# Oxford Instruments plc

## Annual Report and Accounts 2007


*The Business of Science*™

# Technology supporting the world today and in the future

## Contents


ABS
mph
0
20
40
60
80
100
120
140
160
180
200
220

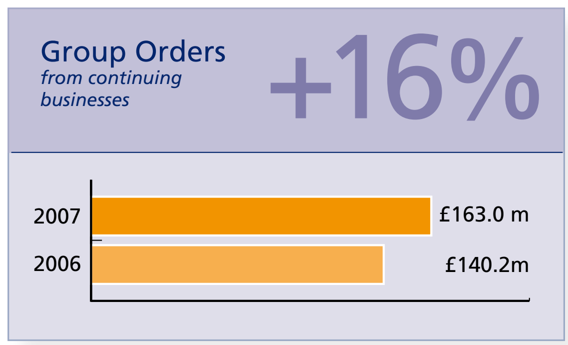
# Group Financial Summary 2007

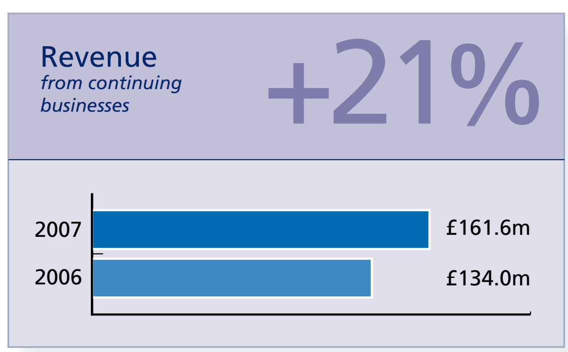
## About us

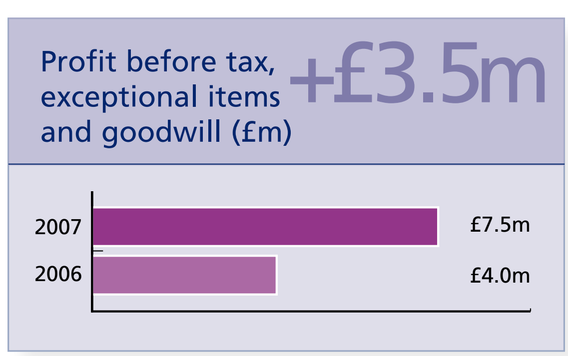
Oxford Instruments specialises in the supply of high technology instruments for industry and research. The company employs over 1,300 people worldwide, and has been listed on the London Stock Exchange since 1983.

Innovation has been at the heart of Oxford Instruments since it was founded by Sir Martin Wood over 40 years ago, and it is the driving force behind our growth and success. Together with our skills and expertise, we have a solid foundation from which to turn our science into commercially successful products.

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



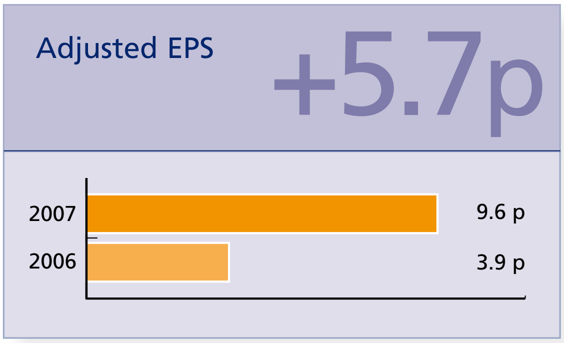



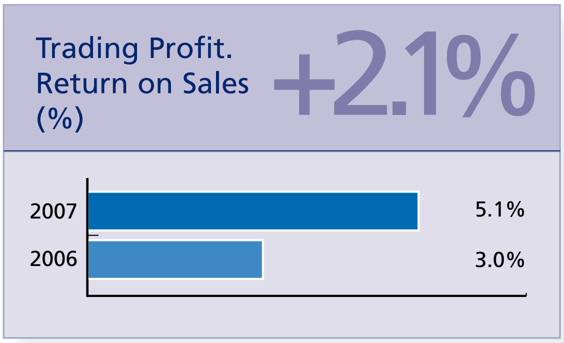
Group Results

| Year ended 31 March | 2007 £m | 2006 £m |
|---|---|---|
| Orders | **163.0** | 159.9 |
| Revenue | **161.6** | 147.4 |
| Trading profit | **8.3** | 4.4 |
| Adjusted Profit before tax | **7.5** | 4.0 |
| Net Cash | **1.8** | 9.8 |
| Equity | **55.8** | 46.4 |

| | 2007 pence per share | 2006 pence per share |
|---|---|---|
| Adjusted earnings | **9.6** | 3.9 |
| Total basic earnings | **(3.2)** | (7.2) |
| Dividends | **8.4** | 8.4 |
| Net assets | **115.8** | 97.3 |

| | | |
|---|---|---|
| Employees at year end | **1,315** | 1,290 |



# Oxford Instruments plc Group Structure

## ANALYTICAL

### NANOANALYSIS

Leading supplier of X-ray microanalysis and electron back-scatter diffraction systems, providing detailed structural and chemical analysis at the nano scale.

Key markets include research and development, quality control and failure analysis.

### INDUSTRIAL ANALYSIS

Leading supplier of a range of analytical instruments designed for demanding quality control applications using the core technologies of X-ray Fluorescence (XRF) and Optical Emission Spectroscopy (OES).

Key applications include environmental monitoring, metals analysis, coating thickness measurement, measurement of low sulfur in petroleum and general elemental analysis.

## SUPERCONDUCTIVITY

### NANOSCIENCE

Leading provider of high performance environments for low temperature and high magnetic field applications in physical science research and development down to the nano scale.

Key market is research and development.

### SUPERCONDUCTING TECHNOLOGY

World leading developer and supplier of superconducting wire and cable for a wide range of magnet applications including Magnetic Resonance Imaging (MRI), Nuclear Magnetic Resonance (NMR), subatomic particle accelerators and fusion energy research.

A supplier of MRI magnet support services in the USA and Japan.

## INNOVATION (OII)

Incubator for new ideas, new product innovations and acquisitions.
OII works with and supports all theOxford Instruments business groups.

## X-RAY TECHNOLOGY

World-class manufacturer of low power, small form factor X-ray tubes for use in a range of measurement equipment.

Key markets include analysis, industry, research and development, healthcare and space.

## PLASMA TECHNOLOGY

Supplier of process tools for the precise, controllable and repeatable etching, deposition and growth of nano structures.

These tools provide process solutions for the nanometre engineering of materials for semiconductors, optoelectronics, high quality optical coating and many other applications in micro and nanotechnology.


## AUSTIN SCIENTIFIC

Specialises in the manufacture and repair of cryogenic vacuum pumps, cryo-coolers, helium compressors and MRI cold heads.

key market is the semiconductor industry.

## MOLECULAR BIOTOOLS

Core technologies include NMR and Dynamic Nuclear Polarisation (DNP).

Develops and manufactures tools for life science and drug discovery applications and industrial quality control processes.

# Chairman's Statement

"The continuing businesses performed strongly throughout the year, with orders up 16.3% to £163.0 million. On the same basis revenues grew 20.6% to £161.6 million."

Our objective is to generate shareholder value by becoming a leading provider of tools and systems for use by customers who need to observe and manipulate matter at the smallest scale.

The continuing businesses performed strongly throughout the year, with orders up 16.3% to £163.0 million. On the same basis revenues grew 20.6% to £161.6 million. Trading profit increased by £3.9 million to £8.3m. This encouraging performance was despite the adverse effects of movements in foreign exchange rates and the price of copper which together adversely impacted profits by £4.0 million.

Our strategy to reposition the Group towards future growth markets is delivering tangible results. The increasing requirement of compliance to environmental legislation across the world is a major growth driver for sales of our products. Our other industrial and commercial businesses, which provide tools for quality control and small-scale production, also continue to grow. Our sales to the life science sector have increased in the year with the success of our new HyperSense® product. Other important sectors such as security and energy will provide opportunities for further growth in the future. We have also begun the process of converting the opportunities offered by new scientific fields such as nanoscience into technologies needed for a broad range of new industries.

Oxford Instruments now stands as a much more commercially orientated business. Significant cultural change in the Group has been supported by our talented and enthusiastic workforce, and I would like to thank them for their positive response to the new strategy and resulting changes. They have delivered an appreciable improvement in performance.

The year 2006/07 represents the first full year of our more focused strategy. We have made good progress during the year and we believe our stronger commercial focus and improving operational efficiency have laid the foundations for long-term profitable growth.

**Nigel Keen** Chairman
13 June 2007


- 2005 Texas City oil refinery fire caused by the wrong alloy steel pipes being used in routine maintenance
- 2007 official enquiry requires all refining, petrochemical and chemical industries adopt positive material identification (PMI) in maintenance procedures
- Recommended X-ray Fluorescence ( XRF) as the preferred method for PMI
- Oxford Instruments' X-MET3000 range of hand-held XRF spectrometers give fast, accurate results for metal detection and analysis


- Lighting produces 1900 megatons of $CO_2$ annually. This is equivalent to 70% of global emissions of cars and 3x the emissions from aviation
- 20% of all electricity consumption in the UK is for lighting.
- Replacing light sources with highly efficient High Brightness Light Emitting Diodes (HB LEDs) would save c £1.7bn in annual UK energy costs
- Oxford Instruments Plasma Technology PlasmaLab range of process tools are used in the development of HB LEDs

# Chief Executive's Statement

"We are confident that our strategy of commercialising our technology under our world renowned Oxford Instruments' brand will generate increased shareholder value."

**Operational Review**
Starting from 2005/06, our target is to double the turnover of Oxford Instruments over five years by organic growth and acquisitions. We plan to achieve this by becoming a more customer focused business, increasingly concentrating on new products and markets, such as nanotechnology and biotechnology. Our products will increasingly consist of complete systems sold directly to end-users.

Sales from the continuing businesses increased by 20.6% to £161.6 million. The products we have launched this year have been well received by our customers and have contributed to our growth. This, together with continuing strong demand driven by environmental legislation around the world and a strong performance in Asia means that our internal targets for this first year of our five year plan, have been met entirely from organic growth.

We have invested significantly in our global sales infrastructure, which works with our highly motivated team of engineers and scientists. We plan to achieve our objectives by using our world-renowned capabilities in magnetic fields, cryogenics, X-ray technology and software to develop high performance tools to meet customer needs. We are committed to a coherent product development programme, exploiting our worldwide distribution channels and strong brand image to successfully commercialise our technological lead.

At the same time as increasing the top line, work has been underway to improve the percentage return on sales to the mid-teens from a base of 3.0% in the financial year 2005/06. We expect to achieve this by obtaining better value from our fixed costs through a higher volume of sales, whilst at the same time improving operational performance. Our strategy has been to exit unprofitable product lines and to focus on margin improvement in those businesses which have a strong market position. These activities have been successful this year we exceeded our internal target for improving return on sales, which improved by 2.1 percentage points to 5.1% in the year, from a low base.

Building on the improvements made to date we are putting additional resources behind identifying acquisitions which will support our strategy. In general these will be small or medium sized and will provide technological or market synergy with our existing business.

Whilst the overall financial performance of the business has been in line with our plan, movements in the currency markets (particularly the US$ and YEN) and increases in the price of copper, have adversely affected our profitability this year. These two effects between them accounted for a reduction in profits of around £4.0m, compared to that which would have been generated had the values remained at their 2005/06 levels. This reduced profitability was offset by better than expected trading and efficiency improvements across the business.

- Nano scale Magneto resistive sensors have many applications
  - Wheel speed sensors for motor management systems
  - Sensors to obtain biometric eye data for medical applications
  - Angular sensors in movie cameras for integration of computer animated special effects and real pictures
- INCADryCool $LN_2$ free detector for electron microscopes is used in the development of MR-sensors


**Analytical Businesses**
Orders and revenue for the year were £106.7 million (2006: £85.5 million) and £100.7 million (2006: £80.7 million) respectively. Trading profit was £10.1 million (2006: £6.1 million).

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

Our Industrial Analysis business, which produces tools that enable our industrial customers to analyse materials, had a successful year. Order intake and sales reached record levels. This was fuelled by customers buying equipment to comply with RoHS (Restriction of Hazardous Substances) legislation, and increasing sales to customers in sectors such as the oil and gas industry, where there is growing demand for tools that can positively confirm that the correct materials have been used in safety-critical applications.

Our X-Ray Technology business, which provides X-ray sources for the industrial market, had a very strong year driven by the RoHS legislation. We are also undertaking a research contract for NASA (National Aeronautics & Space Administration) to develop technology for a forthcoming mission to Mars.

Our NanoAnalysis business is the market-leading provider of a range of detectors for users of electron microscopes who need to understand chemical and structural properties. This business enjoyed good sales growth driven by the introduction of new products. At the half year we announced our new INCAx-act detector based on new technology which makes it smaller and easier to use whilst maintaining high performance levels. Sales of INCAx-act have exceeded our expectations in the second half of the year and have contributed to the growth. In May 2007 we were awarded the Queen's Award for Enterprise:Innovation for our new INCADryCool™ detector, which offers a method of safe, high sensitivity chemical analysis without the use of liquid nitrogen.

Plasma Technology provides a range of products for the manufacture of high performance semiconductors for specialist applications. This business showed strong organic growth supported by the introduction of our new Atomic Layer Deposition (ALD) products. Dr David Robbins Chief Technology Officer of Cenamps, a UK centre of excellence for nanotechnology at Newcastle University, and one of our first ALD customers, said "ALD is an extremely exciting technique. The coatings can be accurately controlled down to a thickness of 1 nanometer which is about 100,000 times thinner than a sheet of paper, holding exciting possibilities for a range of industries from electronics to food packaging".

**Superconductivity Businesses**
Orders and revenue for the year were £56.3 million (2006: £63.9 million) and £60.9 million (2006: £66.7 million) respectively. Trading profit was £1.6 million (2006: £0.3 million).

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

# Chief Executive's Statement

Our NanoScience business provides superconducting magnets and cryogenic systems for our research and academic customers. This business has shown significant improvement over last year, although there is still some way to go to achieve the desired performance. Reorganisation and efficiency improvement within NanoScience mean that on a like for like basis, sales grew significantly in the year. The long standing historical and technical difficulties that the business faced have been addressed. As previously reported, we negotiated an exit from the long running Hybrid contract with the High Magnetic field laboratory in Grenoble. We have also written off a number of Nuclear Magnetic Resonance assets relating to our previous trading with NMR OEMs.

This clears the way for us to concentrate on new products with a more commercial focus. In March 2007 we launched our Triton™ dilution refrigerator, a new type of cooling device that does not require liquefied gases to operate. This opens up previously inaccessible markets where very cold detectors would be required, such as airport security. We also launched the Integra™ re-condensing device, which significantly reduces liquid helium requirements for existing customers and opens up new market possibilities, such as quantum computing where customers require very low operating temperatures.

Our Superconducting Wire business is a market-leading producer of wire for MRI (Magnetic Resonance Imaging) and other industries. Although sales grew in the year this business was adversely affected by the rise in the price of copper, which is a significant component in the manufacturing process. Financial instruments and customer contract renegotiation mean that exposure to commodity price fluctuation is now reduced. The intergovernmental ITER programme, which seeks to generate large-quantities of energy without any associated carbon emissions, is expected to lead to orders for our high performance wire in the last quarter of the 2007/8 financial year.

Our MRI Service business maintains MRI scanners throughout the United States and in Japan. This business was steady throughout the year and efficiency has improved with the introduction of GPS monitoring of the fleet of service vehicles.

