depending on the relevant years of accrual, subject to any applicable statutory requirements. The accrued annual entitlement of Andrew Mackintosh, the highest paid Director, at 31 March 2001 was £62,000.

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.

> OXFORD INSTRUMENTS PLC

> DIRECTORS' INTERESTS

Shareholdings

The beneficial interests of the Directors in the Company's share capital, all in fully paid up shares, were as follows:

	2002 Shares	2001 Shares
Professor Michael Brady	2,500	2,500
Peter Hill	3,000	—
Nigel Keen	35,000	35,000
Martin Lamaison	38,621	38,621
Andrew Mackintosh	47,318	47,318
Peter Morgan	10,000	10,000

Options

Directors' interests in options under the Senior Executive Long Term Incentive Scheme (SELTIS), the Executive Share Option Schemes 1985 and 1995 (ESO), 2001 (2001 ESO) and the Savings Related Share Option Schemes 1985 and 1995 (SAYE) and in Individual Options (Individual) were:

	Scheme	2002	Number of Options during the year			2001	Weighted Exercise Price	Date for Earliest Exercise	Date for latest exercise
			Granted	Exercised	Lapsed				
Andrew Mackintosh	SAYE	—	—	—	(1,245)	1,245	£3.60		
	SAYE	4,889	—	—	—	4,889	£2.34	01/02/02	31/07/04
	ESO	30,000	—	—	—	30,000	£3.93	09/12/96	27/11/05
	2001 ESO	333,333	333,333	—	—	—	£1.59	28/09/04	27/09/11
	SELTIS	175,883	49,383	—	(13,265)	139,765	Nil	30/06/00	19/12/08
	Individual	100,000	—	—	—	100,000	£2.95	06/03/03	06/03/08
	Individual	165,500	165,500	—	—	—	Nil	20/12/04	19/12/08
	Individual	151,613	151,613	—	—	—	£2.05	20/12/04	19/12/08
Martin Lamaison	SAYE	5,411	—	—	—	5,411	£3.15	01/02/02	31/07/05
	SAYE	568	568	—	—	—	£1.87	01/02/05	31/07/05
	2001 ESO	256,250	256,250	—	—	—	£1.59	28/09/04	27/09/11
	SELTIS	98,000	—	—	(26,000)	124,000	Nil	30/06/00	20/12/07
	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 2002 (2001 £nil).

During the year Andrew Mackintosh and Martin Lamaison were granted options under the 2001 ESO Scheme, over 333,333 and 256,250 ordinary shares respectively, at an exercise price of £1.585, being the closing middle market price of such shares on the dealing day immediately preceding the date of grant.

In addition Andrew Mackintosh was granted options to purchase a total of 366,496 existing shares consisting of options under the existing SELTIS scheme and two individual options.

49,383 shares were the subject of the option granted under SELTIS and were purchased by the trust at an aggregate cost of £101,000 with the benefit of a loan from the Company of that amount, which will be written off over three years. 165,500 shares were the subject of the first individual option and were already held by the trust, having been acquired for options to other employees which either have become incapable of exercise or which the Remuneration Committee considered had no material prospect of becoming exercisable. The loans from the Company to fund the acquisition of these shares have already been written off in accordance with applicable accounting practice. The option granted under SELTIS and the first individual option are exercisable at nil consideration.

The second individual option has been granted at an exercise price of £2.05 per share (being market price on the date of purchase) and relates to 151,613 further shares purchased by the trust at an aggregate cost of £311,000 with a loan from the Company of that amount.

The market price of Oxford Instruments plc shares on 31 March 2002 was £2.21 (2001 £1.25) and the range during the year was £1.24 to £2.28.

There were no changes in Directors' beneficial interests in shares and share options between the end of the financial year and 6 June 2002.

> OXFORD INSTRUMENTS PLC

> 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 year.

In preparing those financial statements, the Directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

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 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 Group and to prevent and detect fraud and other irregularities.

> OXFORD INSTRUMENTS PLC

> REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF OXFORD INSTRUMENTS PLC

We have audited the financial statements on pages 28 to 53.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 26, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, 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 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 20 and 21 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc

Chartered Accountants
Registered Auditor
London
6 June 2002

> OXFORD INSTRUMENTS PLC

> GROUP PROFIT AND LOSS ACCOUNT YEAR ENDED 31 MARCH 2002

	Notes	Continuing operations Before exceptional items £000	Exceptional items £000	2002 £000
Turnover				
Group and share of joint venture turnover		260,280	—	260,280
Less share of joint venture turnover	5	(46,600)	—	(46,600)
Group turnover (including acquisitions of £2,551,000)	2,3	213,680	—	213,680
Cost of sales	4	(147,611)	—	(147,611)
Gross profit		66,069	—	66,069
Net operating expenses	4	(60,750)	—	(60,750)
Group operating profit (including acquisition profit of £85,000)		5,319	—	5,319
Share of operating profit of joint venture	5	5,213	—	5,213
Total operating profit				
Group and share of joint venture		10,532	—	10,532
Profit on disposal of properties	4	—	3,034	3,034
Profit on sale of discontinued businesses before goodwill		—	—	—
Profit before interest and tax	2	10,532	3,034	13,566
Total net interest payable	6	(1,526)	—	(1,526)
Profit on ordinary activities before tax	7	9,006	3,034	12,040
Tax on profit on ordinary activities	10	(2,132)	(560)	(2,692)
Profit for the financial year attributable to shareholders		6,874	2,474	9,348
Dividends	12			(3,931)
Retained profit for the financial year	27			5,417

		pence	pence	pence
Earnings per share	13			
Basic earnings per share		14.6	5.3	19.9
Diluted earnings per share		14.6	5.3	19.9

Dividends per share	12		8.4
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> OXFORD INSTRUMENTS PLC

> GROUP PROFIT AND LOSS ACCOUNT YEAR ENDED 31 MARCH 2001 – AS RESTATED

	Notes	Continuing operations		Discontinued operations £000	2001 £000
		Before exceptional items £000	Exceptional items £000		
Turnover					
Group and share of joint venture turnover		219,814	–	2,096	221,910
Less share of joint venture turnover	5	(36,775)	–	–	(36,775)
Group turnover	2,3	183,039	–	2,096	185,135
Cost of sales	4	(130,473)	(445)	(2,927)	(133,845)
Gross profit/(loss)		52,566	(445)	(831)	51,290
Net operating expenses	4	(50,367)	(988)	(1,287)	(52,642)
Group operating profit/(loss)		2,199	(1,433)	(2,118)	(1,352)
Share of operating profit of joint venture	5	4,350	–	–	4,350
Total operating profit/(loss)					
Group and share of joint venture		6,549	(1,433)	(2,118)	2,998
Profit on disposal of properties		–	–	–	–
Profit on sale of discontinued businesses before goodwill	18	–	–	599	599
Profit/(loss) before interest and tax	2	6,549	(1,433)	(1,519)	3,597
Total net interest payable	6	(792)	–	–	(792)
Profit/(loss) on ordinary activities before tax	7	5,757	(1,433)	(1,519)	2,805
Tax on profit/(loss) on ordinary activities	10	(2,869)	–	–	(2,869)
Profit/(loss) for the financial year attributable to shareholders		2,888	(1,433)	(1,519)	(64)
Dividends	12				(3,942)
Retained loss for the financial year					(4,006)

		pence	pence	pence	pence
Earnings/(losses) per share	13				
Basic earnings/(losses) per share		6.1	(3.0)	(3.2)	(0.1)
Diluted earnings/(losses) per share		6.1	(3.0)	(3.2)	(0.1)

Dividends per share	12				8.4
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> GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES YEAR ENDED 31 MARCH 2002

	Note	2002 £000	2001 As restated £000
Profit/(loss) for the financial year		9,348	(64)
Exchange differences on foreign currency net investments of the Group		(144)	3,656
Total recognised gains and losses relating to the financial year		9,204	3,592
Prior year adjustments	1	2,841	
Total gains and losses recognised since the last Annual Report		12,045	

The joint venture has no recognised gains or losses other than the share of profit for the year of £3,322,000 (2001 £2,749,000).

> OXFORD INSTRUMENTS PLC

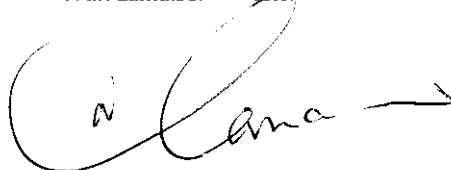
> BALANCE SHEETS AS AT 31 MARCH 2002

	Notes	Group 2002 £000	Group 2001 As restated £000	Company 2002 £000	Company 2001 £000
Fixed assets					
Goodwill	14	4,826	5,341	—	—
Negative goodwill	14	(398)	(930)	—	—
Intangible assets	14	4,428	4,411	—	—
Tangible assets	15	38,849	43,731	474	764
Investments					
Subsidiary undertakings		—	—	66,630	65,552
Share of gross assets of joint venture	5	19,299	15,937	—	—
Share of gross liabilities of joint venture	5	(16,009)	(13,176)	—	—
Net investment in joint venture		3,290	2,761	1,634	1,634
Other investments		2,450	2,260	2,450	2,260
Total investments	16	5,740	5,021	70,714	69,446
Total fixed assets		49,017	53,163	71,188	70,210
Current assets					
Stocks	20	48,518	43,696	—	—
Debtors	21	67,410	69,338	51,804	53,282
Cash at bank and in hand	22	4,806	1,643	29,809	22,729
		120,734	114,677	81,613	76,011
Creditors: amounts falling due within one year					
Bank loans and overdrafts	23	(7,982)	(9,959)	(35,470)	(27,468)
Other creditors	23	(59,759)	(61,933)	(6,777)	(6,258)
		(67,741)	(71,892)	(42,247)	(33,726)
Net current assets		52,993	42,785	39,366	42,285
Total assets less current liabilities		102,010	95,948	110,554	112,495
Creditors: amounts falling due after one year	32	(808)	—	—	—
Provisions for liabilities and charges	24	(6,036)	(6,178)	—	—
Net assets employed		95,166	89,770	110,554	112,495
Capital and reserves					
Called up share capital	26	2,395	2,392	2,395	2,392
Share premium account	27	18,776	18,656	18,776	18,656
Other reserves	27	15,930	15,930	7,719	7,719
Profit and loss account	27	58,065	52,792	81,664	83,728
Equity shareholders' funds	28	95,166	89,770	110,554	112,495

The financial statements were approved by the Board of Directors on 6 June 2002 and signed on its behalf by:

Andrew Mackintosh Director

Martin Lamaison Director

> OXFORD INSTRUMENTS PLC

> GROUP CASH FLOW STATEMENT YEAR ENDED 31 MARCH 2002

	Notes	2002 £000	2001 £000
Net cash inflow/(outflow) from operating activities	29	6,642	(1,925)
Dividend from joint venture		2,793	3,691
Returns on investments and servicing of finance	30	(1,104)	(432)
Taxation		(231)	(250)
Capital expenditure and financial investment	30	1,566	(6,229)
Acquisitions	17	(1,423)	(3,911)
Disposals	18	-	1,983
Equity dividends paid		(3,939)	(3,953)
Cash inflow/(outflow) before management of liquid resources and financing		4,304	(11,026)
Management of liquid resources	30	(1,000)	9,500
Financing	30	123	-
Increase/(decrease) in cash in the year		3,427	(1,526)

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> RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT YEAR ENDED 31 MARCH 2002

	Notes	2002 £000	2001 £000
Increase/(decrease) in cash in the year		3,427	(1,526)
Change in liquid resources	30	1,000	(9,500)
Translation difference		(95)	106
Movement in net debt in the year		4,332	(10,920)
Opening net debt/(funds)		(8,316)	2,604
Closing net debt	31	(3,984)	(8,316)

1 ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently, except for the treatment of deferred tax as disclosed below, 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. There is no material difference between reported and historical profit.

As defined in FRS 3 'Reporting Financial Performance' discontinued operations are clearly separate operations which materially affect the nature and focus of the reporting entity's operations and 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. The comparatives are restated to reflect those businesses as discontinued. All other operations are classified as continuing operations.

New Financial Reporting Standards

The Company has adopted the transitional provisions of FRS 17 'Retirement Benefits' and has adopted FRS 18 'Accounting Policies' and FRS 19 'Deferred Tax' during the year.

The adoption of FRS 19 has resulted in the restatement of the prior year's Group profit and loss account, balance sheet and statement of recognised gains and losses. Application of the standard has resulted in the creation of a deferred tax asset of £3.0 million at 31 March 2001 in respect of timing differences and has required the restatement of goodwill on the recognition of deferred tax assets in an acquired company. The net prior year adjustment was £2.8 million, and there was no material impact on the profit and loss account for the year ended 31 March 2001.

The adoption of FRS 17 (transitional provisions) and FRS 18 has had no effect on the Group results. However, additional disclosures have been made in accordance with the transitional provisions of FRS 17.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary undertakings made up to 31 March 2002. 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. A joint venture is an undertaking in which the Group has a long term interest and over which it exercises joint control. The Group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated

balance sheet. The Group's interest in Oxford Magnet Technology Limited has been consolidated as a joint venture based on details extracted from its audited accounts to 30 September each year and management accounts as they relate to the Group's year end of 31 March.

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 £1.9 million (2001 £3.3 million).

Going concern

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

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 given and associated costs 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 service contracts and long term contracts. Turnover from contracts for maintenance and support is recognised on a pro rata basis over the contract period. Turnover recorded at the time of shipment includes an allowance for installation and the estimated warranty and installation costs are accrued in full at the same time. Warranty costs are based on the historical relationship between actual costs incurred and the relevant turnover exposure.

1 ACCOUNTING POLICIES continued

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.

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 in the light of recent usage, expected future requirements, new product introduction plans and likely realisable values.

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. Work in progress usually includes costs incurred on fixed price contracts to deliver technically complex unique custom built products. To ascertain whether any provision for future contract losses is needed, regular technical and financial reviews of these contracts are undertaken. These reviews involve estimating the likely cost to complete the contract based on an assessment of the outstanding technical risks and the resources required using the best information available at the time.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash).

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%
Furniture and fittings	10%
Machinery and other equipment	10% to 20%
Computer equipment	25%
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.

Taxation

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

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 in the UK scheme 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 mitigate 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.

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

2 SEGMENT INFORMATION – ANALYSIS BY BUSINESS

	Continuing operations Before exceptional items £000	Exceptional items £000	2002 £000
Turnover			
Analytical	82,975	–	82,975
Medical	39,353	–	39,353
Superconductivity	91,352	–	91,352
	213,680	–	213,680

Profit/(loss) before interest and tax			
Analytical	6,468	–	6,468
Medical	(1,511)	1,826	315
Superconductivity	362	1,208	1,570
	5,319	3,034	8,353
Share of operating profit of joint venture	5,213	–	5,213
	10,532	3,034	13,566

Net operating assets			
Analytical	34,840	–	34,840
Medical	21,174	–	21,174
Superconductivity	33,323	–	33,323
	89,337	–	89,337

	Continuing operations Before exceptional items £000	Exceptional items £000	Discontinued operations £000	2001 As restated £000
Turnover				
Analytical	65,603	–	–	65,603
Medical	38,574	–	–	38,574
Superconductivity	78,862	–	2,096	80,958
	183,039	–	2,096	185,135

Profit/(loss) before interest and tax				
Analytical	2,752	(498)	–	2,254
Medical	195	(515)	–	(320)
Superconductivity	(748)	(420)	(1,519)	(2,687)
	2,199	(1,433)	(1,519)	(753)
Share of operating profit of joint venture	4,350	–	–	4,350
	6,549	(1,433)	(1,519)	3,597

Net operating assets				
Analytical	35,899	–	–	35,899
Medical	20,345	–	–	20,345
Superconductivity	31,816	–	–	31,816
	88,060	–	–	88,060

Details of the businesses are set out on pages 2 to 3 and 6 to 11. Discontinued operations include the cathodoluminescence and accessories business sold in June 2000 and the beamlines business sold in January 2001 (see Note 18).