Our Austin Scientific business produces, refurbishes and maintains high technology pumps and refrigerators for industrial and research customers. Trading was difficult in the first half of the year, particularly in the research area. An increased focus on industrial customers and a revamping of our network of sales representatives has meant that order intake picked up towards the end of the year and we expect to see improved trading in the current year.

Molecular Biotools, which supplies novel analytical instrumentation to the life sciences and pharmaceutical communities, has generated high levels of growth. This has been driven by the strong customer pull for the HyperSense® product which allows significant improvements in sensitivity for NMR experiments. HyperSense occupies a unique position in this marketplace and has received strong customer acceptance. A user of HyperSense, Professor Craig Malloy M.D, Professor of Radiology and Internal Medicine, University of Texas Southwestern Medical Center, commented, "In the short time it has been in our hands, the HyperSense has fulfilled all expectations. This remarkable and reliable instrument enabled new experiments in metabolism. The results strongly suggest that new clinical diagnostic methods are on the horizon."

**Innovation**

Oxford Instruments Innovation (OII) is tasked with identifying key growth areas for the business, which fall outside the current portfolio of the trading businesses. For our chosen targets, OII then implements support to the acquisition process, or early stage internal development. In the year £3.4m (2006: £2.0m) was invested in OII and three early stage products were successfully transferred into the trading divisions for exploitation in the coming years.

- Increased demand for tools to aid the development of new drugs
- Research into how pharmaceuticals really work in the human body
- Demand to find instruments to aid early detection of diseases
- Oxford Instruments' HyperSense instruments support R&D in lifesciences and bioscience


**China**
This year we celebrated the 10th anniversary of our operations in China where we now have sales offices in three sites around the country and a low cost manufacturing facility in Shanghai. Demand in China for our products is strong and sales rose by 35% this year. In the year, we have moved production of several product lines to China. Early signs are positive, but there is still some way to go to transfer a cost effective volume to this facility. Our repair facility for cryopumps for the Chinese semiconductor market is now operational. We have also launched the first product incorporating software designed by our team in Shanghai.

**Property**
Following site consolidations and efficiency improvements, we have two sites in the Oxford area which are available for disposal. As reported at the half year, in North America we have moved into larger premises for our X-Ray Technology business to cope with increased demand. Our sales office in Boston has also moved to larger premises to facilitate a new applications laboratory, which will enable us to sell our biotechnology products more effectively in the US. Our Plasma Technology business will move to a new, purpose built site in 2008.

**Risks to be managed**
Oxford Instruments provides high technology equipment and systems. There is necessarily some technical risk associated with implementing advanced programmes. This risk has reduced in recent years as the business moves away from large scale single customer development programmes, towards commercially orientated products. Our business plan requires the introduction of new products to gain market share to support our growth. The product introductions made so far have been successful. However, there is the risk that future product introductions may not yield the sales forecast, especially when new markets are accessed.

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

**Looking Ahead**
Following a year of strong sales growth we expect the reorganisations we have made in the business to continue to deliver organic growth, although the growth rate driven by RoHS legislation in Europe will reduce. In due course new legislation in Asia is expected to drive global demand for environmental compliance equipment. Elsewhere commercial markets for our new products are expected to remain strong. Further new product introductions are planned and we will continue to seek out appropriate acquisition opportunities.

We are confident that our strategy of commercialising our technology under our world renowned Oxford Instruments' brand will generate increased shareholder value.

**Jonathan Flint** Chief Executive
13 June 2007

# Financial Review

"Trading profit increased by £3.9 million to £8.3 million (2006: £4.4 million). Adjusted profit before tax was £7.5 million (2006: £4.0 million)"

**Trading Performance**
On a like for like basis, at constant currency, order intake was up 20.2% and revenues increased by 26.1%. This headline number excludes the effects of a weakened US Dollar and Japanese Yen which reduced revenues by £7.4 million, and the revenue lost with the closure of the volume magnet business at the end of the previous year. Reported revenues grew 9.6% to £161.6 million (2006: £147.4 million).

Gross margins improved from 40.6% to 41.2%, despite unfavourable movements in exchange rates and an increase in the average price of copper from US$1.88/lb last year to US$3.16/lb this year. The combined adverse effect of currency and copper price movements at the, gross margin level is estimated to be approximately £6.1 million compared with last year.

Total operating expenses increased by £2.9 million to £58.3 million (2006: £55.4 million). Operating expenses benefited by approximately £1.3 million from the translation of our overseas operations' expenses at weaker exchange rates and £0.9 million from hedging. Of the total underlying increase of £5.1 million, approximately £0.5 million was in R&D and £2.7 million was in additional selling expenses, supporting the £22.8 million growth in orders taken in the period. Administrative and shared services expenses increased by £1.9 million, a large proportion of which was due to an increased IAS19 pension charge.

Trading profit increased by £3.9 million to £8.3 million (2006: £4.4 million). Adjusted profit before tax (note 2) was £7.5 million (2006: £4.0 million).

**Amortisation of acquired intangibles**
This consists of a £0.2 million charge relating to the amortisation of acquired intangibles (2006: £0.2 million), and a £0.9 million charge due to the adjustment, in accordance with IAS12, to the carrying value of goodwill arising from the utilisation of tax losses that had not previously been recognised as a deferred tax asset.

**Non-recurring costs**
In our April trading statement we announced that we were in negotiations that we expected to result in an asset write-down of approximately £3 million. These negotiations, though still to be concluded, are at an advanced stage and as a result we have provided £2.9 million in this year's accounts.

We announced at the half-year that we had provided for a settlement with a customer over a long running onerous contract, which resulted in a non-recurring charge of £2.2 million in the first half. This matter is now finalised and at an amount less than originally anticipated. As a result £0.5 million of the provision released to the income statement in the second half of the year, through "restructuring and non recurring costs".

- Prof Leonid Kuzmin and his team, from the Quantum Device Physics Laboratory of Chalmers University (Sweden), have been working on the development of ultra high sensitivity, low temperature detectors, operating at temperatures close to absolute zero
- Potential applications from security scanning, battlefield imaging, to the remote measurements of ozone and atmospheric pollutants.
- Detectors that do not require liquid cryogens are vital to these applications
- Oxford Instruments' Heliox range of refrigerators are used in this research


**Financial income and expenditure**

Within financial income and expenditure total net interest payable was £0.1 million (2006: £0.3 million receivable). The interest charge on pension scheme liabilities exceeded the expected return on pension scheme assets by £0.7 million (2006: £0.7 million).

**Taxation**

The underlying tax rate on the profit before tax for the continuing businesses before other operating income, restructuring and non-recurring costs and amortisation of acquired intangibles was 38% (2006: 55%). The key factors influencing the rate of tax are high tax rates in overseas jurisdictions such as USA, Germany and Japan coupled with the inability to offset losses arising in one jurisdiction against profits arising in another. The tax rate fell in the year due to our ability to utilise brought forward losses in our subsidiary in Finland.

The Group has significant tax losses in the UK available to set off against future taxable profits from certain business streams. A deferred tax asset of £11.6 million (2006: £19.1 million) has been recognised against timing differences and unused capital allowances, of this £9.4 million (2006: £16.2 million) relates to the deficit in the pension schemes. No deferred tax asset has been recognised against past UK tax losses.

**Earnings**

After a total tax charge of £2.8 million (2006: £2.5 million) the net loss for the financial year was £1.5 million (2006: loss £3.4 million).

With a weighted average number of shares of 48.2 million (2006: 47.7 million), the basic loss per share was 3.2 pence (2006: 7.2 pence). After adjusting for non-recurring items and amortisation of acquired intangibles the earnings per share of the underlying business was 9.6 pence (2006: 3.9 pence).

**Dividends**

The Group's proposed final dividend of 6.0p per share (2006: 6.0p), payable on 25 October 2007, gives a total dividend for the year of 8.4p per share (2006: 8.4p). Dividend cover for the underlying business before other operating income, non-recurring items and amortisation of acquired intangibles amortisation was 1.1 times.

**Investment in research and development (R&D)**

The total cash spent on research and development in the year was £16.2 million, up £2.8 million on the prior year in line with the Group's medium term goal of keeping R&D spend at approximately 10% of revenues. This was made up as follows:

| | **2007 £ million** | 2006 £ million |
|---|---|---|
| Total cash spent on research and development during the year | **16.2** | 13.4 |
| Less: amount capitalised | **(5.6)** | (2.6) |
| Add: amortisation of amounts previously capitalised | **1.5** | 1.1 |
| Research and development charged to the income statement | **12.1** | 11.9 |

# Financial Review

The net book value of capitalised R&D at the end of the financial year was £9.4 million (2006: £5.5 million).

**Balance sheet**
Net operating assets, excluding acquired intangibles, increased by £1.2 million to £58.7 million. Net working capital increased by £0.1 million. The net working capital to sales ratio reduced from 18.6% to 17.0%. Inventories reduced from prior year by £1.5m million. Debtor days decreased from 66 days to 61 days.

The net book value of "Property, plant and equipment" reduced by £1.9 million due to a transfer of a property, with a net book value of £2.0 million into "Held for sale assets", a £0.5 million adverse movement in foreign exchange and additions exceeding depreciation and disposals by £0.6 million.

Intangible assets rose by £2.5 million primarily as a result of increased R&D as explained above.

Assets held for sale represent two properties in Oxfordshire. These are expected to be sold within the next twelve months.

**Pensions**
The deficit in the Group's pension schemes decreased by £22.6 million to £30.8 million, as measured under the provisions of IAS19. Assets of the scheme at 31 March 2007 were £135.1 million. The reduction in deficit is due to better than expected asset performance and an increase in the discount rate applied to liabilities, which is based on corporate bond yields.

The triennial actuarial valuation of the UK scheme as at 31 March 2006 was completed during the year resulting in a deficit of £17.7 million. A long-term plan for recovering the deficit over 10 years was agreed between the Company and the Pension Trustee Directors.

As a result £2.1 million was paid into the pension fund before year-end, together with a further £2.1 million in April 2007. Taken together with the £1.8 million paid in financial year 2005/06, this completes the funding of £6.0 million agreed with Pension Trustee Directors at the time of the sale of the Medical business in March 2005.

**Cash**
Before Restructuring costs of £2.9 million (2006: £3.1 million) cash generated by operations at £10.9 million was £12.5 million higher than the previous year. Working capital increased by £2.0 million in the year compared with an increase of £10.2 million in the prior year. Working capital as a percentage of sales fell from 18.6% to 17.0%.

As discussed above, a payment of £2.1 million was made to reduce the pension deficit, capital expenditure and taxation remained relatively constant at £4.4 million and £2.5 million respectively (2006: £4.2 million and £2.7 million), dividend payments increased from £2.9 million to £4.0 million due to the timing of the payments, the underlying dividend per share remaining constant. As discussed below R&D capitalisation increased by £3.0 million to £5.6 million as total R&D expenditure rose.

The cash balance at year-end was £2.8 million.

**Employees**
The number of employees at 31 March 2007 was 1,315 compared with 1,290 at 31 March 2006, an increase of 2.0%.

**Share price**
The closing mid-market price of the ordinary shares at the end of the financial year was £2.47, compared with £2.00 at the beginning of the year. The highest and lowest prices recorded in the financial year were £2.86 and £1.94 respectively.

- 100,000 sq kilometres of cultivated land in China is polluted
- 12 million tonnes of grain contaminated by heavy metals each year
- Oxford Instruments' X-MET3000 range of hand-held spectrometers are used for instant soil analysis for hazardous substances


**Hedge Accounting**
The Group uses derivative products to hedge its exposure to fluctuations in foreign exchange rates and the price of copper. In common with a number of other companies, we decided that the additional costs of meeting the extensive documentation requirements of IAS39 to apply hedge accounting cannot be justified. Accordingly the Group will not use hedge accounting for these derivatives. Net gains and losses on marking to market such derivatives at the balance sheet date are disclosed in the income statement in Financial Income (note 9).

**Changes in Accounting Treatment**
We have made two significant changes to the presentation of the accounts this year which we hope give shareholders clearer information on the performance of the Group. The first, which was announced in our Interim Statement, was to treat certain revenues as agency transactions rather than accounting for them with the Group as principal. Whilst this has no effect on profit, it reduced revenue and cost of sales for the year by £15.2 million. The prior period has been restated, an adjustment of £19.8 million.

The second change involved a review of the allocation of infrastructure and support costs between operating expenses and cost of sales to add more transparency to the Group's gross margins. The prior year has been restated to be comparable which reduced cost of sales and increased operating expenses by £11.7 million.

**Key Performance Indicators**
The following key performance indicators show how we have progressed against our priorities.

| | 2007 | 2006 |
|---|---|---|
| **Revenue growth** | | |
| As reported | **+9.6%** | +8.5% |
| At constant currencies, continuing businesses | **+26.1%** | +12.7% |
| **Return on sales** | | |
| Trading profit as a percentage of revenue | **5.1%** | 3.0% |
| **R&D** | | |
| R&D cash spend as a percentage of revenue | **10.0%** | 9.1% |

**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.

**Kevin Boyd** Group Finance Director
13 June 2007

# Directors' Biographies

**Chairman**

**Nigel Keen,** 60, Non-Executive Chairman, joined the Board in 1999. He is Chairman of the Laird Group PLC, Axis-Shield plc and Deltex Medical Group plc. He is also a Director of ISIS Innovation Ltd. (Oxford Instruments and Oxford University maintain a close relationship and the Group's Directors are strongly represented on the Board of ISIS Innovation, the Universities intellectual property company.)

**Executive Directors**

**Jonathan Flint,** 46, became Chief Executive in April 2005. He has a BSc in Physics from Imperial College and an MBA from Southampton University. He has held senior management positions within Vislink plc, BAE Systems, GEC Marconi and Matra Space Systems.

**Kevin Boyd,** 42, joined Oxford Instruments in August 2006 as Group Finance Director. He has a BEng in Electronic and Information Engineering from Queen's University Belfast and is a Chartered Engineer and Chartered Accountant, having qualified with Arthur Andersen. Prior to joining Oxford Instruments he was Group Finance Director of Radstone Technology plc, Finance Director of Siroyan Ltd and held senior finance positions in the TI Group (now Smiths Group plc).

**Charles Holroyd,** 51, was appointed to the Board as Group Business Development Director in November 2005, having joined Oxford Instruments in 1999. He has a BSc in Electrical and Electronics Engineering from Bristol University, and is a Chartered Engineer. He has an MBA from INSEAD. Previously he held senior management positions within United Industries plc, B Elliott plc, Bowthorpe plc and Chloride Group plc.

**Steven Parker,** 56, was appointed to the Board as Group Commercial Director in November 2005, having joined Oxford Instruments in July 2002. He has an MBA from Wake Forest University and BA in Economics from Randolph-Macon College. Previously he was with Compagnie de Saint-Gobain and AlliedSignal Inc (now Honeywell Inc).

**Non-Executive Directors**

**Professor Sir Michael Brady,** 62, Deputy Chairman and Senior Independent Non-Executive Director, joined the Board in 1995 and is BP Professor of Information Engineering at Oxford University. He is also a Fellow of the Royal Society. He is a founding Director of Guidance and Control Systems Ltd and Mirada Solutions Ltd, now part of Siemens AG, a Director of ISIS Innovation Ltd and Senior Independent Director of Ixico Ltd.