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

2 SEGMENT INFORMATION – ANALYSIS BY BUSINESS continued

The net operating assets comprise:

	2002 £000	2001 £000
Tangible assets	38,849	43,731
Net working capital	50,488	44,329
Net operating assets	89,337	88,060

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

	2002 £000	2001 As restated £000
Net operating assets	89,337	88,060
Current taxation	(1,332)	284
Deferred taxation	3,785	3,228
Provision relating to exceptional items	–	(102)
Dividends payable	(2,808)	(2,816)
Closing net borrowings	(3,984)	(8,316)
Goodwill	4,428	4,411
Investments	5,740	5,021
Group net assets employed	95,166	89,770

3 SEGMENT INFORMATION – GEOGRAPHICAL ANALYSIS

	UK £000	Continental Europe £000	North America £000	Far East £000	Rest of World £000	2002 £000
Group turnover by destination						
Group and share of joint venture	20,163	87,145	98,611	47,736	6,625	260,280
Adjustment for share of trading between Group and joint venture	6,500	–	–	–	–	6,500
Less share of joint venture external turnover	(119)	(38,408)	(14,514)	(56)	(3)	(53,100)
Group turnover to third parties	26,544	48,737	84,097	47,680	6,622	213,680
Group turnover by origin						
Group and share of joint venture	222,657	–	37,623	–	–	260,280
Less share of joint venture turnover	(46,600)	–	–	–	–	(46,600)
Group turnover to third parties	176,057	–	37,623	–	–	213,680
Profit/(loss) before tax						
Group operating profit/(loss) by origin	(212)	–	5,531	–	–	5,319
Share of operating profit of joint venture	5,213	–	–	–	–	5,213
Operating profit	5,001	–	5,531	–	–	10,532
Profit on disposal of properties						3,034
Net interest payable						(1,526)
Profit on ordinary activities before tax						12,040
Net assets employed by location	45,272	5,442	43,781	671	–	95,166

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

3 SEGMENT INFORMATION – GEOGRAPHICAL ANALYSIS continued

	UK £000	Continental Europe £000	North America £000	Far East £000	Rest of World £000	2001 As restated £000
Group turnover by destination						
Group and share of joint venture	17,524	71,013	87,901	40,099	5,373	221,910
Adjustment for share of trading between Group and joint venture	5,592	–	–	–	–	5,592
Less share of joint venture external turnover	(258)	(31,385)	(9,475)	(1,190)	(59)	(42,367)
Group turnover to third parties	22,858	39,628	78,426	38,909	5,314	185,135
<i>including discontinued operations</i>	77	951	469	599	–	2,096
Group turnover by origin						
Group and share of joint venture	184,465	–	37,445	–	–	221,910
Less share of joint venture turnover	(36,775)	–	–	–	–	(36,775)
Group turnover to third parties	147,690	–	37,445	–	–	185,135
<i>including discontinued operations</i>	2,096	–	–	–	–	2,096
Profit/(loss) before tax						
Group operating profit/(loss) by origin	(4,855)	–	4,936	–	–	81
Share of operating profit of joint venture	4,350	–	–	–	–	4,350
Exceptional items	(1,433)	–	–	–	–	(1,433)
Operating profit/(loss)	(1,938)	–	4,936	–	–	2,998
<i>including discontinued operations</i>	(2,118)	–	–	–	–	(2,118)
Profit on sale of discontinued business						599
Net interest payable						(792)
Profit on ordinary activities before tax						2,805
Net assets employed by location	49,930	4,463	34,675	702	–	89,770

4 COST OF SALES, NET OPERATING EXPENSES AND EXCEPTIONAL ITEMS

	Continuing operations		2002 £000
	Before exceptional items £000	Exceptional items £000	
Cost of sales	147,611	–	147,611
Distribution costs	36,380	–	36,380
Research and development costs	13,217	–	13,217
Administrative expenses	11,153	–	11,153
Net operating expenses	60,750	–	60,750

	Continuing operations		Discontinued operations £000	2001 As restated £000
	Before exceptional items £000	Exceptional items £000		
Cost of sales	130,473	445	2,927	133,845
Distribution costs	31,690	403	337	32,430
Research and development costs	10,349	–	494	10,843
Administrative expenses	8,328	585	456	9,369
Net operating expenses	50,367	988	1,287	52,642

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

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

Cost of sales and net operating expenses of the continuing operations for the year ended 31 March 2002 include in relation to acquisitions: cost of sales £1,118,000, distribution costs £719,000, research and development costs £230,000, administration expenses £382,000 and amortised goodwill of £17,000.

Exceptional items

Exceptional items comprise a profit before tax of £3,034,000 on disposal of properties in the year to 31 March 2002 and a cost of £1,433,000 last year, being the final costs incurred in connection with the reorganisation of the Group's UK based businesses.

Research and development costs

Costs of £13,217,000 (2001 £10,843,000) were charged against research and development. No further costs (2001 £nil) were charged to cost of sales in respect of funded projects. These figures are stated net of grants receivable of £224,000 (2001 £636,000). The total research and development costs, gross of funding and stock movements, were £13,651,000 (2001 £11,479,000). During the financial year the OMT joint venture also spent in total £6,825,000 (2001 £7,232,000) on research and development.

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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 OMT 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 2002 and show the Group's 49% share of the OMT results:

	2002 £000	2001 £000
Turnover	61,187	48,767
Operating profit	5,213	4,350
Net interest payable	(404)	(358)
Profit on ordinary activities before tax	4,809	3,992
Taxation	(1,487)	(1,243)
Profit for the financial year attributable to shareholders (see Note 16)	3,322	2,749
Fixed assets	2,780	2,541
Current assets	16,519	13,397
Creditors: amounts falling due within one year	(15,398)	(12,618)
Net current assets	1,121	779
Total assets less current liabilities	3,901	3,320
Provisions for liabilities and charges	(611)	(559)
Net assets employed	3,290	2,761

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

5 JOINT VENTURE continued

The Group share of the joint venture turnover as shown in the Group Profit and Loss Account on pages 28 and 29 has been derived after adjusting for trading between the Group and OMT as follows:

	2002 £000	2001 £000
49% of joint venture turnover	61,187	48,767
Less 49% of sales of materials and services by OMT to Group	(8,087)	(6,400)
Less 49% of sales of materials and services by Group to OMT	(6,500)	(5,592)
Group share of joint venture turnover	46,600	36,775

6 TOTAL NET INTEREST (PAYABLE)/RECEIVABLE

	2002 £000	2001 £000
Interest receivable on deposits at short call	50	176
Interest payable on bank loans and overdrafts	(1,172)	(610)
Group net interest payable	(1,122)	(434)
Share of joint venture net interest payable	(404)	(358)
Total net interest payable	(1,526)	(792)

7 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX

	2002 £000	2001 As restated £000
Profit/(loss) on ordinary activities before tax is stated after (charging)/crediting:		
Depreciation of tangible fixed assets	(5,996)	(5,342)
Amortisation of Oxford Instruments plc shares held under the Long Term Incentive Plan	(224)	(168)
Amortisation of goodwill	(313)	(100)
Net (loss)/profit on disposal of fixed assets	(25)	324
Rentals payable in respect of operating leases:		
Hire of plant, machinery and vehicles	(584)	(350)
Other operating leases	(2,193)	(2,024)
Fees paid to auditor and its associates:		
Group audit	(220)	(228)
Tax and other advisory services	(50)	(131)

The fees for auditing the parent company's accounts were £50,000 (2001 £45,000).