**Professor Michael Hughes,** 62, independent Non-Executive Director, appointed July 2006, joined the board in November 2004. He is Chairman of EA Technology Ltd, a Non-Executive Director of South Staffordshire Group plc and Non-Executive Chairman of Cyan Holdings plc. He will be Senior Non-Executive Director as from July 2007

**Peter Morgan, 71,** Independent Non-Executive Director, joined the Board in 1999. He is Chairman of Technetix Group Ltd, Strategic Thought Group plc and IXICO Ltd and a Director of Hyder Consulting plc. He is a member of the Council of Lloyd's and a Director of the Association of Lloyd's Members. He is a former Director of IBM UK and IBM Europe and a former Director General of the Institute of Directors.

**Bernard Taylor, 50,** Independent Non-Executive Director, joined the Board in 2002 and is Vice-Chairman of Evercore Partners. He is a member of the Council of the University of Oxford and is Chairman of the University's Audit Committee. He is Chairman of ISIS Innovation Ltd, and a Non-Executive Director of TI Automotive Limited. He is also a Fellow of the Royal Society of Chemistry.

# Directors and Advisers

**Directors**
The following Directors served throughout the year except as noted:
**N J Keen**, Chairman
**M Brady**, Deputy Chairman
**D J Flint**, Chief Executive
**K J Boyd**, Group Finance Director (from 8 August 2006)
**M Lamaison**, Financial Director and Company Secretary (retired 7 August 2006)
**C J A Holroyd**, Executive Director
**S M Parker**, Executive Director
**M A Hughes**
**P W L Morgan**
**B J Taylor**

**Board Committees**
**Audit:** P Morgan, Chairman; M Brady; M Hughes; B Taylor
**Remuneration:** N Keen, Chairman; M Brady; M Hughes; P Morgan (B Taylor from July 2007)
**Nomination:** N Keen, Chairman; M Brady; M Hughes; P Morgan; B Taylor
**Administration:** Any two Directors.

**Honorary President**
Sir Martin Wood OBE FRS Hon FREng DL

**Company Secretary**
Susan Johnson-Brett

**Advisers**
**Auditors:** KPMG Audit Plc
**Principal Bankers:** Barclays Bank PLC; Fortis Bank S.A./N.V.; HSBC Bank plc; The Royal Bank of Scotland plc
**Financial Advisers:** JPMorgan Cazenove Limited
**Stockbrokers:** JPMorgan Cazenove Limited
**UK Solicitors:** Laytons
**USA Counsel:** Holland & Knight

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

The Directors present their Report and the Financial Statements of Oxford Instruments plc for the year ended 31 March 2007.

**Principal activity and business reviews**

The Company is the ultimate holding company of a group of subsidiary undertakings ('the Group') engaged in the research, development, manufacture and sale of high technology instruments. The Company is required to set out in this report a fair view of the business of the Group during the financial year ended 31 March 2007, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group. The information which fulfils these requirements includes a business and financial review on pages 6-15, risk and uncertainties on page 11 and corporate and social responsibilities on pages 20-21 ,which are incorporated in this report by reference. The business, the strategy, the research and development activities and likely future prospects are reviewed in the Chairman's Statement on page 6, the Chief Executive's Review on page 8, and the Financial Review on pages 12 to 15.

**Results and dividends**

The results for the year are shown in the Group Income Statement on page 46. The Directors recommend a final dividend of 6.0p per ordinary share, which together with the interim dividend of 2.4p per ordinary share makes a total of 8.4p per ordinary share for the year (2006: 8.4p). Subject to shareholder approval, the final dividend will be paid on 25 October 2007 to shareholders registered at close of business on 28 September 2007.

**Directors**

Profiles of all the Directors at the date of this report, including the Non-Executive Directors, appear on page 16. All the Directors served on the Board for the whole year under review except for Martin Lamaison who resigned on 7 August 2006 and Kevin Boyd who was appointed on 8 August 2006.

On 3 July 2007, Professor Mike Hughes will be appointed the Senior Independent Director in place of Professor Mike Brady, who remains Deputy Chairman of the Board.

**Directors' interests**

The beneficial interests of the Directors in the Company's share capital, all in fully paid up shares at 31 March 2007 are shown below. Details of share options are shown in the Directors' Remuneration Report on pages 28 to 35.

| | **2007 Shares** | 2006 Shares |
|---|---|---|
| Kevin Boyd | **-** | - |
| Mike Brady | **2,500** | 2,500 |
| Jonathan Flint | **-** | - |
| Charles Holroyd | **35,477** | 24,561 |
| Mike Hughes | **12,216** | - |
| Nigel Keen | **116,580** | 111,580 |
| Martin Lamaison | [1]**61,215** | 51,135 |
| Peter Morgan | **10,000** | 10,000 |
| Steve Parker | **-** | - |
| Bernard Taylor | **190** | 190 |

[1] As at date of resignation, 7 August 2006

No Director was beneficially interested in the shares of any subsidiary company at any time during the year. In the year to 31 March 2007 no Director had a material interest in any contract of significance with the Company or any of its subsidiaries other than the contract between Imperialise Limited and the Company for the services of Nigel Keen,as described in the directors remuneration on page 34.

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

**Insurance cover**

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

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

During the year, in line with current best practice, the role of Company Secretary and Group Finance Director has been separated and Susan Johnson-Brett has been appointed Company Secretary.

**Share capital**
During the year 459,304 new shares were issued (2006: 430,375). Details are set out in Note 27 on the Financial Statements.

**Substantial shareholdings**
The following are beneficial interests of 3% or more of which the Directors have been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the Company's issued ordinary share capital, the only class of voting capital, at 23 May 2007:

| | Shares 000 | % of total |
|---|---|---|
| Schroder Investment Management Limited | 5,330 | 10.8 |
| Hermes Pension Management Limited | 5,276 | 10.7 |
| Aberforth Partners | 4,611 | 9.4 |
| Sir Martin and Lady Audrey Wood | 3,509 | 7.1 |
| GAM London Limited | 2,910 | 5.9 |
| Aviva plc | 2,461 | 5.0 |
| Howson Tattersall Invest Council | 2,361 | 4.8 |
| Legal & General Investment Management Limited (UK) | 1,917 | 3.9 |

**Payment of Suppliers**
The Group does not follow a standard payment practice but agrees terms and conditions for its business transactions with each of its suppliers. Payment is then made to these terms, subject to the terms and conditions being met by the supplier. Trade creditors of the Company and the Group's UK subsidiaries at 31 March 2007 were equivalent to 31 days' (2006: 39) and 61 days' (2006: 61) purchases respectively, based on the amounts invoiced by suppliers during the year and the amounts owed to trade creditors at the end of the year.

**Disclosure of Information to Auditors**
Pursuant to Section 234ZA(2) Companies Act 1985 the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he might reasonably have been expected to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

**Annual General Meeting**
The Notice of the Annual General Meeting to be held on 25 September 2007 is set out on pages 91 to 96 together with explanatory notes relating to the resolutions.

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

By Order of the Board
**Susan Johnson-Brett,** Company Secretary
13 June 2007

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

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

**Ethical Operations**

There are formal codes of behaviour in place for the Group, which promote a commitment to maintaining the highest standard of ethics and integrity in the conduct of its business within each of the territories and jurisdictions in which it conducts its business. These codes include requirements for the personal conduct of all employees, including recognising and dealing with conflict of interests, business gifts, and bribery and corruption. Contributions to political parties or organisations are not made. A code of ethics and a business malpractice policy is in place and details are given to all new employees. The code of ethics is updated regularly and is available on the corporate website or from the Company on request.

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

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

**Health and Safety**

Oxford Instruments is committed to ensuring the health and safety of its employees and to the continual improvement of its health and safety performance. Responsibility for Health and Safety lies with the Board. In 2006, a Group Health, Safety and Environment Manager was appointed, reporting to Steve Parker, an Executive Director. He is responsible for formulating the Group's H&S strategy and objectives, reviewing performance against these objectives and for ensuring that key H&S issues are effectively identified and managed.

The Board also reviews the health and safety performance of all the Group's operations. These operations promote employee involvement by open communication and active participation. Employees are kept informed of current issues through staff notice boards, bulletins and announcements on the Company intranet, and are encouraged to suggest improvements that can be made in working conditions and practices.

**Environment**

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

The Group looks to improve efficiency to minimise the effect of its operational processes on the environment. For example, a recent innovative improvement to the process of cleaning detector crystals has led to the use of a natural chemical extracted from the peel of an orange instead of Trichlorethylene, a greenhouse gas being phased out under the Montreal protocol. This is not only more environmentally friendly and safer to use; it has also reduced costs by 88%.

In 2006, the Group introduced a policy requiring all new product introductions to take environmental issues into account. Recently launched products include a new Cryofree® range of dilution refrigerators, which do not rely on the use of liquid helium - an expensive and limited natural resource which cannot be re-cycled. The Cryofree products are also safer to use.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Employees are encouraged to contribute to local charities using the Give-As-You-Earn scheme and the Group makes an additional donation to the chosen charity.

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

**Jonathan Flint** Chief Executive

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

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

**Compliance**
The Board considers that, throughout the period under review, the Group has complied with the provisions recommended in Section 1 of the Code.

**Board of Directors and management structure**
**Board of Directors**
The Board comprises the Chairman, four Non-Executive Directors and four Executive Directors. The Directors' biographies and details of length of service are shown on page 16. All the Directors have written letters of appointment that have been approved by the Board.

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

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

*Executive Committee*
The General Committee is supported by an Executive Committee that comprises the members of the General Committee with the addition of the Managing Directors of each of the individual strategic customer facing businesses.

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

The Board retains control over strategy, investments and capital expenditure, and limits the decisions which can be taken by management in the areas of governance, strategic and financial management and reporting, capital structure, corporate actions, mergers and acquisitions, major contracts and other commitments, litigation and regulatory proceedings, remuneration and share plans.

Where the Board delegates authority to management it is on a structured basis, which requires that proper management oversight exists at the appropriate level. Within management, the General Committee meets at least twice a month and the Executive Committee meets once a month. They meet either physically or by video or telephone conference and focus on group-wide performance and risk management. Each of the individual strategic businesses holds monthly management meetings.

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

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

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

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

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

**Board balance and independence**
The Code requires the Board should be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and

that there is a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making. The composition of the Board and the combination of diverse backgrounds and expertise of the Non-Executive Directors meet these principles.

The Chairman, Nigel Keen, who fulfilled the independence criteria at the time of his appointment as set out in the Code, and continues to fulfil these criteria, is currently Chairman of the Remuneration Committee as the Board considers that in a small company it is essential that the Chairman be actively involved in setting remuneration policy. Nigel Keen also serves as Chairman of Oxford Instruments Pension Trustees Limited, which is the UK defined benefit pension scheme.

Mike Brady, Deputy Chairman, has been a member of the Board since June 1995. He is BP Professor of Information Engineering at Oxford University and is one of the UK's leading engineers. He brings a depth of technical expertise to Board discussions. The breadth of his professional and business interests unrelated to the Group or other members of the Board, his continual constructive probing of the technical aspect of proposals being considered by the Board, the composition of the Board generally and the fact that he qualifies as independent in all other criteria referred to in the Combined Code, leads the Board to conclude that it is appropriate that he continue in office and that he should properly be considered as independent despite the fact that he has been a Director for more than 10 years. Mike Brady has been the Senior Independent Non-Executive Director for a number of years and it is proposed he will relinquish this role in July 2007.

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

Peter Morgan, Chairman of the Audit Committee, joined the Board in April 1999. He had a 30 year career with IBM UK and IBM Europe and in 1989 became Director General of the Institute of Directors in London. He is presently Chairman of Strategic Thought Group plc and of Technetix Group Limited. He is also a non-executive director of Hyder Consulting plc. He is an underwriting member of Lloyd's and was elected a member of the Lloyd's governing Council in 2000.

Bernard Taylor was appointed to the Board as a Non-Executive director in 2002. He has worked at various City institutions, inlcuding Robert Fleming & Co. Ltd where he was Deputy Chairman and Chief Exeuctive and at J.P. Morgan plc where he was Vice-Chairman (Investment Banking). He is Vice Chairman of Evercore Partners and Chief Executive of its European business. He is also a fellow of the Royal Society of Chemistry, Chairman of ISIS Innovation and a member of The Council of the University of Oxford.

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

**Term of appointment of Non-Executive Directors**

Each Non-Executive Director is appointed for an initial term of three years. The requirement to submit Directors for reappointment at regular intervals is met by applying the Company's articles of association. These require that at each Annual General Meeting: (1) not less than one-third of the Directors who are subject to retirement by rotation must retire; and (2) any Director has to retire who was not appointed at either of the two previous Annual General Meetings and who has served as a Director for more than two years since appointment or last reappointment.

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

**Board development and evaluation**

*Board development*

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

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

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

During the year, in line with current best practice, the role of Company Secretary and Group Finance Director has been separated and a Company Secretary has been appointed.

**Board evaluation**

In the year ended 31 March 2007 the Board completed its annual effectiveness evaluation exercise, including a specific review of the effectiveness of its principal committees and members. This was an internal exercise using a detailed questionnaire completed by all Directors in relation to the key areas of Board accountability and the arrangements in place to enable effective focus on these areas. Topics covered included Group strategy, performance, delegation and accountability, success, development and reward, Board and Committee composition, Board induction and training, internal control and risk management. The following table explains the Board assessment process and highlights which Board members completed another's assessment questionnaire:

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

**Attendance at meetings**

No one other than the Committee Chairman and members is entitled to be present at a meeting of the Nomination, Audit or Remuneration Committee, but others may attend by invitation of the Committee.

No Director votes on matters where he has a conflict of interest. Further details of the individual Committees' activities are described below.

The following table sets out the frequency of, and attendance at, Board and principal Board Committee meetings for the year to 31 March 2007:

| | Main Board | Audit Committee[1] | Remuneration Committee | Nomination Committee |
|---|---|---|---|---|
| No. of meetings held | 11 | 6 | 3 | 1 |
| Nigel Keen | 11 | - | 3 | 1 |
| Jonathan Flint | 11 | - | - | - |
| Martin Lamaison[2] | 4 | - | - | - |
| Kevin Boyd[3] | 7 | - | - | - |
| Charles Holroyd | 11 | - | - | - |
| Steve Parker | 11 | - | - | - |
| Mike Brady | 11 | 6 | 3 | 1 |
| Mike Hughes | 11 | 6 | 3 | 1 |
| Peter Morgan | 10 | 6 | 3 | 1 |
| Bernard Taylor | 9 | 6 | - | 1 |

Note:
[1] Board Directors attend the Audit Committee by invitation
[2] resigned 7 August 2006
[3] appointed 8 August 2006

**Board Committees**

The Board has formed the following Committees: Nomination, Remuneration, Audit and Administration. Membership of the Board Committees is set out on page 17. Membership of Board Committees is determined by the Board and is reviewed regularly. The written terms of reference of the Board Committees are available from the Group on request and will be on display at the Annual General Meeting.

**Nomination Committee**

The Nomination Committee comprises all the independent Non-Executive Directors, under the chairmanship of the Chairman of the Board. The Nomination Committee is responsible for assisting the Board in the formal selection and appointment of Directors and considers succession planning for the Board. It also considers potential candidates and recommends appointments of new Directors to the Board. The appointments are based on merit and against objective criteria including the time available, and the commitment that will be required of the potential Director.

There is a formal, rigorous and transparent procedure for the appointment of new Non-Executive Directors to the Board, the prime responsibility for which is delegated to the Nomination Committee. Each appointment process begins with an evaluation of the balance of skills, knowledge and experience existing on the Board that is effected through a series of one-on-one meetings between the Committee Chairman and Directors. The Nomination Committee takes external advice when considered appropriate. A description of the role and capabilities required is prepared using the information gathered. Candidates meet with the Chairman and the Deputy Chairman and a final selection of potential appointees meets several Directors individually. Following these meetings, the Nomination Committee considers each Director's feedback and makes a final recommendation to the Board concerning any appointment.

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

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

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

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

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

The Chief Executive is invited to attend Remuneration Committee meetings as deemed appropriate, for example when consideration is being given to the performance of other Executive Directors and on significant group-wide changes in salary structure and terms and conditions affecting other employees at senior executive level. Further details of the Remuneration Committee are included in the Directors' Remuneration Report set out on pages 28 to 35.

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

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

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

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

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

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The Audit Committee reserves oversight responsibility for monitoring the independence and objectivity of the external auditors and compliance with ethical and regulatory requirements. The policy states that the external auditors are jointly responsible to the Group Board and the Audit Committee and that the Audit Committee is the primary contact.

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

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

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

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

Details of the audit fees, together with fees for non-audit services for the year, are set out in Note 3 (page 53) to the Financial Statements.

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

To fulfil these duties the Committee reviews:

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

The Group's business malpractice policy contains arrangements for the members of the Board to be involved in confidence by the investigating officer in the event of complaints on accounting, risk issues, internal controls, auditing issues and related matters from the Group's employees. During the year no such complaints were received.

**Administration Committee**
The Administration Committee consists of a minimum of two Directors and deals with items of a routine and administrative nature. The Board receives copies of the minutes of the Administration Committee.

**Investor relations**
The Group places considerable importance on regular communications with its shareholders. The Group has an ongoing programme of dialogue and meetings with its shareholders, where a wide range of relevant issues including strategy, performance, management and governance are discussed.

All investors are encouraged to participate in the Annual General Meeting at which the Chairman and Chief Executive present an overview of the Group's business and review the results and make comments on strategy and current business activity.

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

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

**Annual General Meeting (AGM)**
The Board welcomes the move towards a more constructive use of Annual General Meetings and regards the AGM as an opportunity to meet shareholders. At its AGM, the Group complies with the provisions of the Combined Code relating to the disclosure of proxy votes, the separation of resolutions and the attendance of Committee Chairmen. The Group arranges for the Annual Report and Accounts and related papers to be posted to shareholders so as to allow at least 20 working days for consideration prior to the AGM. The next AGM will be held on 25 September 2007.

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

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

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

**Internal control**

The Board is ultimately responsible for the Group's system of internal 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 mis-statement or loss. Day-to-day responsibility for maintaining adequate systems of internal control is delegated to the Executive Directors.

During the year the Directors have reviewed the effectiveness of the Group's system of internal controls and believe that these provide assurances that problems have been identified and dealt with appropriately throughout the period under review. These controls include financial, operational, compliance and risk management.

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

- a formal schedule of matters is reserved to the Board for decision with appropriate delegation of authority throughout the management structure;
- the Group's management structure comprises the General Committee whose members have Group wide financial responsibilities and to whom day-to-day responsibility for the management of the Group is delegated. The responsibility is based on the identification of separate businesses for each of the Group's activities, the heads of these businesses together with the Chief Executive, the Group Finance Director and certain other members of the senior management team form the Group's Executive Committee. There are clearly defined lines of management responsibilities at all levels up to and including the Group Board and the Group's accounting and reporting functions reflect this organisation;
- financial executives within Group businesses report to their own operational head but there is also a well established and acknowledged functional reporting relationship through to the Group Finance Director;
- the Board reviews strategic issues and options formally once a year during the annual strategic planning process and during the year as appropriate. In addition the Executive Directors maintain a five year planning model of the Group and its individual strategic businesses;
- annual budgets are prepared for each of the Group's businesses which include monthly figures for turnover, profit, capital expenditure, cash flow and borrowings. The budgets are reviewed through the Group management structure and result in a Group financial budget which is considered and approved by the Board;
- the businesses prepare monthly management accounts which compare the actual operating result with both the budget and the prior year. The businesses also prepare rolling reforecasts for orders, turnover, operating profit and cash. Both are reviewed by the Board monthly;
- the Board approves all acquisition and divestment proposals and there are established procedures for the planning, approval and monitoring of capital expenditure;
- for all major investments the performance of at least the first twelve months against the original proposal is reviewed by the Board;
- each Group site, except for representative sales offices, is required to submit a self assessment internal control questionnaire on a regular basis;
- internal audit is carried out through a system of regular reviews of the internal controls at each site by accountants from other parts of the Group and in Japan and China, due to language difficulties, by the local external auditors;
- work performed is based on a standardised Group format but involves random testing, together with a review of the internal control questionnaire;
- where required, action plans are drawn up by the businesses in conjunction with the Group Finance Director to remedy any significant control weaknesses that are identified from completion of the internal control questionnaire or as a result of the internal audit. The results of audit reviews are reported to local management, the Group Finance Director and the Audit Committee and checks on the progress of the action items arising are made;
- the Board receives regular updates on treasury, tax, property, insurance and health and safety matters;
- authorisation limits are set at appropriate levels throughout the Group; compliance with these limits is monitored by the Group Finance Director and internal audit;
- all requests to quote for substantial fixed price contracts are reviewed by a multi-disciplinary team to assess both technical and financial risk and to fix an appropriate balance between risk and reward. However, no procedure can guarantee the avoidance of losses on fixed price contracts of a technical nature; and
- with respect to the UK pension scheme the Group has its own trustee representatives, involves its own independent actuary with whom actuarial assumptions are reviewed, agrees the investment policy with trustees, ensures there is an independent actuarial valuation every three years, reviews members benefits and contributions regularly and audits the annual changes in pensionable salaries.

**Susan Johnson-Brett,** Company Secretary
13 June 2007

**Remuneration Committee**
Details of the composition of the Remuneration Committee are set out on page 22. The principal function of the Committee is to define and communicate to the Executive Directors the Company’s policy on the remuneration, benefits and terms of employment for each Executive Director. As part of this process, the Committee aims to provide a formal and transparent framework for the development of remuneration policy for the Executive Directors and for fixing the remuneration packages of individual Directors.

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

No Director is involved in deciding his own remuneration.

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

Over the past year the Committee continued to use New Bridge Street Consultants to provide independent external advice on the Executive Directors’ remuneration.

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

**Executive Directors**
The Company has an incentive-driven Executive Director remuneration policy that promotes the delivery of the Group strategy, seeks to align the interests of Directors and shareholders and reflects the performance of each Director. A significant proportion of total potential rewards is provided through performance-based schemes. Overall the remuneration package aims to be appropriate to attract, motivate and retain high calibre executives. The Remuneration Committee’s policy on early termination is to provide compensation which reflects the Company’s contracted obligations, whilst recognising the principle of mitigation of losses.

**Service contracts**
Each of the Executive Directors has a service contract. Company policy is to enter into service contracts with Executive Directors that have a notice period of one year.

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

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

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

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

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

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

| | Salary £000 | Benefits £000 | Performance related remuneration £000 | Total Remuneration 2007 £000 | Total Remuneration 2006 £000 |
|---|---|---|---|---|---|
| Jonathan Flint | 263 | 13 | 133 | **409** | 350 |
| * Martin Lamaison | 69 | 5 | 21 | **95** | 263 |
| ** Kevin Boyd | 118 | 9 | 47 | **175** | 0 |
| Steve Parker | 147 | 7 | 38 | **192** | 195 |
| Charles Holroyd | 150 | 13 | 70 | **233** | 193 |
| **Total** | 747 | 43 | 309 | **1,103** | 1,001 |

* Resigned 7 August 2006
** Appointed 8 August 2006

**Annual Performance Incentive Bonus**

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

The Executive Directors' bonus scheme for the year ended 31 March 2007 set performance targets which would pay bonuses for on-target performance at the rate of 50% of base salary for Jonathan Flint, 35% of base salary for Martin Lamaison, Kevin Boyd and Charles Holroyd and 45% of base salary for Steve Parker, with a maximum of between 60% to 75% of base salary, dependant on the role of the participant. The level of award for 2006/07 took account of the improvement in financial performance reflected in achievement against specific financial targets in relation to orders, profit and cash generation and a measurable progress in meeting defined strategic objectives for the Group.

For the coming financial year, bonus potential will be a maximum of 100% of salary for Jonathan Flint and 75% of salary for the other Executive Directors, which is in line with the median for the sector comparator group. On target bonuses will remain at 50% of salary for Jonathan Flint and will be 35% of salary for the other Executive Directors.

**Pension Plans**

**Oxford Instruments Pension Scheme**

All employees, including the Company's UK based Executive Directors, who were engaged before April 2001 were entitled to become members of the defined benefit Oxford Instruments Pension Scheme. This is a contracted-out contributory pension scheme which provides benefits based on earnings at or near retirement and is funded through a separate trust. Charles Holroyd is the only current Executive Director who is a member of the defined benefit scheme. His pensionable pay is capped at £112,800.

With effect from 1 April 2004 the Company contributed to the scheme at a rate of 14.5% of pensionable salary. Employees can choose to contribute at rates of 6.0%, 7.0%, 9.5% or 10.5% of pensionable salary, with the higher rates earning benefits at the faster accrual rate of 2% per year (1/50ths) of service instead of 1.67% (1/60ths). The additional 1.0% paid by those contributing 7.0% and 10.5% entitles the member to take all benefits at the lower age of 60. However the normal retirement age for all UK employees is 65 and accrual of service in the pension schemes can continue until retirement.

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

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

Following the closure of the Company's defined benefit scheme to new members in April 2001, Executive Directors appointed now are offered membership of the Oxford Instruments Stakeholder Plan, a defined contribution scheme or the Executive Director can elect that contributions be made into a defined contribution plan of his or her choice. Under this arrangement only base salary is pensionable.

**Oxford Instruments Holdings Inc**
**Defined Benefit Pension Plan (USA)**

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

Employees do not contribute to this scheme.

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

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

**Oxford Instruments 1998 Executive Pension Scheme**

The Oxford Instruments 1998 Executive Pension Scheme is a defined contribution 'top-up' arrangement providing a lump sum at retirement and also an additional capital sum of one times the member's pensionable salary for death before retirement. The scheme is not available to new members and following the retirement of Martin Lamaison, the Scheme has no active members.

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

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

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

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

Vesting is as follows:
2 Years of Service = 25% vested in the employer's contributions
3 Years of Service = 100% vested in the employer's contributions

**Executive Director pension arrangements**

Under the terms of their service contracts Jonathan Flint and Kevin Boyd can ask the Company to contribute to a pension plan of their own choice. The Company contributes a maximum of 14% of base salary if matched by a contribution of 10% by the director. Cash bonuses are excluded from contribution calculations. During the year the Company contributed £36,313 (2006: £35,000) into a personal defined contribution plan in respect of Jonathan Flint and £16,343 (2006:nil) into the UK Oxford Instruments Stakeholder pension plan in respect of Kevin Boyd.

Martin Lamaison and Charles Holroyd are members of the UK Oxford Instruments Pension Scheme. On 31 May 2005 Martin Lamaison withdrew from the Pension Scheme as an active member and ceased to accrue benefit from this date. He started to draw his entitlement with effect from 1 July 2006.

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

| | Age as at 31 March 2007 | Accrued years of service | Member's contributions during the year | Additional annual Pension earned during the year | Additional annual pension earned during the year in excess of inflation | Accrued annual Pension entitlement at year end |
|---|---|---|---|---|---|---|
| | Years | Years | £000 | £000 pa | £000 pa | £000 pa |
| Charles Holroyd | 51 | 7 | 10 | 3 | 2 | 16 |

| | Transfer value of accrued pension | | Change in transfer value over year less member contributions |
|---|---|---|---|
| | **2007** | 2006 | |
| | **£000** | £000 | £000 |
| Charles Holroyd | **152** | 130 | 12 |

During the year the Company did not contribute to the Oxford Instruments 1998 Executive Pension Scheme in respect of Martin Lamaison (2006: £26,000). He took the benefits from the scheme on 1 July 2006.

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

**Share Incentive Schemes**

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

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

The ESO scheme is the principal vehicle used to incentivise the Executive Directors and senior management. The SELTIS and Individual schemes are used at the discretion of the Remuneration Committee. The SAYE scheme is open to all UK permanent staff employed for at least 6 months on the date of invitation to join the scheme.

*ESO schemes (1995 and 2001)*

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

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

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

*Performance conditions*

*1995 ESO*

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

*2001 ESO*

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

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

When the 2001 ESO scheme was established the Remuneration Committee set the initial conditions for the full vesting of options at 30% per year growth in EPS and TSR. This was considered consistent with the recovery phase of the business. It was intended that over time the performance conditions would revert to a lower target, more appropriate to the business going forward. For 2002 and 2003 full exercise of options requires 25% and 20% per year growth respectively in EPS and TSR. For 2003 onwards 15% growth in EPS and TSR is required. Details are set out in the tables below.

Only 50% of the options granted in September 2001 are exerciseable, as the TSR performance test failed, none of the options granted in 2002 are exerciseable due to failure of both tests and 50% of the options granted in 2003 are exercisable as the TSR performance test failed, non of the options granted in 2002 are exercisable due to failure of both tests and 50% of the options granted in 2003 are exercisable as the EPS performance test failed. The options granted in July 2004 will become exercisable proportionately by reference to the level of both TSR and EPS target growth performance achieved as follows:

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

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

Options granted under the scheme maybe exercised according to the following schedule: one third of the original grant being exercisable from the third anniversary of grant; a further third on the fourth anniversary; and the final third on the fifth anniversary of the grant. Proposals are being put to the shareholders at this year's Annual General Meeting to simplify these arrangements. Further details of the proposed changes are to be found on pages 91-96.

At the Annual General Meeting in 2005, shareholders gave their approval to the granting of Share Appreciation Rights (SAR) and to the satisfaction of outstanding options with share appreciation rights under unapproved options of the scheme. Under SAR, in effect, an option is settled by only issuing shares to the value of the gain and these shares are issued at no consideration. This means that the number of shares to which an option holder may become entitled depends on the Company's share price at the time of exercise. The Company has not granted any SAR or satisfied options with SAR during the year.

***SELTIS***

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

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

*Performance conditions*

*SELTIS options granted prior to the establishment of the 2001 ESO scheme*

The growth in EPS of the Company expressed as a percentage exceeds the growth in the RPI expressed as a percentage plus a further 4% per year over the same period.

*SELTIS options granted since the establishment of the 2001 ESO scheme*

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

**Retention conditions**

SELTIS options granted under the scheme are subject to a retention condition, to the effect that on exercise the option holder must retain ownership of shares equivalent to half of the market value of the shares (after tax) until the sixth anniversary of the date of grant.

*Individual options*

Individual options are granted at the discretion of the Remuneration Committee.

*Performance conditions*

*Individual options granted in March 1998*

A market price of greater than £4.50 per ordinary share is achieved at some time during the four months preceding the date upon which notice to exercise is given. This price is absolute and is not linked to general Stock Exchange or Stock Exchange sector price movements.