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

8 EMPLOYEES

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

	2002	2001
Production	896	722
Sales and marketing	395	402
Research and development	267	239
Administration	215	188
Total average number of employees	1,773	1,551

The number of employees at 31 March was:

By country	2002	2001	By business	2002	2001
UK	1,095	1,030	Analytical	641	556
USA	479	394	Medical	337	316
Germany	55	57	Superconductivity	820	769
Japan	47	45	Total employees	1,798	1,641
France	26	30			
Italy	22	24			
Spain	22	22			
Rest of World	52	39			
Total employees	1,798	1,641			

The average number of employees for 2001 included 40 people employed in operations that were discontinued by 31 March 2001.

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

	2002 £000	2001 £000
Wages and salaries	56,860	48,614
Social security costs	5,626	4,825
Employers pension costs under group pension schemes	3,456	3,067
Total payroll costs	65,942	56,506

9 PENSIONS

	2002 £000	2001 £000
The total pension cost for the Group was as follows:		
Oxford Instruments Pension Scheme	2,275	2,279
Other schemes	1,181	788
Total pension costs	3,456	3,067

The Group operates a number of pension schemes throughout the world. The major schemes, covering the majority of the Group's employees, are of the defined benefit type. The assets of the schemes are held in separate trustee administered funds. In addition, there are defined contribution schemes in both the UK and USA.

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

9 PENSIONS continued

United Kingdom

In the UK the Group and all participating employees hired before 1 April 2001 contribute to the defined benefit 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 2000 when the actuary advised that the long-term regular company funding rate for the Scheme on current market conditions should be 15.8% over the long term. The principal assumptions underlying this rate, were that the return on investments would be 6.25% per annum, salary increases would average 4% per annum, future pensions in payment would increase by 2.75% per annum.

At the date of the last actuarial valuation the market value of the assets of this scheme was £89.8 million. The assets represented 130% of the value of the benefits that had accrued to members at that date based on the assumptions set out above including assumed future increases in earnings. This surplus is being spread over the remaining working life of the scheme members, estimated to be 12.5 years giving rise to an overall charge for the year of 9.25% (2001 10%) of pensionable salaries.

During the year the Group contributed to the Scheme at a rate of 11.5% (2001 10.5%) of pensionable salary. The increased contribution rate has resulted in the prior year provision of £291,000 reversing and the creation of a £261,000 prepayment at 31 March 2002.

At the year end the Oxford Instruments Pension Scheme held nil Oxford Instruments plc shares (2001 167,500).

Since 1 April 2001 all new joiners in the UK have been offered participation in the defined contribution Oxford Instruments Stakeholder Plan.

Other schemes

The Group also provides defined benefit pension schemes in the United States and Japan. The latest actuarial valuations of these Group schemes show those funds to have sufficient assets to meet current accrued obligations to existing members and pensioners.

FRS 17 retirement benefits

In November 2000, the Accounting Standards Board issued FRS 17 'Retirement Benefits' replacing SSAP 24 'Accounting for Pension Costs'. FRS 17 is fully effective for periods ending on or after 22 June 2003, although certain disclosures are required in the transitional period, for periods ended on or after 22 June 2001. These further disclosures are included below.

For FRS 17 purposes, the last full valuations of the main schemes were updated to 31 March 2002 by independent qualified actuaries using the following assumptions:

	United Kingdom %	North America %	Japan %
Rate of general increase in salaries	3.8	4.0	1.7
Rate of increase of pensions in payment	2.6	3.0	0.0
Discount rate for scheme liabilities	5.9	6.0	2.2
Inflation	2.8	3.0	0.0

The assets and liabilities of the schemes, together with the expected return on the schemes' assets are shown below:

	United Kingdom		North America		Japan	
	Expected long term rate of return %	Market value £ million	Expected long term rate of return %	Market value £ million	Expected long term rate of return %	Market value £ million
Equities	8.0	66.0	10.0	2.5	—	—
Bonds	5.5	14.4	—	—	—	—
Property and other assets	6.5	4.8	—	—	0.7	1.2
Present value of scheme liabilities		85.2 (90.8)		2.5 (4.3)		1.2 (0.7)
(Deficit)/surplus in the plans		(5.6)		(1.8)		0.5
Related deferred tax asset/(liability)		1.7		0.7		(0.2)
Net pension (liability)/asset		(3.9)		(1.1)		0.3

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

9 PENSIONS continued

It is emphasised that the schemes' assets are not intended to be realised in the short term and may be subject to significant change before they are realised. In addition, the schemes' liabilities are derived from cash flow projections over long periods and thus are inherently uncertain.

In connection with the FRS 17 deficits estimated above it should be noted that company and employee contribution rates to the UK defined benefit scheme were increased last year and that in respect of the US defined benefit scheme \$1.8 million (£1.3 million) has already been accrued as a liability in the Group consolidated accounts.

10 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

Analysis of tax charge in the year

The charge based on the profit/(loss) for the year comprises:

	2002 £000	2001 As restated £000
UK corporation tax:		
Loss of the period	(1,380)	(1,970)
Adjustments relating to prior years	(59)	(73)
Tax on share of profit of joint venture	1,487	1,243
Foreign tax:		
Profit of the period	3,490	3,297
Adjustments relating to prior years	(282)	186
Total current tax	3,256	2,683
Deferred tax:		
Origination and reversal of timing differences in respect of:		
(Loss)/profit in the period	(140)	186
Adjustment to the estimated recoverable amount of deferred tax assets arising in previous periods	(424)	—
Total deferred tax (see Note 25)	(564)	186
Total tax on profit/(loss) on ordinary activities	2,692	2,869

Factors affecting tax charge for the period

	2002 £000	2001 As restated £000
Group profit on ordinary activities before tax	12,040	2,805
Group profit on ordinary activities before tax at 30%	3,612	842
Effects of:		
Permanent differences	79	3
Goodwill amortised	76	(39)
Short term timing differences	(184)	(1,477)
Accounting depreciation in excess of tax depreciation	371	1,231
Current tax losses not utilised	131	1,812
Adjustments relating to prior years' corporation tax	(341)	113
Net cost of different rates of taxation in overseas undertakings	521	546
Tax losses utilised in the year	(1,014)	(339)
Differences in UK and overseas accounting policies	5	(9)
Total current tax	3,256	2,683

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

11 DIRECTORS' REMUNERATION AND INTERESTS

Information on Directors' remuneration, pensions, shareholdings and options is set out on pages 24 and 25 and forms part of these Financial Statements.

12 DIVIDENDS

	2002 £000	2001 £000
Interim dividend of 2.4p (2001 2.4p) per share, paid on 22 March 2002	1,123	1,126
Proposed final dividend 6.0p per share (2001 6.0p), payable on 4 October 2002	2,808	2,816
Total dividend of 8.4p per share (2001 8.4p)	3,931	3,942

Subject to the approval of the shareholders at the Annual General Meeting on 30 July 2002, the proposed final dividend will be paid on 4 October 2002 to shareholders registered at the close of business on 6 September 2002. The ordinary shares will be quoted ex-dividend on 4 September 2002. Dividends payable on the shares held in trust under the Senior Executive Incentive Scheme and the Executive Share Option Scheme have been waived (see Note 16).