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

As at the 31 March 2007 the outstanding options for Jonathan Flint, Kevin Boyd, Charles Holroyd, Steve Parker and Martin Lamaison under the 1995 and 2001 ESO schemes, the SELTIS scheme, Individual options and SAYE were as follows:

| Name | Scheme | 2007 | Movements During the Year Granted | Exercised | Lapsed | Mar 2006 | Exercise Price | Date for Earliest Exercise | Date for Latest Exercise |
|---|---|---|---|---|---|---|---|---|---|
| Jonathan Flint | ESO | **100,000** | 100,000 | - | - | - | £2.10 | 15/7/09 | 15/7/16 |
| | ESO | **200,000** | - | - | - | 200,000 | £2.19 | 15/7/08 | 15/7/15 |
| | SELTIS | **50,000** | 50,000 | - | - | - | Nil | 15/7/09 | 15/7/13 |
| | SELTIS | **50,000** | - | - | - | 50,000 | Nil | 15/7/08 | 15/7/12 |
| Martin Lamaison * | SAYE | **-** | - | - | (636) | 636 | £1.74 | 1/2/07 | lapsed |
| | ESO | **145,128** | - | - | - | 145,128 | £2.18 | 15/7/07 | 06/08/07 |
| | ESO | **77,170** | - | - | **(77,170) | 154,340 | £1.875 | 15/7/06 | 06/08/07 |
| | ESO | **-** | - | (128,125) | - | 128,125 | £1.585 | 28/9/04 | 06/08/07 |
| | SELTIS | **-** | - | (33,000) | - | 33,000 | Nil | 21/12/03 | exercised |
| | SELTIS | **-** | - | (33,000) | - | 33,000 | Nil | 14/7/02 | exercised |
| | Individual | **50,000** | - | - | - | 50,000 | £2.95 | 6/3/03 | 06/08/07 |
| Kevin Boyd | ESO | **66,667** | 66,667 | - | - | - | £2.0375 | 4/9/09 | 3/9/16 |
| | SELTIS | **12,500** | 12,500 | - | - | - | Nil | 4/9/09 | 3/9/13 |
| Charles Holroyd | SAYE | **1,032** | 1,032 | - | - | - | £1.83 | 1/2/10 | 31/7/10 |
| | SAYE | **699** | - | - | - | 699 | £2.14 | 1/2/09 | 31/7/09 |
| | SAYE | **649** | - | - | - | 649 | £1.75 | 1/2/08 | exercised |
| | SAYE | **-** | - | (636) | - | 636 | £1.74 | 1/2/07 | exercised |
| | SAYE | **-** | - | (280) | - | 280 | £1.35 | 1/2/06 | 31/7/08 |
| | ESO | **25,000** | 25,000 | - | - | - | £2.10 | 15/7/09 | 15/7/13 |
| | ESO | **40,000** | - | - | - | 40,000 | 2.19 | 15/7/08 | 15/7/15 |
| | ESO | **50,000** | - | - | - | 50,000 | 2.18 | 15/7/07 | 15/7/14 |
| | ESO | **25,000** | - | - | **(25,000) | 50,000 | 1.875 | 15/7/06 | exercised |
| | ESO | **-** | - | (26,500) | - | 26,500 | 1.585 | 28/9/04 | 27/9/11 |
| | SELTIS | **12,500** | 12,500 | - | - | - | Nil | 15/7/09 | 15/7/13 |
| | SELTIS | **20,000** | - | - | - | 20,000 | Nil | 15/12/08 | 14/12/12 |
| Steven Parker | ESO | **25,000** | 25,000 | - | - | - | £2.10 | 15/7/09 | 15/7/13 |
| | ESO | **40,000** | - | - | - | 40,000 | 2.19 | 15/7/08 | 15/7/15 |
| | ESO | **60,000** | - | - | - | 60,000 | 2.18 | 15/7/07 | 15/7/14 |
| | ESO | **35,000** | - | - | **(35,000) | 70,000 | 1.875 | 15/7/06 | 15/7/13 |
| | ESO | **30,000** | - | - | - | 30,000 | 1.48 | 15/7/05 | 14/7/12 |
| | SELTIS | **12,500** | 12,500 | - | - | - | Nil | 15/7/09 | 15/7/13 |
| | SELTIS | **20,000** | - | - | - | 20,000 | Nil | 15/12/08 | 14/12/12 |

* Position shown as at 7 August 2006, the date of Martin Lamaison's retirement.
** Lapsed as performance conditions were not met.

Martin Lamaison retired on 7 August 2006. On retirement the latest date of exercise of his SAYE, ESO and individual options will become 6 February 2007, 6 August 2007 and 6 August 2007 respectively.

Charles Holroyd made gains of £33,789 on the exercise of share options, selling all bar 10,000 shares during the year to 31 March 2007 (2006: £30,408), and Martin Lamaison made gains of £133,650 (2006: £267). As at 31 March 2007, Martin Lamaison, Charles Holroyd and Steve Parker have cumulatively 222,298, 25,000 and 65,000 options respectively under various schemes capable of exercise. Since the year end, Martin Lamaison has exercised options over 109,272 shares and made gains of £85,822 and options over 113,026 shares have lapsed.

**Outside appointments**

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

At 31 March 2007, the Executive Directors currently hold no such outside appointments.

**Independent Non-Executive Directors**

**Chairman**

Under an arrangement between the Company and Imperialise Limited, Nigel Keen is retained to act as Chairman of the Company. Nigel Keen's fees were £80,000 (2006: £81,282) for his services for which he must account to Imperialise Limited. In addition Imperialise Limited has been paid a sum equivalent to the national insurance on these fees of £10,239 per annum. Imperialise Limited is responsible for the cost of national insurance on payments to Nigel Keen, whereas national insurance contributions in respect of the other Non-Executive Directors are made directly to the UK Inland Revenue and therefore not included in the table below.

Nigel Keen's initial period of appointment as a Non-Executive Director was for three years commencing 25 February 1999, subject to retirement by rotation. His term of appointment was extended by the Oxford Instruments Board for a further three years commencing in February 2002 and again in February 2005, subject to retirement by rotation. The appointment may be terminated by either party giving not less than six months' notice. The Nomination Committee has reviewed the renewal of Nigel Keen's arrangement and has put forward its recommendation that the appointment be renewed for a further three years in February 2008. The Board has approved this recommendation.

**Non-Executive Directors**

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

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

Mike Brady has served as a Non-Executive Director for 12 years and this appointment is due for renewal on 1 August 2007. Mike Hughes has served as a Non-Executive Director for 3 years and this appointment is due for renewal in November 2007. The Nomination Committee has recommended that these appointments be renewed for a further three years and the Board has approved this recommendation. The appointment of Mike Brady is subject to annual approval by shareholders.

Remuneration of the Chairman and Non-Executive Directors:

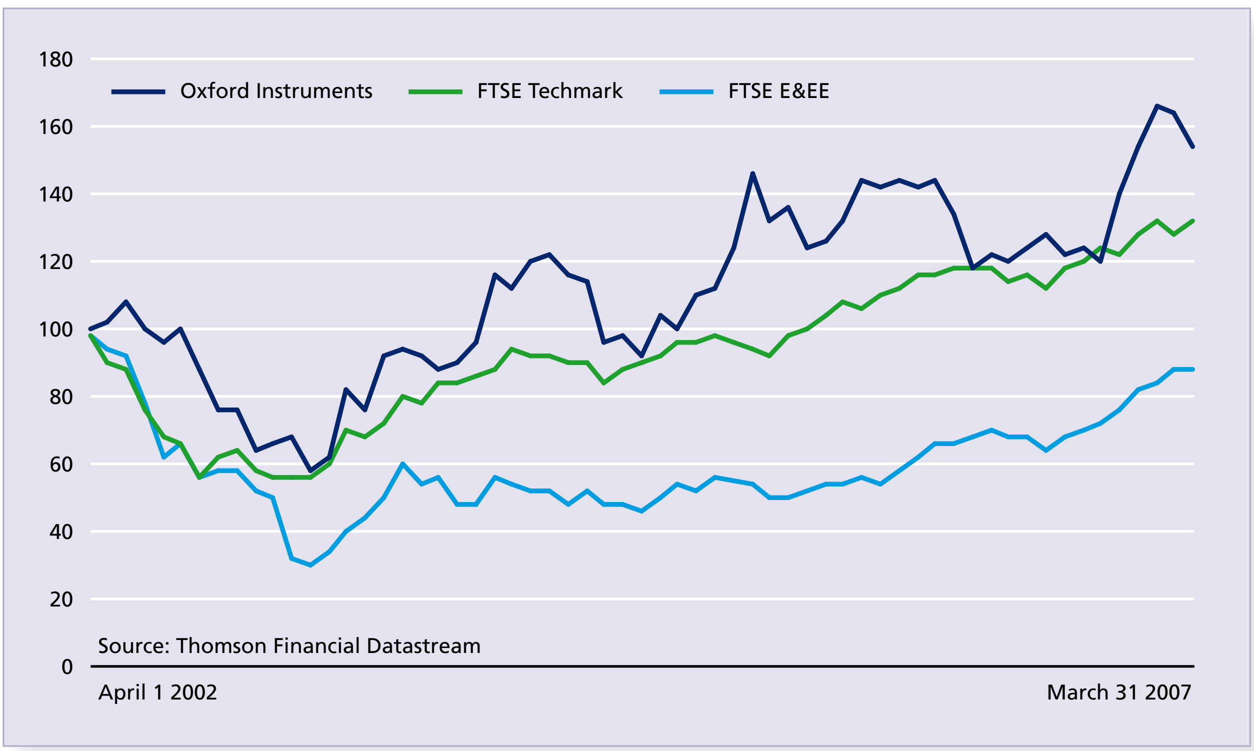
| | **2007** <br> **£000** | 2006 <br> £000 |
|---|---|---|
| Nigel Keen, Chairman | **90** | 92 |
| Mike Brady | **30** | 29 |
| Mike Hughes | **25** | 25 |
| Peter Morgan | **30** | 29 |
| Bernard Taylor | **25** | 25 |
| **Total** | **200** | 200 |

**Performance graph**
The graph below shows for the five years ended 31 March 2007 the Total Shareholder Return (TSR) on a holding of the Company's ordinary shares compared with a hypothetical holding of shares made up of shares of the same kind and number as those by reference to which the FTSE Techmark and FTSE Electronic and Electrical Equipment indices are calculated. These indices have been chosen as they are considered to be the most appropriate comparator groups for the Company. TSR has been calculated by reference to the relevant share price for each constituent company assuming dividends are reinvested.

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

This report was adopted by the Remuneration Committee at a meeting on 5 June 2007 and has been approved subsequently by the Board for submission to shareholders at the Annual General Meeting to be held on 25 September 2007.

**Nigel Keen** Chairman of the Remuneration Committee
13 June 2007



The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

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

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

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

In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

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

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

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

We have audited the group and parent company financial statements (the ''financial statements") of Oxford Instruments plc for the year ended 31 March 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 36.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

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

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

**Opinion**
In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 March 2007 and of its loss for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2007;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

**KPMG Audit Plc**
***Chartered Accountants***
*Registered Auditor*
2 Cornwall Street
Birmingham
B3 2DL
13 June 2007

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

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

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages pages 82 to 90.

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

**(a) Prior year adjustment**
The Group has adopted two new accounting treatments in the year.

The directors now consider that a more appropriate treatment of a certain revenue stream is as an agency arrangement. Previously the Group had accounted for the revenue as if it were the principal. The change has the effect of reducing both revenue and cost of sales by £15.2m (2006: £19.8m).

The directors have reviewed the classification of operating costs between cost of goods sold and overhead categories. The new classification has been applied to the current and previous years. There is no change to trading profit in either year. In the prior year the effect has been to reduce cost of sales by £11.7m, and increase selling and marketing costs, administration and shared services and research and development by £2.8m, £8.7m and £0.2m respectively.

There is no change to the balance sheet or equity at either reporting date.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Further detail of the estimates and judgements made can be found in Note 37.

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

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

**(ii) Transactions eliminated on consolidation**
Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

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

**(e) Derivative financial instruments**
The Group uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement unless hedge accounting applies. However, where hedge accounting is applied recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy f). The fair value of forward exchange or option contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

In the prior year, the Group hedge accounted for its derivative financial instruments in order to minimise the potential volatility in the income statement. However, IAS 39 requires certain stringent criteria to be met in order to continue to hedge account, which, in the particular circumstances of the Group, are considered by the Board not to bring any significant economic benefit. Accordingly, with effect from 1 April 2006, the Group has ceased to hedge account for all new derivative financial instruments acquired after that date.

**(f) Hedging**
**(i) Cash flow hedges**
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e. when financial income or expense is recognised). For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

**(ii) Hedge of monetary assets and liabilities**
Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

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

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

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

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

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

Leasehold land and buildings, where the period of the lease is less than 50 years, are written off on a straight-line basis over the remaining period of the lease.

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

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see accounting policy l). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

**(ii) Research and development (R&D)**
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

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

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

**(iii) Other intangible assets**
Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy l).

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

| The estimated useful lives are as follows: | |
|---|---|
| Capitalised development costs | 3 to 5 years |
| Acquired intangible assets | 6 months to 5 years |

**(i) Trade and other receivables**
Trade and other receivables are stated at their cost less impairment losses (see accounting policy l).

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

Provision is made for obsolete, slow moving and defective stock where appropriate in the light of recent usage, expected future requirements, new product introduction plans and likely realisable values. The Group uses demonstration equipment to market its products to customers. The majority of demonstration equipment is held within inventory. All categories of demonstration equipment are written down during use and then are actively marketed from time to time in order to rotate assets so that as the older items are sold they are replaced, as necessary, by new equipment.

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 revenue. Amounts recoverable on contracts are included in debtors and represent revenue 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.

**(k) Cash and cash equivalents**

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

**(l) Impairment**

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

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

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

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

**(i) Calculation of recoverable amount**

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

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

**(ii) Reversals of impairment**

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is reversed through equity. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

An impairment loss in respect of goodwill is not reversed.

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

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

**(m) Employee benefits**

**(i) Defined contribution plans**

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

**(ii) Defined benefit plans**

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

Differences between the actual and expected returns on assets and experience gains and losses arising on scheme liabilities during the year, together with differences arising from changes in assumptions, are recognised in the statement of recognised income and expense in the year.

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

**(iii) Share-based payment transactions**

The Group operates various equity settled share option programmes. These share option programmes allow Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the most appropriate models for each scheme, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market performance conditions not being met.

**(n) Provisions**

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

**(i) Restructuring**

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

**(ii) Onerous contracts**

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

**(o) Trade and other payables**

Trade and other payables are stated at amortised cost.

**(p) Revenue**

**(i) Goods sold and services rendered**

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

Revenue, which excludes value added tax and similar sales based taxes, represents sales to external customers of products and services and is stated before commissions payable to agents. Revenue is recognised on shipment, except for installation, service contracts and long term contracts. Revenue from installation is separately recognised on completion of the installation. Revenue from contracts for maintenance and support is recognised on a pro-rata basis over the contract period.

**(ii) 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. Revenue 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.

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

**(q) Expenses**
**(i) Operating lease payments**
Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

**(ii) Foreign exchange gains and losses**
Foreign exchange gains and losses and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy f) are recognised within administrative expenses and separately disclosed in the notes to the accounts.

**(iii) Financial income**
Financial income comprises interest receivable on funds invested, gains on derivative financial instruments and dividend income.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

**(vi) Financial expenditure**
Financial expenditure comprises interest payable on borrowings calculated using the effective interest rate method.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

**(v) Warranty costs**
Warranty costs are based on the historical relationship between actual costs incurred and the relevant revenue exposure.