13 EARNINGS/(LOSSES) PER SHARE

Earnings/(losses) per share has been calculated as follows:

	2002 £000	2001 As restated £000
Profit for the financial year – continuing operations	6,874	2,888
Exceptional items after tax	2,474	(1,433)
Loss for the financial year – discontinued operations	–	(1,519)
Net profit/(loss) for the financial year	9,348	(64)

	Shares 000	Shares 000
Weighted average ordinary shares in issue during year	46,879	47,072
Dilutive effect of employee share options	169	20
Diluted weighted average ordinary shares	47,048	47,092

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS – GOODWILL

	Goodwill £000	Negative goodwill £000	Group Total £000
Cost			
At 31 March 2001 – negative goodwill as restated	6,309	(2,523)	3,786
Acquisition (see Note 17)	330	—	330
At 31 March 2002	6,639	(2,523)	4,116
Amortisation			
At 31 March 2001 – negative goodwill as restated	(968)	1,593	625
Amortisation	(845)	532	(313)
At 31 March 2002	(1,813)	2,125	312
Net book value			
At 31 March 2001 – negative goodwill as restated	5,341	(930)	4,411
At 31 March 2002	4,826	(398)	4,428

Negative goodwill arose on the acquisition of the neurology business from Vickers PLC in December 1997 and is being written back to the profit and loss account over the period to December 2002. Goodwill arose on the acquisition of the assets of CMI International Corporation during the year and is being written off to the profit and loss account over eight years. See Note 1 for details of the prior year adjustment.

15 TANGIBLE FIXED ASSETS

	Property £000	Other fixed assets £000	Group Total £000	Property £000	Other fixed assets £000	Company Total £000
Cost						
At 31 March 2001	28,826	50,213	79,039	246	1,581	1,827
Exchange adjustments	(23)	(68)	(91)	—	—	—
Additions	79	4,851	4,930	—	58	58
Reallocations	306	(306)	—	—	—	—
Disposals	(3,035)	(4,980)	(8,015)	—	(66)	(66)
At 31 March 2002	26,153	49,710	75,863	246	1,573	1,819
Depreciation						
At 31 March 2001	4,887	30,421	35,308	66	997	1,063
Exchange adjustments	(15)	(37)	(52)	—	—	—
Amounts provided	570	5,426	5,996	5	335	340
Disposals	(1,045)	(3,193)	(4,238)	—	(58)	(58)
At 31 March 2002	4,397	32,617	37,014	71	1,274	1,345
Net book value						
At 31 March 2001	23,939	19,792	43,731	180	584	764
At 31 March 2002	21,756	17,093	38,849	175	299	474

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

15 TANGIBLE FIXED ASSETS continued

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

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Property				
Freehold land	3,767	4,050	—	—
Freehold buildings	11,915	12,505	175	180
Long leasehold land and buildings	5,832	7,011	—	—
Short leasehold land and buildings	242	373	—	—
	21,756	23,939	175	180
Other fixed assets				
Machinery and other equipment	7,326	9,437	3	5
Fixtures and fittings	6,896	6,491	15	15
Computer equipment	2,249	2,918	266	534
Vehicles	622	946	15	30
	17,093	19,792	299	584

The Directors believe the open market value of freehold land and buildings exceeds the book value by approximately £6.0 million (2001 £6.0 million), which if realised through disposal would create a tax liability of approximately £0.8 million (2001 £0.7 million). Freehold land is not depreciated, but the remainder of the property gross amount of £22.4 million (2001 £24.8 million) is depreciated.

16 INVESTMENTS

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Shares in subsidiary undertakings	—	—	66,630	65,552
Shares in joint venture	—	—	1,634	1,634
Investment in joint venture	3,290	2,761	—	—
Executive Option and Incentive Scheme shares held in trust	1,146	958	1,146	958
Other investments	1,304	1,302	1,304	1,302
	5,740	5,021	70,714	69,446

In December 2001 49,383 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 2004. In addition 151,613 Oxford Instruments plc shares were purchased in December 2001 to award an Individual Option to Andrew Mackintosh. The cost of these shares will be recovered on exercise.

In total 1,105,746 shares (2001 904,750), representing 2.3% (2001 1.9%) of the issued share capital are now held in the Employee Benefit Trust in relation to these two Schemes and the Executive Share Option Scheme. Dividends on these shares are being waived.

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

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 2001	65,552	1,634	2,761	958	1,302
Share of retained profit for the year	–	–	3,322	–	–
Dividends received	–	–	(2,793)	–	–
Oxford Instruments plc shares acquired	–	–	–	412	–
Amounts written off	–	–	–	(224)	–
Additions	1,078	–	–	–	2
At 31 March 2002	66,630	1,634	3,290	1,146	1,304
Representing:					
Investments at cost less amounts written off	66,630	1,634	1,634	1,146	1,304
Share of post acquisition retained profit	–	–	1,656	–	–
	66,630	1,634	3,290	1,146	1,304

All investments set out above are directly held by Oxford Instruments plc.

17 ACQUISITION

The Group acquired the business and assets of CMI International Corporation based in Chicago, USA, on 23 October 2001 for a net cash consideration of \$2.0 million (£1.4 million).

The fair values attributed to the business at the date of the acquisition were:

	Book value £000	Accounting policy £000	Fair value £000	Fair value to the Group £000
Tangible fixed assets	130	(6)	–	124
Stocks	1,703	142	(656)	1,189
Debtors	1,496	–	(447)	1,049
Net cash	14	–	–	14
Creditors	(18)	–	(1,144)	(1,162)
Provisions	–	–	(107)	(107)
Net assets	3,325	136	(2,354)	1,107
Goodwill				330
Net outflow of cash in respect of the purchase				1,437
Less net cash acquired				(14)
Net cash outflow on acquisition				1,423

The book value of the assets acquired are based on the management accounts at the date of acquisition. The fair value adjustments for the alignment of accounting policies reflect the adoption of the Group policies in respect of fixed asset capitalisation and stock overhead absorption. The revaluation of stocks reflect the write down to estimated realisable value. The revaluation of debtors relates wholly to bad debt provisioning to reflect the estimated recoverable value. The revaluation of creditors incorporates liabilities which were not legal obligations on acquisition but which the Group decided to meet in order to continue the business. These primarily included warranty and extended warranty provisions, payments to certain creditors and commissions due to agents and distributors.

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

18 DISPOSALS

There were no disposals in the year ended 31 March 2002.

In the prior year ended 31 March 2001 the Group sold its cathodoluminescence and accessories business, for a cash consideration of £1.4 million. There was a net profit on disposal of £1.0 million. The Group also sold its beamlines business, for a cash consideration of £0.6 million. There was a net loss on disposal of £0.4 million.

19 PRINCIPAL SUBSIDIARY UNDERTAKINGS

	Equity owned by the Company %	Country of principal operations	Principal activity
Oxford Instruments Superconductivity Holdings Ltd	100	England	Holding
Oxford Instruments Medical Holdings Ltd	100	England	Holding
Oxford Instruments Analytical Holdings Ltd	100	England	Holding
Oxford Instruments Overseas Holdings Ltd	100	England	Holding
Oxford Instruments Superconductivity Ltd	*100	England	Trading
Oxford Instruments Medical Ltd	*100	England	Trading
Oxford Instruments Analytical Ltd	*100	England	Trading
Oxford Instruments Plasma Technology Ltd	*100	England	Trading
Oxford Instruments Overseas Marketing Ltd	*100	England	Marketing
Oxford Instruments Holdings Inc	*100	USA	Holding
Oxford Instruments Inc	*100	USA	Holding
Oxford Medical Inc	*100	USA	Holding
Microspec Corporation	*100	USA	Holding
Oxford Superconducting Technology	*100	USA	Trading
Austin Scientific Company	*100	USA	Trading
Oxford Instruments Medical Inc	*100	USA	Distribution
Oxford Instruments America Inc	*100	USA	Distribution
Oxford Instruments (Tennessee) Inc	*100	USA	Trading
Oxford Instruments X-Ray Technologies Inc	*100	USA	Trading
Oxford Instruments Measurement Systems LLC	*100	USA	Trading
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 Ltd	*100	Singapore	Distribution