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

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

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

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

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

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

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

**(t) Held for sale assets**

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

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

**(u) Adopted IFRS not yet applied**

The following adopted IFRSs were available for early application but have not been applied by the Group in these financial statements:

(i) Amendment to IAS 1, Capital Disclosures; applicable for years commencing on or after 1 January 2007
(ii) IFRS 7, Financial Instruments: Disclosures; applicable for years commencing on or after 1 January 2007
(iii) IFRIC 8, Scope of IFRS 2; applicable for years commencing on or after 1 May 2006
(iv) IFRIC 10, Interim Financial Reporting and Impairment; applicable for years commencing on or after 1 November 2006
(v) IFRIC 11, Group and Treasury Share Transactions; applicable for years commencing on or after 1 March 2007

The Group does not expect the above amendments to have any significant impact on the financial statements for the period commencing 1 April 2007.

| | Notes | 2007<br>£m | 2006<br>As restated<br>£m |
|---|---|---|---|
| **Revenue** | 2 | **161.6** | 147.4 |
| Cost of sales | | **(95.0)** | (87.6) |
| **Gross profit** | | **66.6** | 59.8 |
| Trading expenses excluding cost of goods sold | 3 | **(58.3)** | (55.4) |
| **Trading profit** | 2 | **8.3** | 4.4 |
| Other operating income | 5 | **-** | 2.0 |
| Amortisation of acquired intangibles | 6 | **(1.1)** | (0.2) |
| Restructuring and non-recurring costs | 7 | **(5.2)** | (6.7) |
| **Operating profit/(loss)** | | **2.0** | (0.5) |
| Financial income | 11 | **8.5** | 8.1 |
| Financial expenditure | 12 | **(9.2)** | (8.5) |
| **Profit/(loss) before income tax** | | **1.3** | (0.9) |
| Income tax expense | 13 | **(2.8)** | (2.5) |
| **Loss for the year attributable to equity shareholders of the parent** | | **(1.5)** | (3.4) |

| | | pence | pence |
|---|---|---|---|
| **Earnings per share** | | | |
| Basic earnings per share | 14 | **(3.2)** | (7.2) |
| Diluted earnings per share | 14 | **(3.2)** | (7.2) |

| | | | |
|---|---|---|---|
| **Dividends per share** | | | |
| Dividends paid | 15 | **8.4** | 6.0 |
| Dividends proposed | 15 | **8.4** | 8.4 |

| **Total dividends** | **£m** | £m |
|---|---|---|
| Dividends paid | **4.0** | 2.9 |
| Dividends proposed | **4.0** | 4.0 |

| | Note | 2007 £m | 2006 £m |
|---|---|---|---|
| Foreign exchange translation differences for foreign operations | | **(1.7)** | 0.9 |
| Cash flow hedges – effective portion | | **-** | (0.3) |
| Deferred tax on the above | | **-** | 0.1 |
| Actuarial gain/(loss) in respect of post retirement benefits | 29 | **22.1** | (10.3) |
| Deferred tax on the above | | **(6.7)** | 3.1 |
| Recycling of fair value movements/(impairment of carrying value) of held for sale equity securities | | **0.2** | (0.2) |
| Net income/(expense) recognised directly in equity | | **13.9** | (6.7) |
| Loss for the year | | **(1.5)** | (3.4) |
| Total recognised income/(expense) for the year – attributable to equity shareholders of the parent | | **12.4** | (10.1) |

| | Notes | 2007 £m | 2006 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 17 | **21.5** | 23.4 |
| Intangible assets | 18 | **18.1** | 15.6 |
| Available for sale equity securities | 19 | **0.6** | 1.0 |
| Deferred tax assets | 20 | **11.6** | 19.1 |
| | | **51.8** | 59.1 |
| **Current assets** | | | |
| Inventories | 21 | **25.6** | 27.1 |
| Trade and other receivables | 22 | **45.1** | 45.3 |
| Current income tax recoverable | | **0.5** | 0.9 |
| Derivative financial instruments | 23 | **0.5** | 0.1 |
| Cash and cash equivalents | 24 | **3.9** | 13.9 |
| Held for sale assets | 25 | **7.0** | 5.0 |
| | | **82.6** | 92.3 |
| **Total assets** | | **134.4** | 151.4 |
| **Equity** | | | |
| **Capital and reserves attributable to the Company's equity shareholders** | | | |
| Share capital | 26 | **2.5** | 2.4 |
| Share premium | 26 | **20.9** | 20.2 |
| Other reserves | 26 | **0.1** | 0.1 |
| Translation reserve | 26 | **(0.8)** | 0.9 |
| Retained earnings | 26 | **33.1** | 22.8 |
| | | **55.8** | 46.4 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Other payables | 30 | **0.2** | 0.5 |
| Retirement benefit obligations | 29 | **30.8** | 53.4 |
| | | **31.0** | 53.9 |
| **Current liabilities** | | | |
| Borrowings | 28 | **1.0** | 2.9 |
| Bank overdrafts | 24 | **1.1** | 1.2 |
| Trade and other payables | 30 | **40.2** | 38.7 |
| Current income tax payables | | **1.8** | 1.9 |
| Derivative financial instruments | 23 | **0.2** | 0.3 |
| Provisions | 31 | **3.3** | 6.1 |
| | | **47.6** | 51.1 |
| **Total liabilities** | | **78.6** | 105.0 |
| **Total liabilities and equity** | | **134.4** | 151.4 |

The financial statements were approved by the Board of Directors on 13 June 2007 and signed on its behalf by:

**Jonathan Flint**
Director

**Kevin Boyd**
Director

| | 2007 £m | 2006 £m |
|---|---|---|
| Loss for the year | **(1.5)** | (3.4) |
| Adjustments for: | | |
| Income tax expense | **2.8** | 2.5 |
| Net financial expense | **0.7** | 0.4 |
| Restructuring and non-recurring costs | **5.2** | 6.7 |
| Amortisation of acquired tangibles | **1.1** | 0.2 |
| Other operating income | **-** | (2.0) |
| Depreciation of property, plant and equipment | **3.4** | 3.7 |
| Amortisation of research and development | **1.5** | 1.1 |
| **Earnings before interest, tax, depreciation and amortisation** | **13.2** | 9.2 |
| Loss on disposal of property, plant and equipment | **0.2** | 0.3 |
| Cost of equity settled employee share schemes | **0.2** | 0.3 |
| Restructurings costs paid | **(2.9)** | (3.1) |
| Cash payments to the pension scheme more than the charge to the income statement | **(0.7)** | (1.2) |
| **Operating cash flows before movements in working capital** | **10.0** | 5.5 |
| Decrease/(increase) in inventories | **0.6** | (6.5) |
| (Increase)/decrease in receivables | **(2.3)** | 2.0 |
| Decrease in payables | **-** | (5.4) |
| Decrease in provisions | **(0.3)** | (0.3) |
| **Cash generated from operations** | **8.0** | (4.7) |
| Interest paid | **(0.3)** | (0.6) |
| Income taxes paid | **(2.5)** | (2.7) |
| **Net cash from operating activities** | **5.2** | (8.0) |
| **Cash flows from investing activities** | | |
| Proceeds from sale of property, plant and equipment | **0.1** | - |
| Proceeds from sale of held for sale assets | **-** | 0.6 |
| Proceeds from sale of available for sale equity securities | **0.3** | 2.2 |
| Interest received | **0.2** | 0.9 |
| Acquisition of subsidiaries, net of cash acquired | **(0.3)** | (3.9) |
| Acquisition of property, plant and equipment | **(4.4)** | (4.2) |
| Capitalised development expenditure | **(5.6)** | (2.6) |
| **Net cash from investing activities** | **(9.7)** | (7.0) |
| **Cash flows from financing activities** | | |
| Proceeds from issue of share capital | **0.8** | 0.8 |
| Proceeds from the disposal of own shares | - | 0.1 |
| (Decrease)/increase in short term borrowings | **(1.9)** | 0.8 |
| Dividends paid | **(4.0)** | (2.9) |
| **Net cash from financing activities** | **(5.1)** | (1.2) |
| Net decrease in cash and cash equivalents | **(9.6)** | (16.2) |
| Cash and cash equivalents at beginning of the year | **12.7** | 28.5 |
| Effect of exchange rate fluctuations on cash held | **(0.3)** | 0.4 |
| **Cash and cash equivalents at end of the year** | **2.8** | 12.7 |

## 1 RECONCILIATION BETWEEN PROFIT AND ADJUSTED PROFIT

| | 2007 £m | 2006 £m |
|---|---|---|
| Profit/(loss) before income tax | 1.3 | (0.9) |
| Other operating income | - | (2.0) |
| Amortisation of acquired intangibles | 1.1 | 0.2 |
| Restructuring and non-recurring costs (note 7) | 5.2 | 6.7 |
| Financial instruments (see below) | (0.1) | - |
| Adjusted profit before income tax | 7.5 | 4.0 |

Under IAS 39, derivative financial instruments are recognised initially at fair value – this includes the fixed forward and option based foreign exchange contracts the Group has entered into in order to manage its exposure to foreign exchange rate movements. Subsequent to initial recognition, derivative financial instruments are measured at fair value. In the prior year, the Group hedge accounted for its derivative financial instruments in order to minimise the potential volatility in the income statement. However, IAS 39 requires certain stringent criteria to be met in order to continue to hedge account, which in the particular circumstances of the Group, are considered by the Board not to bring any significant economic benefit. Accordingly, with effect from 1 April 2006, the Group has ceased to hedge account for all of its existing derivative financial instruments and instead will account for them as trading instruments with the profit or loss on remeasurement to fair value being taken immediately to the income statement. Adjusted profit for the year is stated before changes in the valuation of these instruments so that the underlying performance of the Group can more clearly be seen.

## 2 SEGMENT INFORMATION

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

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

### a) Analysis by Business

**Year to 31 March 2007**

| | Analytical £m | Superconductivity £m | Total £m |
|---|---|---|---|
| **Revenue** | 100.7 | 60.9 | 161.6 |
| Trading profit before costs of OII | 10.1 | 1.6 | 11.7 |
| Costs of OII | | | (3.4) |
| **Trading profit** | | | 8.3 |
| Amortisation of acquired intangibles | | | (1.1) |
| Restructuring and non-recurring costs | | | (5.2) |
| Operating profit | | | 2.0 |
| Net financial expense | | | (0.7) |
| Income tax expense | | | (2.8) |
| Loss for the year | | | (1.5) |

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

**2 SEGMENT INFORMATION** Continued

**a) Analysis by Business** Continued

| | **Analytical £m** | **Superconductivity £m** | **Total £m** |
|---|---|---|---|
| Segment assets | **64.0** | **46.8** | **110.8** |
| Unallocated assets | | | **23.6** |
| **Total assets** | | | **134.4** |
| Segment liabilities | **26.4** | **17.0** | **43.4** |
| Unallocated liabilities | | | **35.2** |
| **Total liabilities** | | | **78.6** |

| | **Analytical £m** | **Superconductivity £m** | **Total £m** |
|---|---|---|---|
| Depreciation charge | **1.9** | **1.6** | **3.5** |
| Amortisation charge | **2.4** | **0.2** | **2.6** |
| Capital expenditure, including capitalised research and development | **8.3** | **1.7** | **10.0** |

**Year to 31 March 2006 (as restated)**

| | Analytical £m | Superconductivity £m | Total £m |
|---|---|---|---|
| Revenue | 80.7 | 66.7 | 147.4 |
| Trading profit before costs of OII | 6.1 | 0.3 | 6.4 |
| Costs of OII | | | (2.0) |
| **Trading profit** | | | 4.4 |
| Other operating income | | | 2.0 |
| Amortisation of acquired intangibles | | | (0.2) |
| Restructuring and non-recurring costs | | | (6.7) |
| Operating loss | | | (0.5) |
| Net financial expense | | | (0.4) |
| Income tax expense | | | (2.5) |
| Loss for the year | | | (3.4) |
| Segment assets | 55.6 | 55.9 | 111.5 |
| Unallocated assets | | | 39.9 |
| Total assets | | | 151.4 |
| Segment liabilities | 21.7 | 22.2 | 43.9 |
| Unallocated liabilities | | | 61.1 |
| Total liabilities | | | 105.0 |

Superconductivity includes revenue of £13.4m and a trading loss of £2.5m in respect of the magnet business restructured at the end of 2006.

## 2 SEGMENT INFORMATION Continued

### a) Analysis by Business Continued

| | Analytical £m | Superconductivity £m | Total £m |
|---|---|---|---|
| Depreciation charge | 1.8 | 2.2 | 4.0 |
| Amortisation charge | 1.0 | 0.3 | 1.3 |
| Other significant non-cash expenses – end of line inventory write down | - | 3.7 | 3.7 |
| Capital expenditure, including capitalised research and development | 4.6 | 2.2 | 6.8 |

### b) Geographical Analysis

**Year to 31 March 2007**

| | **UK £m** | **Continental Europe £m** | **North America £m** | **Japan £m** | **Rest of Asia £m** | **Rest of World £m** | **Total £m** |
|---|---|---|---|---|---|---|---|
| Revenue from external customers | **18.5** | **41.5** | **54.2** | **18.2** | **25.4** | **3.8** | **161.6** |
| Segment assets | **55.7** | **15.6** | **32.8** | **6.0** | **0.7** | **-** | **110.8** |
| Unallocated assets | | | | | | | **23.6** |
| Total | | | | | | | **134.4** |
| Capital expenditure, including capitalised research and development | **5.7** | **1.2** | **2.9** | **0.1** | **0.1** | **-** | **10.0** |

**Year to 31 March 2006 (as restated)**

| | UK £m | Continental Europe £m | North America £m | Japan £m | Rest of Asia £m | Rest of World £m | Total £m |
|---|---|---|---|---|---|---|---|
| Revenue from external customers | 18.8 | 29.2 | 59.9 | 15.0 | 19.9 | 4.6 | 147.4 |
| Segment assets | 60.3 | 12.7 | 31.1 | 6.9 | 0.5 | - | 111.5 |
| Unallocated assets | | | | | | | 39.9 |
| Total | | | | | | | 151.4 |
| Capital expenditure, including capitalised research and development | 4.2 | 0.8 | 1.7 | 0.1 | - | - | 6.8 |

## 3 TRADING EXPENSES EXCLUDING COST OF GOODS SOLD

| | **2007** **£m** | 2006 as restated £m |
|---|---|---|
| Selling and marketing costs | **26.7** | 24.6 |
| Administration and shared services | **20.3** | 18.8 |
| Foreign exchange (gain)/loss | **(0.8)** | 0.1 |
| Research and development (note 4) | **12.1** | 11.9 |
| | **58.3** | 55.4 |

**Auditor's remuneration**

| | **£'000** | £'000 |
|---|---|---|
| Audit of these financial statements | **86** | 80 |
| Amounts received by auditors and their associates in respect of: | | |
| Audit of financial statements of subsidiaries pursuant to legislation | **146** | 130 |
| Tax advisory services | **1** | 12 |
| IFRS advisory work | **-** | 28 |
| Other services | **2** | - |
| Total fees paid to auditor and its associates | **235** | 250 |

## 4 RESEARCH AND DEVELOPMENT

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

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

| | Analytical £m | Superconductivity £m | 2006 as restated Total £m |
|---|---|---|---|
| Total cash spent on research and development during the year | 7.8 | 5.6 | 13.4 |
| Less: amount capitalised | (2.4) | (0.2) | (2.6) |
| Add: amortisation of amounts previously capitalised | 0.9 | 0.2 | 1.1 |
| Research and development charged to income statement | 6.3 | 5.6 | 11.9 |

## 5 OTHER OPERATING INCOME

| | 2007 £m | 2006 £m |
|---|---|---|
| Profit on disposal of available for sale equity securities | - | 1.8 |
| Profit on disposal of held for sale assets | - | 0.2 |
| | - | 2.0 |

The profit on disposal of available for sale equity securities in 2006 comprises a profit of £1.7m on the disposal of the Group's entire holdings in Target Systemelectronic GmbH and Target Instruments Inc and a profit of £0.1m in respect of a part disposal of the Group's interest in ARKeX Limited.