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

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

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

20 STOCKS

	Group 2002 £000	Group 2001 £000
Raw materials and consumables	24,016	18,211
Work in progress	16,294	17,465
Finished goods and goods for resale	8,208	8,020
Total stocks	48,518	43,696

21 DEBTORS

	Group 2002 £000	Group 2001 As restated £000	Company 2002 £000	Company 2001 £000
Amounts falling due within one year				
Trade debtors	49,075	53,921	—	—
Amounts recoverable on contracts	6,620	1,850	—	—
Amounts owed by subsidiary undertakings	—	—	51,402	50,849
Amounts owed by joint venture	1,866	1,228	—	—
ACT recoverable	—	240	—	240
Other debtors	3,489	6,319	237	2,031
Prepayments and accrued income	2,575	2,552	165	162
	63,625	66,110	51,804	53,282
Amounts falling due after one year				
Deferred tax (see Note 25)	3,785	3,228	—	—
Total debtors	67,410	69,338	51,804	53,282

22 CASH AT BANK AND IN HAND

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Cash at bank and in hand	4,806	1,643	29,809	22,729

23 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Bank loans and overdrafts	7,982	9,959	35,470	27,468
Payments received on account	12,447	10,199	—	—
Trade creditors	10,728	17,167	497	260
Amounts owed to subsidiary undertakings	—	—	2,083	2,307
Amounts owed to joint venture	5,480	3,118	—	—
Other creditors	3,164	4,055	—	—
Corporation tax, UK and overseas	2,297	1,762	725	207
Payroll tax, social security and sales related taxes	2,242	2,097	62	24
Accruals and deferred income	20,593	20,719	602	644
Proposed dividends	2,808	2,816	2,808	2,816
Other creditors	59,759	61,933	6,777	6,258

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

24 PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty provisions £000	Pension obligations £000	Other provisions £000	Group Total £000
At 31 March 2001	4,641	1,334	203	6,178
Provided in the year	3,064	242	180	3,486
Utilised in the year	(2,500)	(281)	(16)	(2,797)
Released unused	(916)	—	—	(916)
Acquisition	107	—	—	107
Exchange movements	(19)	(3)	—	(22)
At 31 March 2002	4,377	1,292	367	6,036

Warranty provisions reflect the Group's standard terms and conditions. In general these apply for a year and, as a result, the majority of the provision is expected to be utilised within a twelve month period. The provision for pension obligations relates to pension costs charged to the profit and loss account but under IRS regulations not yet paid into the US defined benefit scheme. These pension payments are expected to be made over several future accounting periods. Other provisions relate primarily to surplus leases and reflect the discounted value of the expected shortfall in rental income against rental costs. The provision will be used over the related lease periods.

25 DEFERRED TAX

	Group 2002 £000	Group 2001 As restated £000	Company 2002 £000	Company 2001 As restated £000
Deferred tax asset				
At 31 March 2001	3,228	3,414	—	—
Transfer to profit and loss account	564	(186)	—	—
Exchange movements	(7)	—	—	—
As at 31 March 2002	3,785	3,228	—	—

	Group Recognised 2002 £000	Group Recognised 2001 As restated £000	Group Unrecognised 2002 £000	Group Unrecognised 2001 As restated £000
The amounts for deferred tax assets, representing the full potential asset, are set out below:				
Excess of depreciation over corresponding capital allowances	630	206	1,821	1,119
Other timing differences	3,155	3,022	582	708
Carried forward losses	—	—	5,178	6,109
	3,785	3,228	7,581	7,936

At 31 March 2002 the Company had an unrecognised deferred tax asset of £417,000 (2001 £431,000) of which £119,000 (2001 £133,000) related to accelerated capital allowances and £298,000 (2001 £298,000) was in respect of carried forward losses.

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

26 CALLED UP SHARE CAPITAL

	2002 Shares 000	2002 £000	2001 Shares 000	2001 £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	47,901	2,395	47,834	2,392

	Number of shares	Aggregate nominal value	Consideration per share
New issues of ordinary shares of 5p each during the year			
Exercise of savings related share options	66,884	£3,344	£1.84

	2002 Number of shares	Option price range	Period when exercisable	2001 Number of shares
Options subsisting at the year end on unissued ordinary shares				
Executive Share Option Schemes	1,525,708	£1.59 – £4.87	01/04/02 – 27/09/11	534,625
Savings Related Share Option Scheme	1,075,470	£1.39 – £3.87	01/04/02 – 31/07/07	1,289,042
Total options subsisting on unissued ordinary shares	2,601,178			1,823,667
Percentage of issued share capital	5.4%			3.8%

Options subsisting at the year end on existing ordinary shares held in trust or to be purchased				
Senior Executive Long Term Incentive Scheme	554,383	nil	01/04/02 – 19/12/08	670,265
Executive Share Option Scheme	199,750	£1.86 – £1.96	01/04/02 – 24/12/10	227,250
Individual Options	467,113	nil – £2.95	06/03/03 – 19/12/08	150,000
	1,221,246			1,047,515

27 RESERVES

	Share premium account £000	Capital redemption reserve £000	Other reserves £000	Group Profit and loss account £000
At 31 March 2001 – Group profit and loss account as restated	18,656	125	15,805	52,792
Retained profit for the financial year	–	–	–	5,417
Premium on issued shares	120	–	–	–
Other exchange adjustments	–	–	–	(144)
At 31 March 2002	18,776	125	15,805	58,065

Purchased goodwill of £39,726,000 (2001 £39,726,000), previously eliminated against reserves, has been offset against the profit and loss account. See Note 1 for details of the prior year adjustment.

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

27 RESERVES continued

	Share premium account £000	Capital redemption reserve £000	Other reserves £000	Company Profit and loss account £000
At 31 March 2001	18,656	125	7,594	83,728
Premium on issued shares	120	—	—	—
Retained loss for the financial year	—	—	—	(2,064)
At 31 March 2002	18,776	125	7,594	81,664

Distributable reserves of the Company at 31 March 2002 were £81,664,000 (2001 £83,728,000)

28 RECONCILIATIONS OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group 2002 £000	Group 2001 As restated £000	Company 2002 £000	Company 2001 £000
Profit/(loss) for the financial year	9,348	(64)	1,867	3,273
Dividends paid and proposed	(3,931)	(3,942)	(3,931)	(3,942)
Retained profit/(loss) for the financial year	5,417	(4,006)	(2,064)	(669)
Exchange differences on foreign currency net investments	(144)	3,656	—	—
New share capital subscribed	123	—	123	—
Net increase/(reduction) in equity shareholders' funds	5,396	(350)	(1,941)	(669)
Opening equity shareholders' funds	89,770	90,120	112,495	113,164
Closing equity shareholders' funds	95,166	89,770	110,554	112,495

29 NET CASH FLOW FROM OPERATING ACTIVITIES

	2002 £000	2001 As restated £000
Group operating profit/(loss)	5,319	(1,352)
Depreciation charges	6,220	5,510
Amortisation of goodwill	313	100
Net loss/(profit) on disposal of fixed assets	25	(324)
Change in stocks	(3,730)	(9,556)
Change in debtors	1,402	(3,731)
Change in creditors	(2,774)	10,048
Change in provisions	(133)	(2,620)
Net cash inflow/(outflow) from operating activities	6,642	(1,925)

There are no cash flows from operating activities in respect of exceptional items (2001 £4,682,000 outflow).