## 6 AMORTISATION OF ACQUIRED INTANGIBLES

| | 2007 £m | 2006 £m |
|---|---|---|
| Amortisation of acquired intangibles | **0.2** | 0.2 |
| Adjustment to carrying value of goodwill as required by IAS12 | **0.9** | - |
| | **1.1** | 0.2 |

The adjustment to the carrying value of goodwill arises due to the utilisation of tax losses which were not recognised as a deferred tax asset at the time of acquisition. IAS12 requires that when such losses are utilised subsequent to acquisition the carrying value of goodwill is reduced so that it reflects the carrying value that would have arisen had a deferred tax asset been recognised at the time of acquisition.

## 7 RESTRUCTURING AND NON-RECURRING COSTS

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

Restructuring costs for the year ended 31 March 2006 relate to restructuring of the UK magnet business and restructuring at Plasma Technology in Yatton, Bristol. The cost comprises inventory write-downs of £3.7m, redundancy and similar costs of £1.0m, halted research and development costs of £0.8m, supplier commitments of £0.7m and other costs of £0.5m.

## 8 PERSONNEL COSTS

| | **2007** **£m** | 2006 £m |
|---|---|---|
| Wages and salaries | **43.1** | 42.2 |
| Social security costs | **4.1** | 3.9 |
| Charge in respect of defined benefit pension schemes | **3.7** | 2.9 |
| Contributions to defined contribution pension plans | **1.2** | 1.1 |
| Charge in respect of employee share options | **0.2** | 0.3 |
| | **52.3** | 50.4 |

Directors' emoluments are disclosed in the Directors' Remuneration Report on pages 28 to 35 of this document.

## 9 EMPLOYEES

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

| | **2007** **Number** | 2006 Number |
|---|---|---|
| Production | **633** | 741 |
| Sales and marketing | **272** | 234 |
| Research and development | **218** | 197 |
| Administration and shared services | **171** | 159 |
| Total average number of employees | **1,294** | 1,331 |

## 10 SHARE OPTION SCHEME EXPENSE

Administrative expenses include a charge of £0.2m (2006 £0.3m) in respect of the cost of providing share options. The cost is calculated by estimating the fair value of the option at grant date and spreading that amount over the vesting period. Further details of the assumptions used in these calculations are given below.

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

| Grant date | Plan | Employees Entitled | Number of instruments granted | Vesting conditions | Contractual Life of option |
|---|---|---|---|---|---|
| December 2006 | UK Save As You Earn scheme 21 | All UK employees | 250,043 | Three or five years of service | 3.5 or 5.5 years |
| September 2006 | Senior Executive Long Term Incentive Scheme | Certain senior executives | 12,500 | Three years of service plus satisfaction of performance conditions | 7 years |
| September 2006 | Executive Share Option Scheme | Certain senior executives | 66,667 | Three years of service plus satisfaction of performance conditions | 10 years |
| July 2006 | Senior Executive Long Term Incentive Scheme | Certain senior executives | 75,000 | Three years of service plus satisfaction of performance conditions | 7 years |
| July 2006 | Executive share Option Scheme | Certain senior executives | 450,550 | Three years of service plus satisfaction of performance conditions | 10 years |
| December 2005 | Senior Executive Long Term Incentive Scheme | Certain senior executives | 40,000 | Three years of service plus satisfaction of performance conditions | 7 years |
| December 2005 | Executive Share Option Scheme | Certain senior executives | 6,000 | Three years of service plus satisfaction of performance conditions | 10 years |
| December 2005 | UK Save as You Earn scheme 20 | All UK employees | 156,881 | Three or five years of service | 3.5 or 5.5 years |
| July 2005 | Senior Executive Long Term Incentive Scheme | Certain senior executives | 50,000 | Three years of service plus satisfaction of performance conditions | 7 years |
| July 2005 | Executive Share Option Scheme | Certain senior executives | 540,300 | Three years of service plus satisfaction of performance conditions | 10 years |
| December 2004 | UK Save as You Earn scheme 19 | All UK employees | 221,749 | Three or five years of service | 3.5 or 5.5 years |
| July 2004 | Executive Share Option Scheme | Certain senior executives | 786,213 | Three years of service plus satisfaction of performance conditions | 10 years |
| December 2003 | UK Save as You Earn scheme 18 | All UK employees | 227,157 | Three or five years of service | 3.5 or 5.5 years |
| July 2003 | Executive Share Option Scheme | Certain senior executives | 932,037 | Three years of service plus satisfaction of performance conditions | 10 years |
| December 2002 | Executive Share Option Scheme | Certain senior executives | 60,000 | Three years of service plus satisfaction of performance conditions | 10 years |
| December 2002 | UK Save as You Earn scheme 17 | All UK employees | 120,552 | Three or five years of service | 3.5 or 5.5 years |

Full details of the performance conditions can be found in the Directors' Remuneration Report on pages 28 to 35.

## 10 SHARE OPTION SCHEME EXPENSE Continued

### Fair value of share options and assumptions

### Executive Share Option Scheme

| | September 2006 | July 2006 | December 2005 | July 2005 | July 2004 | July 2003 | December 2002 |
|---|---|---|---|---|---|---|---|
| Fair value at measurement date | 44.6p | 46.6p | 64.0p | 56.5p | 64.5p | 47.5p | 31.5p |
| Share price | £2.05½ | £2.10 | £2.42¼ | £2.17½ | £2.18½ | £1.87½ | £1.47½ |
| Exercise price | £2.03¾ | £2.10 | £2.42½ | £2.19 | £2.18 | £1.88 | £1.48 |
| Expected volatility | 33.5% | 34.3% | 37.3% | 38.4% | 41.9% | 41.7% | 40.4% |
| Expected option life (expressed as weighted average life used in the modelling) | 6 years | 6 years | 6 years | 6 years | 6 years | 6 years | 6 years |
| Expected dividend yield | 4.1% | 4.0% | 3.5% | 3.9% | 3.8% | 4.5% | 5.7% |
| Risk free interest rate | 4.6% | 4.7% | 4.3% | 4.2% | 5.1% | 3.9% | 4.4% |
| Performance condition discount in respect of TSR condition | 31.4% | 33.6% | 24.2% | 23.0% | 21.0% | 26.0% | 31.0% |

### Senior Executive Long Term Incentive Scheme

| | September 2006 | July 2006 | December 2005 | July 2005 |
|---|---|---|---|---|
| Fair value at measurement date | 138.6p | 141.9p | £1.62 | £1.46 |
| Share price | £2.05½ | £2.10 | £2.42¼ | £2.17½ |
| Exercise price | £nil | £nil | £nil | £nil |
| Expected volatility | 25.5% | 26.5% | 32.2% | 34.8% |
| Expected option life (expressed as weighted average life used in the modelling) | 3 years | 3 years | 3 years | 3 years |
| Expected dividend yield | 4.1% | 4.0% | 3.5% | 3.9% |
| Risk free interest rate | 4.8% | 4.7% | 4.3% | 4.2% |
| Performance condition discount in respect of TSR condition | 47.6% | 47.7% | 51.5% | 23.0% |

**10 SHARE OPTION SCHEME EXPENSE** Continued

**UK Save as You Earn scheme – 3 year**

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

**UK Save as You Earn scheme – 5 year**

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

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

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

**10 SHARE OPTION SCHEME EXPENSE** Continued

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

| | **Weighted average exercise price 2007** | **Number of options 2007** | Weighted average exercise price 2006 | Number of options 2006 |
|---|---|---|---|---|
| Outstanding at the beginning of the period | **£1.85** | **3,289,600** | £1.89 | 4,321,458 |
| Granted during the year | **£1.78** | **854,760** | £1.92 | 793,181 |
| Forfeited during the year | **£2.42** | **(234,166)** | £1.75 | (57,273) |
| Exercised during the year | **£1.21** | **(685,627)** | £1.44 | (596,351) |
| Lapsed during the year | **£1.25** | **(398,044)** | £2.26 | (1,171,415) |
| Outstanding at the year end | **£1.93** | **2,826,523** | £1.85 | 3,289,600 |
| Exercisable at the year end | **£2.12** | **424,589** | £1.38 | 636,787 |

**11 FINANCIAL INCOME**

| | **2007 £m** | 2006 £m |
|---|---|---|
| Bank interest receivable | **0.2** | 0.9 |
| Expected return on pension scheme assets | **8.2** | 7.2 |
| Mark to market gain in respect of derivative financial instruments | **0.1** | - |
| | **8.5** | 8.1 |

**12 FINANCIAL EXPENDITURE**

| | **2007 £m** | 2006 £m |
|---|---|---|
| Interest payable and similar charges on bank loans and overdrafts | **0.3** | 0.6 |
| Interest charge on pension scheme liabilities | **8.9** | 7.9 |
| | **9.2** | 8.5 |

## 13 INCOME TAX EXPENSE

**Recognised in the income statement**

| | 2007 £m | 2006 £m |
|---|---|---|
| **Current tax expense** | | |
| Current year | **2.4** | 2.4 |
| Adjustment for prior years | **-** | 0.1 |
| | **2.4** | 2.5 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | **0.6** | (0.8) |
| Adjustment in respect of prior years | **(0.2)** | - |
| Benefit of tax losses recognised | **-** | 0.8 |
| | **0.4** | - |
| Total tax expense | **2.8** | 2.5 |
| **Reconciliation of effective tax rate** | | |
| Profit/(loss) before income tax | **1.3** | (0.9) |
| Income tax using the UK corporation tax rate (30%) | **0.4** | (0.3) |
| Effect of:- | | |
| Tax rates in foreign jurisdictions | **0.4** | 0.5 |
| Amortisation of intangible assets | **0.3** | 0.1 |
| Non-tax deductible expenses | **0.2** | 0.1 |
| Tax incentives not recognised in the income statement – mainly US manufacturing deductions | **(0.2)** | (0.4) |
| Temporary differences not recognised for deferred tax | **0.2** | 0.7 |
| Effect of current tax losses not utilised | **2.6** | 1.7 |
| Effect of previous tax losses now utilised | **(0.9)** | - |
| (Over)/under provided in prior years | **(0.2)** | 0.1 |
| Total tax expense | **2.8** | 2.5 |
| **Deferred tax recognised directly in equity** | | |
| Relating to employee benefits | **(6.7)** | 3.1 |
| Relating to cash flow hedges | **-** | 0.1 |
| | **(6.7)** | 3.2 |

## 14 EARNINGS PER SHARE

### a) Basic

The calculation of basic earnings per share is based on the profit or loss for the year after taxation and a weighted average number of ordinary shares outstanding during the year, excluding shares held by the Employee Share Ownership Trust, as follows:

| | **2007 £m** | 2006 £m |
|---|---|---|
| **Loss for the year** | **(1.5)** | (3.4) |

| | **Shares million** | Shares million |
|---|---|---|
| Weighted average number of shares outstanding | **48.9** | 48.6 |
| Less shares held by Employee Share Ownership Trust | **0.7** | 0.9 |
| **Weighted average number of shares used in calculation of earnings per share** | **48.2** | 47.7 |

### b) Diluted

The following table shows the effect that options would have had on the calculation of diluted basic earnings per share. However, since there was a loss in the year that effect was antidilutive and so has been excluded from the calculation of diluted basic earnings per share. This effect has been included in the calculation of diluted adjusted earnings per share – see (c) below.

| | **2007 Shares million** | 2006 Shares million |
|---|---|---|
| Number of ordinary shares per basic earnings per share calculations | **48.2** | 47.7 |
| Effect of shares under option | **0.3** | 0.5 |
| **Number of ordinary shares per diluted earnings per share calculations** | **48.5** | 48.2 |

### c) Adjusted

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

| | **2007 pence** | 2006 pence |
|---|---|---|
| Basic | **9.6** | 3.9 |
| Diluted | **9.5** | 3.8 |

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

| | **2007 £m** | 2006 £m |
|---|---|---|
| Adjusted profit before income tax (Note 1) | **7.5** | 4.0 |
| Taxation | **(2.8)** | (2.2) |
| Adjusted profit | **4.7** | 1.8 |

### 15 DIVIDENDS PER SHARE

The following dividends per share were paid by the Group:

| | **2007 Pence** | 2006 Pence |
|---|---|---|
| Previous year interim dividend | **2.4** | - |
| Previous year final dividend | **6.0** | 6.0 |
| | **8.4** | 6.0 |

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

| | **2007 pence** | 2006 pence |
|---|---|---|
| Interim dividend | **2.4** | 2.4 |
| Final dividend | **6.0** | 6.0 |
| | **8.4** | 8.4 |

The final proposed dividend of 6.0 pence per share (2006: 6.0 pence) will not be provided for until authorised by shareholders at the forthcoming annual general meeting.

Interim dividends of 2.4 pence per share (2006: 2.4 pence) are provided for when the dividend is paid.

Subject to the approval of the shareholders at the Annual General Meeting on 26 September 2007, the proposed final dividend will be paid on 25 October 2007 to shareholders registered at the close of business on 28 September 2007. The ordinary shares will be quoted ex-dividend on 26 September 2007. The latest date for exercising the Scrip Dividend alternative is 25 September 2007. The dividends payable on the shares held in trust have been waived.

## 16 ACQUISITIONS

**HKL Technologies A/S**

On 4 April 2005 the Group acquired HKL Technologies A/S based in Hobro, Denmark for a net cash consideration of £2.1m. Further consideration of up to £0.7m is payable based on post acquisition sales revenue growth. The Group's best estimate of this deferred consideration at the current time is £0.3m. HKL contributed turnover of £1.8m and profit before income tax of £0.1m to the Group in the year to 31 March 2006.

| | Book value £m | Accounting policy adjustments £m | Fair value to the Group £m |
|---|---|---|---|
| Property, plant and equipment | 0.2 | (0.1) | 0.1 |
| Inventories | 0.3 | (0.1) | 0.2 |
| Receivables | 0.6 | - | 0.6 |
| Payables | (0.7) | - | (0.7) |
| Total net assets/(liabilities) | 0.4 | (0.2) | 0.2 |
| Goodwill | | | 2.2 |
| Total purchase cost | | | 2.4 |
| Less consideration deferred | | | (0.3) |
| Net cash outflow in respect of the purchase * | | | 2.1 |
| Less net cash acquired | | | - |
| Net cash outflow on acquisition | | | 2.1 |

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

The book value of the assets acquired is based on the management accounts at the date of acquisition. The accounting policy adjustments reflect the alignment of accounting policies in respect of stock provisioning and project based contracts. There were no fair value adjustments.

Goodwill arose on the above acquisition as the criteria for the recognition of any intangible assets are not met at the date of acquisition. It is recorded as a component of intangible assets.