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

30 CASH FLOWS NETTED IN THE CASH FLOW STATEMENT

	2002 £000	2001 £000
Interest received	50	176
Interest paid	(1,154)	(608)
Net cash outflow from returns on investments and servicing of finance	(1,104)	(432)
Purchase of fixed assets	(4,806)	(6,413)
Sale of fixed assets	6,786	527
Investments acquired	(414)	(343)
Net cash inflow/(outflow) from capital expenditure and financial investment	1,566	(6,229)
Decrease in term deposits	—	1,500
(Decrease)/increase in term loans	(1,000)	8,000
Net cash (outflow)/inflow from management of liquid resources	(1,000)	9,500
Issue of ordinary shares including share premium	123	—
Net cash inflow from financing	123	—

31 MOVEMENT IN NET DEBT

	At 31 March 2002 £000	Exchange rate effect £000	Cash movement in year £000	At 31 March 2001 £000
Cash at bank and in hand	4,806	(139)	3,302	1,643
Bank overdrafts	(188)	1	930	(1,119)
Net cash	4,618	(138)	4,232	524
Debt due within one year	(7,794)	46	1,000	(8,840)
Debt due after one year	(808)	(3)	(805)	—
Net debt	(3,984)	(95)	4,427	(8,316)

32 DERIVATIVES AND FINANCIAL INSTRUMENTS

Forward foreign currency contracts

The Group enters into forward foreign currency contracts to mitigate the uncertainty of 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 2002 was as follows:

	Gains £000	(Losses) £000	Net Total £000
Unrecognised gains and losses at 31 March 2001	1,636	(996)	640
Gains and losses arising in previous year recognised in current year	(1,636)	996	(640)
Gains and losses arising in current year and not recognised in current year	691	(965)	(274)
Unrecognised gains and losses at 31 March 2002	691	(965)	(274)

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

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

32 DERIVATIVES AND FINANCIAL INSTRUMENTS continued

The gross contract values of the forward contracts which the Group had not yet recognised at 31 March 2002 were:

	Gross contract value million	Book value £000	Fair value £000
US Dollars	35	—	(686)
Japanese Yen	312	—	283
Euros	11	—	129

The net foreign currency monetary assets after taking account of contract hedges at 31 March 2002 were:

	Net monetary assets £000
US Dollars	—
Japanese Yen	—
Euros	—

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 31 March 2002:

	Currency	Interest rate	Book value £000	Fair value £000
Cash in hand and short term deposits	Sterling	floating	672	672
Cash in hand	US Dollar	floating	519	519
Cash in hand	Singapore Dollar	floating	283	283
Cash in hand and short term deposits	Euro	floating	825	825
Cash in hand and short term deposits	Japanese Yen	none	2,507	2,507
Total financial assets			4,806	4,806
Bank loans	Sterling	floating	7,000	7,000
Bank loans	Japanese Yen	floating	795	795
Bank loans	US Dollar	floating	808	808
Bank overdraft	US Dollar	floating	187	187
Total financial liabilities			8,790	8,790

Maturity of financial assets and liabilities

All financial assets and liabilities, with the exception of the £0.8 million US dollar loan, mature within one year or on demand. The US loan is due for repayment on 26 October 2003.

Interest rates

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.

Borrowing facilities

The Group had committed borrowing facilities at 31 March 2002 of £15.0 million (2001 £10.0 million) of which the following were undrawn:

	2002 £000	2001 £000
Expiring in less than 1 year	3,000	—
Expiring in more than 1 year but less than 2 years	6,000	5,000

> OXFORD INSTRUMENTS PLC

> NOTES ON THE FINANCIAL STATEMENTS

33 CONTINGENT LIABILITIES

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Guarantees in respect of subsidiary undertakings' indebtedness	—	—	920	1,604
Guarantees in respect of joint venture's indebtedness	—	—	7,595	6,750
	—	—	8,515	8,354

Certain subsidiaries of the Group have, in the normal course of business, given guarantees in respect of performance bonds. Where the company has issued guarantees to secure bank facilities for its subsidiary undertakings or joint venture, the value of these guarantees are only shown to the extent that these facilities were being used by its subsidiary undertakings or joint venture 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.

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34 OTHER COMMITMENTS

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Capital commitments				
Contracted for but not provided	1,158	487	—	—

Leasing commitments

Annual commitments under non cancellable operating leases expiring within:

		Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
1 year	Land and buildings	210	48	—	—
	Other	102	115	—	—
	Total	312	163	—	—
2 to 5 years	Land and buildings	862	1,004	—	—
	Other	508	344	36	34
	Total	1,370	1,348	36	34
Thereafter	Land and buildings	895	656	—	—
	Other	2	—	—	—
	Total	897	656	—	—

35 EXCHANGE RATES

The principal exchange rates to sterling used were:

Average translation rates	2002	2001	Year end rates	2002	2001
US Dollar	1.43	1.48	US Dollar	1.42	1.42
Euro	1.62	1.64	Euro	1.63	1.61
Yen	180	164	Yen	189	178

Average contract rates	2002	2001
US Dollar	1.47	1.56
Euro	1.59	1.61
Yen	159	179

> OXFORD INSTRUMENTS PLC

> NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the thirty eighth Annual General Meeting of Oxford Instruments plc will be held at 2.30pm on 30 July 2002 at the offices of Oxford Instruments Superconductivity Limited, Tubney Woods, Abingdon, Oxon, OX13 5QX to transact the following business:

ORDINARY BUSINESS

1 Directors' Report and Accounts

To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31 March 2002 and the Report of the Auditors thereon.

2 Remuneration Report

To consider and approve as an Ordinary Resolution the Remuneration Report set out on pages 22 and 23 of the Report of the Directors and the Financial Statements for the year ended 31 March 2002.

3 Final Dividend

To declare the final dividend for the year to 31 March 2002.

4 Re-election of Directors

- (a) To re-elect Andrew Mackintosh who retires by rotation but, being eligible, will be proposed for re-election.
- (b) To re-elect Peter Hill who retires by rotation but, being eligible, will be proposed for re-election.

5 Appointment and Remuneration of Auditor

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

6 Renewal of Directors' authority

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 £798,351.

7 Partial disapplication of statutory pre-emption rights

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 £119,752.

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

To consider as a Special Resolution that pursuant to Article 4 of the Articles of Association of the Company and subject to the provisions of the Companies Act 1985 ("the Act") the Company be generally and unconditionally authorised to purchase by market purchase (as defined by Section 163 of the Act) up to 4,790,109 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 Meeting 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; and
- (iv) any shares purchased pursuant to the authority may be selected by the Directors in any manner as they from time to time deem appropriate.

> OXFORD INSTRUMENTS PLC

> NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

9 Amendments of Articles of Association

To consider as a Special Resolution that the Articles of Association of the Company be and they are hereby amended by the addition to the end of Article 93.2 of the following two sentences: "For the purposes of these Articles, any Director who is able to participate in any meeting of the Board by way of telephonic communication or electronic communication shall be deemed to be present in person at such meeting and shall be entitled to vote and count in the quorum accordingly. Such meeting of the Board shall be deemed to take place where the largest number of those participating is assembled, or, failing that where the Chairman of the Board meeting then is."

10 Donations to EU political organisations and EU political expenditure

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

- (i) make Donations to EU political organisations; and
- (ii) incur EU political expenditure

in an aggregate amount not exceeding £200,000 during the period commencing on the date of this resolution and ending on the date of the Annual General Meeting in 2003. For the purposes of this resolution, the expressions "Donations", "EU political organisations" and "EU political expenditure" have the meanings set out in section 347A of the Companies Act 1985 (as amended by the Political Parties, Elections and Referendums Act 2000).

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MEETING NOTES

- 1 A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. Such proxy or proxies need not be a member or members of the Company. A Form of Proxy is enclosed.
- 2 To be effective the Form of Proxy must be lodged with the Company's Registrar at Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4BR no later than forty-eight hours before the time fixed for the Meeting.
- 3 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders registered in the register of members of the Company as at the close of business on 29 July 2002 shall be entitled to attend or vote at the Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the relevant register of securities after the close of business on 29 July 2002 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
- 4 Copies of the following documents will be available for inspection at the Registered Office of the Company and at the offices of the Company's solicitors, Laytons, Carmelite, 50 Victoria Embankment, London EC4Y 0LS during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this Notice at and until the conclusion of the Meeting:
 - (i) the service contracts of Andrew Mackintosh and Martin Lamaison; and
 - (ii) the register of interests of Directors (and their families) in the shares of the Company.

> OXFORD INSTRUMENTS PLC

> NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON THE PROPOSED RESOLUTIONS

The formal Notice of the 2002 Annual General Meeting (AGM) is set out above. The explanatory notes below summarise the purpose of the Resolutions to be voted upon by Shareholders at this year's AGM.

Ordinary Business

Resolutions 1 to 8 set out in the Notice of the Meeting are ordinary business.

Resolution 2 – Remuneration Report

In view of developing practice on Corporate Governance, this year there is a resolution to receive and approve the Remuneration Report, which summarises the Group's policy on Directors' remuneration and is shown on pages 22 and 23.

Resolution 4 – Re-election of Directors

Biographical details of the Directors seeking re-election are set out on page 16.

Resolution 6 – Renewal of Directors' Authority

This is a renewal of the power granted to Directors during 2001 AGM to issue new shares up to a limit of one third of the issued share capital at 31 March 2002. The Directors have no present intention of exercising this authority.

Resolution 7 – Partial Disapplication of Statutory Pre-emption Rights

This is a renewal of the power granted to Directors during the 2001 AGM to allot shares for cash otherwise than pro rata to existing shareholders in certain limited circumstances. The power is limited to 5% of the issued share capital as at 31 March 2002.

Resolution 8 – Authority for the Company to Purchase its own shares

This is a renewal of the authority granted to Directors at the 2001 AGM 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.

Special Business

Resolutions 9 and 10 set out in the Notice of Meeting are special business.

Resolution 9 – Amendment of the Articles of Association

This resolution enables Directors to attend Board meetings electronically or by telephone and to count in the quorum of any Board meeting which they attend in this way.

Resolution 10 – Donations to EU political organisations and EU political expenditure

The Political Parties, Elections and Referendums Act 2000 ("PPERA") came into force on 16 February 2001 and amongst other things requires companies to seek prior shareholder approval for any EU political donations or expenditure in any twelve month period. It has been the Company's policy not to make donations to political parties and this remains the case. However, the definitions of political donations and political expenditure in PERA are very widely drafted and the Company has been advised that the definitions could include routine business activities undertaken by the Company (such as involvement in law reform and policy review or special interest groups which the Company may support in the ordinary course of its business). The purpose of the resolution therefore is to prevent any inadvertent infringement of the law. The Company has no intention of using this authority for any purpose other than a continuation of normal business and employment practices.

Authority to make such donations can be granted by shareholders for a period of up to 4 years; however, the Board considers it appropriate to request this authority in the first instance for a period of one year only. The Board also considers it appropriate to limit the authority requested to £200,000 until the next AGM.

By Order of the Board

Martin Lamaison Company Secretary

2 July 2002



> OXFORD INSTRUMENTS PLC

> SHAREHOLDER INFORMATION

Financial calendar

31 March 2002	Financial year end
6 June 2002	Announcement of preliminary results
30 July 2002	Annual General Meeting
4 September 2002	Ordinary shares quoted ex-dividend
6 September 2002	Record date for final dividend
4 October 2002	Payment of final dividend
Mid November 2002	Announcement of half year results
End March 2003	Payment of interim dividend
31 March 2003	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:

Capita 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.

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.

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 should apply to:

Company Secretary
Oxford Instruments plc
Old Station Way, Eynsham
Witney, Oxon OX29 4TL
Tel 01865 881437
Fax 01865 881944
Email info.oiplc@oxinst.co.uk
Website www.oxford-instruments.com

Company registration

Registered office: Old Station Way
Eynsham, Witney, Oxon OX29 4TL
Registered number: 775598
Registered in England

Website – www.oxford-instruments.com

The Oxford Instruments website allows users of the site to see our latest news, to check out a product range, to look for a job or simply find out about our company – and move between all these in just a few clicks. In addition, shareholders can browse the Investor Information section, find out who to contact regarding enquiries and share dealings, download recent trading reports, and obtain the latest share price. This and other developments are part of a continuing move towards improving communications between Oxford Instruments and its shareholders.

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. Ltd
12 Tokenhouse Yard, London EC2R 7AN
Tel 020 7588 2828
Fax 020 7606 9205

Analysis of shareholders as at 31 March 2002

Size of shareholding	Number of holders	% of total	Total holding	% of total
Up to 5,000 shares	3,248	90.3	2,327,202	4.9
5,001 to 50,000 shares	256	7.1	3,789,612	7.9
50,001 to 200,000 shares	43	1.2	4,422,828	9.2
Over 200,000 shares	49	1.4	37,361,448	78.0
Total	3,596	100.0	47,901,090	100.0

> OXFORD INSTRUMENTS PLC

> FIVE YEAR RECORD

	1998 £000	1999 £000	2000 £000	2001 £000	2002 £000
Profit and loss account					
Group and share of joint venture turnover	199,336	217,031	201,068	221,910	260,280
Less share of joint venture turnover	(27,126)	(49,220)	(40,378)	(36,775)	(46,600)
Group turnover	172,210	167,811	160,690	185,135	213,680

Group operating profit/(loss)	11,956	3,979	(14,689)	(1,352)	5,319
Share of operating profit of joint venture	2,659	7,165	5,800	4,350	5,213
Total operating profit/(loss)	14,615	11,144	(8,889)	2,998	10,532
Profit on sale of business before goodwill	–	–	2,855	599	–
Profit on disposal of properties	–	–	–	–	3,034
Goodwill previously written off	–	–	(11,986)	–	–
Net interest receivable/(payable)	1,223	375	197	(792)	(1,526)
Profit/(loss) on ordinary activities before tax	15,838	11,519	(17,823)	2,805	12,040
Taxation	(4,801)	(3,670)	(1,647)	(2,869)	(2,692)
Profit/(loss) attributable to shareholders	11,037	7,849	(19,470)	(64)	9,348

Balance sheet					
Intangible assets - goodwill	–	(1,624)	1,607	4,411	4,428
Tangible fixed assets	42,279	42,749	40,815	43,731	38,849
Investments	2,660	5,062	5,024	5,021	5,740
Stocks	33,863	34,481	36,114	43,696	48,518
Debtors	62,018	63,867	63,208	69,338	67,410
Other creditors	(47,797)	(47,214)	(53,284)	(61,933)	(59,759)
Net current assets, excluding net cash/(debt)	48,084	51,134	46,038	51,101	56,169
Cash at bank and on short term deposit	14,816	9,130	5,709	1,643	4,806
Bank loans and overdrafts	(3,500)	(3,099)	(3,105)	(9,959)	(8,790)
Net cash/(debt)	11,316	6,031	2,604	(8,316)	(3,984)
Provisions for liabilities and charges	(4,932)	(4,441)	(8,552)	(6,178)	(6,036)
Net assets employed	99,407	98,911	87,536	89,770	95,166
Equity shareholders' funds	99,407	98,911	87,536	89,770	95,166

Cash flow					
Net cash inflow/(outflow) from operating activities	14,580	12,908	(1,563)	(1,925)	6,642
Interest and dividends, paid and received	582	834	(246)	(694)	(2,250)
Taxation	(3,411)	(7,485)	(119)	(250)	(231)
Investing activities	(25,433)	(6,396)	(1,620)	(8,157)	143
Net cash inflow/(outflow) before management of liquid resources and financing	(13,682)	(139)	(3,548)	(11,026)	4,304

	pence	pence	pence	pence	pence
Per ordinary share					
Earnings/(losses)	22.2	16.2	(41.3)	(0.1)	19.9
Dividends	8.1	8.4	8.4	8.4	8.4
Net assets attributable to shareholders	197.9	207.0	183.0	187.7	198.7

Employees					
Average number of employees	1,674	1,809	1,619	1,551	1,773

> OXFORD INSTRUMENTS PLC

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