## 17 PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings £m | Plant and equipment £m | Fixtures and fittings £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 April 2005 | 16.6 | 29.5 | 7.5 | 53.6 |
| Acquisitions through business combinations | - | 0.1 | - | 0.1 |
| Other acquisitions | 0.2 | 3.9 | 0.1 | 4.2 |
| Disposals | (0.1) | (1.9) | (0.1) | (2.1) |
| Effect of movements in foreign exchange | 0.2 | 0.8 | 0.1 | 1.1 |
| Balance at 31 March 2006 | 16.9 | 32.4 | 7.6 | 56.9 |
| | | | | |
| Balance at 1 April 2006 | **16.9** | **32.4** | **7.6** | **56.9** |
| Acquisitions | **0.2** | **3.8** | **0.4** | **4.4** |
| Disposals | **-** | **(3.4)** | **-** | **(3.4)** |
| Transfers to held for sale assets | **(2.9)** | **(0.1)** | **-** | **(3.0)** |
| Effect of movements in foreign exchange | **(0.3)** | **(1.4)** | **(0.1)** | **(1.8)** |
| **Balance at 31 March 2007** | **13.9** | **31.3** | **7.9** | **53.1** |
| | | | | |
| **Depreciation and impairment losses** | | | | |
| Balance at 1 April 2005 | 3.3 | 22.6 | 4.7 | 30.6 |
| Depreciation charge for the year | 0.3 | 2.9 | 0.8 | 4.0 |
| Disposals | (0.1) | (1.7) | - | (1.8) |
| Effect of movements in foreign exchange | 0.2 | 0.5 | - | 0.7 |
| Balance at 31 March 2006 | 3.7 | 24.3 | 5.5 | 33.5 |
| | | | | |
| Balance at 1 April 2006 | **3.7** | **24.3** | **5.5** | **33.5** |
| Depreciation charge for the year | **0.3** | **2.7** | **0.5** | **3.5** |
| Disposals | **-** | **(3.1)** | **-** | **(3.1)** |
| Transfers to held for sale assets | **(1.0)** | **-** | **-** | **(1.0)** |
| Effect of movements in foreign exchange | **(0.1)** | **(1.1)** | **(0.1)** | **(1.3)** |
| **Balance at 31 March 2007** | **2.9** | **22.8** | **5.9** | **31.6** |
| | | | | |
| **Carrying amounts** | | | | |
| At 31 March 2005 | 13.3 | 6.9 | 2.8 | 23.0 |
| | | | | |
| At 31 March 2006 | 13.2 | 8.1 | 2.1 | 23.4 |
| | | | | |
| **At 31 March 2007** | **11.0** | **8.5** | **2.0** | **21.5** |

## 18 INTANGIBLE ASSETS

| | Goodwill £m | Customer related acquired intangibles £m | Development costs £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 April 2005 | 7.9 | 1.9 | 5.4 | 15.2 |
| Acquisitions through business combinations | 2.2 | - | - | 2.2 |
| Adjustment relating to recognition of deferred tax asset | (0.8) | - | - | (0.8) |
| Acquisitions – internally developed | - | - | 2.6 | 2.6 |
| Effect of movements in foreign exchange | 0.3 | 0.1 | - | 0.4 |
| Balance at 31 March 2006 | 9.6 | 2.0 | 8.0 | 19.6 |
| | | | | |
| Balance at 1 April 2006 | **9.6** | **2.0** | **8.0** | **19.6** |
| Acquisitions - internally developed | **-** | **-** | **5.6** | **5.6** |
| Disposals | **-** | **-** | **(0.2)** | **(0.2)** |
| Effect of movements in foreign exchange | **(0.3)** | **-** | **(0.2)** | **(0.5)** |
| **Balance at 31 March 2007** | **9.3** | **2.0** | **13.2** | **24.5** |
| | | | | |
| **Amortisation and impairment losses** | | | | |
| Balance at 1 April 2005 | 0.2 | 1.1 | 1.4 | 2.7 |
| Amortisation for the year | - | - | 1.1 | 1.1 |
| Impairment charge | - | 0.2 | - | 0.2 |
| Balance at 31 March 2006 | 0.2 | 1.3 | 2.5 | 4.0 |
| | | | | |
| Balance at 1 April 2006 | **0.2** | **1.3** | **2.5** | **4.0** |
| Amortisation charge for the year | **-** | **-** | **1.5** | **1.5** |
| Impairment charge | **-** | **0.2** | **-** | **0.2** |
| Adjustment relating to recognition of deferred tax asset | **0.9** | **-** | **-** | **0.9** |
| Disposals | **-** | **-** | **(0.2)** | **(0.2)** |
| **Balance at 31 March 2007** | **1.1** | **1.5** | **3.8** | **6.4** |
| | | | | |
| **Carrying amounts** | | | | |
| At 31 March 2005 | 7.7 | 0.8 | 4.0 | 12.5 |
| | | | | |
| At 31 March 2006 | 9.4 | 0.7 | 5.5 | 15.6 |
| | | | | |
| **At 31 March 2007** | **8.2** | **0.5** | **9.4** | **18.1** |

**18 INTANGIBLE ASSETS** Continued

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

| | **2007** | 2006 |
|---|---|---|
| | **£m** | £m |
| Analytical | **4.6** | 5.6 |
| Superconductivity | **3.6** | 3.8 |
| | **8.2** | 9.4 |

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

The recoverable amounts are determined from value in-use calculations. Three year cash flow forecasts prepared by the management of each CGU are used as a basis for the value in-use calculations which are prepared over a five year period. The key assumptions are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The rate used to discount the forecast cash flows is 10%.

**19 AVAILABLE FOR SALE EQUITY SECURITIES**

| | **2007** | 2006 |
|---|---|---|
| | **£m** | £m |
| Available for sale equity securities | **0.6** | 1.0 |

Available for sale equity securities at 31 March 2007 comprise:

| Security | Principal activity | Percentage of company owned | Carrying value £m |
|---|---|---|---|
| ARKeX Limited | Supply of gravity-gradiometry exploration and related services to the oil, gas and minerals industries | 16.70% | 0.3 |
| Link Nordiska AB | Scandinavian distributor of Oxford Instruments Microanalysis X-ray systems for chemical elemental analysis | 10.00% | - |
| Oxford Diffraction Limited | X-ray diffraction systems and ancillary products for chemical crystallography and protein structure determination | 23.00% | 0.3 |

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

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

**19 AVAILABLE FOR SALE EQUITY SECURITIES** Continued

During the year the Group disposed of its investment in Oxford BioSignals Limited. The proceeds of disposal were £0.4m. No profit on disposal arose. A fair value movement taken to the statement during 2007 of recognised income and expenditure during 2006 has been recycled through the income statement.

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

During the prior year the Group sold its investments in Target Systemelectronic GmbH and Target Instruments Incorporated. The carrying value at the time of sale was £0.4m and the profit on disposal was £1.7m.

**20 DEFERRED TAX**

**Recognised deferred tax assets and liabilities**
Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **2007 £m** | 2006 £m | **2007 £m** | 2006 £m | **2007 £m** | 2006 £m |
| Property, plant and equipment | **2.5** | 1.9 | **(0.1)** | (0.3) | **2.4** | 1.6 |
| Deferred revenue | **0.3** | 0.4 | **-** | - | **0.3** | 0.4 |
| Inventories | **1.2** | 1.5 | **-** | - | **1.2** | 1.5 |
| Employee benefits | **9.7** | 16.5 | **-** | - | **9.7** | 16.5 |
| Provisions | **0.4** | 0.4 | **-** | - | **0.4** | 0.4 |
| Intangible assets | **-** | - | **(2.5)** | (1.3) | **(2.5)** | (1.3) |
| Other items | **-** | - | **(0.1)** | (0.1) | **(0.1)** | (0.1) |
| Tax value of loss carry-forwards recognised | **0.2** | 0.1 | **-** | - | **0.2** | 0.1 |
| Tax assets/(liabilities) | **14.3** | 20.8 | **(2.7)** | (1.7) | **11.6** | 19.1 |
| Set off of tax | **(2.7)** | (1.7) | **2.7** | 1.7 | **-** | - |
| Net tax assets | **11.6** | 19.1 | **-** | - | **11.6** | 19.1 |

## Unrecognised deferred tax assets

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

| | **2007 £m** | 2006 £m |
|---|---|---|
| Deductible temporary differences | **2.5** | 1.7 |
| Tax losses | **7.8** | 7.3 |
| | **10.3** | 9.0 |

Tax losses amounting to £1.6m (2006: £1.5m) expire between the year end and 2015. The balance do not expire under current tax legislation. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available against which the Group can utilise the benefits there from.

## 20 DEFERRED TAX Continued

### Movement in temporary differences during the year

| | Balance 1 April 2005 £m | Recognised in income £m | Recognised in equity £m | Recognised in respect of acquisitions £m | Foreign exchange adjustment £m | Balance 31 March 2006 £m |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 1.4 | 0.2 | - | - | - | 1.6 |
| Deferred revenue | 0.3 | 0.1 | - | - | - | 0.4 |
| Inventories | 1.0 | 0.5 | - | - | - | 1.5 |
| Employee benefits | 13.1 | 0.2 | 3.1 | - | 0.1 | 16.5 |
| Provisions | 0.2 | 0.2 | - | - | - | 0.4 |
| Intangible assets | (1.2) | (0.1) | - | - | - | (1.3) |
| Cash flow hedges | (0.1) | - | 0.1 | - | - | - |
| Other items | 0.2 | (0.3) | - | - | - | (0.1) |
| Tax value of loss carry forwards recognised | 0.1 | (0.8) | - | 0.8 | - | 0.1 |
| | 15.0 | - | 3.2 | 0.8 | 0.1 | 19.1 |

| | Balance 1 April 2006 £m | Recognised in income £m | Recognised in equity £m | Foreign exchange adjustment £m | **Balance 31 March 2007 £m** |
|---|---|---|---|---|---|
| Property, plant and equipment | 1.6 | 0.8 | - | - | **2.4** |
| Deferred revenue | 0.4 | (0.1) | - | - | **0.3** |
| Inventories | 1.5 | (0.3) | - | - | **1.2** |
| Employee benefits | 16.5 | 0.2 | (6.7) | (0.3) | **9.7** |
| Provisions | 0.4 | - | - | - | **0.4** |
| Intangible assets | (1.3) | (1.1) | - | (0.1) | **(2.5)** |
| Other items | (0.1) | - | - | - | **(0.1)** |
| Tax value of loss carry forwards recognised | 0.1 | 0.1 | - | - | **0.2** |
| | 19.1 | (0.4) | (6.7) | (0.4) | **11.6** |

Out of the £11.6m deferred tax asset, £9.6m relates to the UK and is calculated at a rate of 30%. The UK government has proposed a rate of 28% and should this become law a part of the deferred tax asset will be released to either income or equity as appropriate.

## 21 INVENTORIES

| | **2007 £m** | 2006 £m |
|---|---|---|
| Raw materials and consumables | **8.6** | 9.9 |
| Work in progress | **11.7** | 10.9 |
| Finished goods | **5.3** | 6.3 |
| | **25.6** | 27.1 |

The amount of inventory recognised as an expense comprises cost of sales and £0.7m included within restructuring and non-recurring costs.

## 22 TRADE AND OTHER RECEIVABLES

| | 2007 £m | 2006 £m |
|---|---|---|
| Trade receivables | **40.5** | 38.8 |
| Less provision for impairment of receivables | **(0.4)** | (0.4) |
| Net trade receivables | **40.1** | 38.4 |
| Prepayments | **2.5** | 2.9 |
| Other receivables | **2.5** | 4.0 |
| | **45.1** | 45.3 |

Other receivables includes £nil (2006 £2.6m) due from customers in respect of long term contracts. Related revenue recognised during the year in respect of long term contracts was £nil (2006 £1.3m). Revenue is recognised in accordance with the long term contracts accounting policy which requires management to set milestones and associated cumulative revenue at the start of each contract. The aggregate costs to date plus recognised profits (less recognised losses) in respect of long term contracts in progress at the balance sheet date were £nil (2006 £5.9m). Advances received were £nil. In prior year advances of £0.2m were offset against other receivables.

## 23 DERIVATIVE FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

**Credit risk**
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Surplus cash is deposited and derivative financial instruments are made only with banks with credit ratings of at least AA. Given their high credit rating, management do not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

**Interest rate risk**
The Group has minimal borrowing at present and consequently does not hedge interest rate risk.

**Foreign currency risk**
The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Sterling. The currencies giving rise to this risk are primarily US Dollar, the Euro and Japanese Yen.

Given the high level of net exports, the Group faces currency exposures on trading transactions undertaken by its UK subsidiaries in foreign currencies. To eliminate uncertainty the group maintains a rolling hedge equivalent to 80% of the exposure expected to arise over the next 12 months. The hedging comprises a mixture of fixed forwards and option based products. The remaining 20% is sold on the spot market as it arises.

Currency translation risks are controlled centrally. The policy is to manage the translation exposure of major overseas net assets by seeking to match partially the currency of borrowings with the currency in which the net assets are denominated. The objective is to maintain a low cost of borrowings overall whilst permitting the transfer of the profits of overseas subsidiaries to the Company through regular dividends. The Group does not hedge its currency exposure on the translation of profits earned in overseas subsidiaries.

## 23 DERIVATIVE FINANCIAL INSTRUMENTS Continued

### Forecasted transactions

At 1 April 2005 the Group classified its forward exchange contracts hedging forecasted transactions as cash flow hedges and stated them at fair value. The fair value of forward exchange contracts at that date was adjusted against the opening balance of the hedging reserve at that date. As at 1 April 2006 the group decided to cease hedge accounting for all new contracts. Hedging gains and losses at that time have all been released to income in the current year.

### Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised in the Income statement.

### Fair values of financial assets and liabilities

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

| | **Carrying amount 2007 £m** | **Fair value 2007 £m** | Carrying amount 2006 £m | Fair value 2006 £m |
|---|---|---|---|---|
| Available for sale equity securities | **0.6** | **0.6** | 1.0 | 1.0 |
| Trade and other receivables | **45.1** | **45.1** | 45.3 | 45.3 |
| Cash and cash equivalents | **3.9** | **3.9** | 13.9 | 13.9 |
| Forward exchange contracts: | | | | |
| Assets | **0.5** | **0.5** | 0.1 | 0.1 |
| Liabilities | **(0.2)** | **(0.2)** | (0.3) | (0.3) |
| Unsecured bank borrowings | **(1.0)** | **(1.0)** | (2.9) | (2.9) |
| Trade and other payables | **(40.4)** | **(40.4)** | (39.2) | (39.2) |
| Bank overdrafts | **(1.1)** | **(1.1)** | (1.2) | (1.2) |

### Effective interest rates and repricing analysis

In respect of income earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice:

| **Year end 31 March 2007** | **Effective interest rate** | **Total** | **Six months or less** | **Six to twelve months** |
|---|---|---|---|---|
| Unsecured bank borrowings | **6.12%** | **1.0** | **1.0** | **-** |
| Bank overdrafts | **6.09%** | **1.1** | **1.1** | **-** |
| Cash and cash equivalents | **2.73%** | **3.9** | **3.9** | **-** |

| Year end 31 March 2006 | Effective interest rate | Total | Six months or less | Six to Twelve Months |
|---|---|---|---|---|
| Unsecured bank borrowings | 5.56% | 2.9 | 2.9 | - |
| Bank overdrafts | 2.64% | 1.2 | 1.2 | - |
| Cash and cash equivalents | 3.63% | 13.9 | 13.9 | - |

## 23 DERIVATIVE FINANCIAL INSTRUMENTS Continued

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

**Available for sale equity securities**
See Note 19

**Derivatives**
Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

**Interest-bearing loans and borrowings**
Fair value is calculated based on discounted expected future principal and interest cash flows.

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

## 24 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO NET CASH

| | **2007** | 2006 |
|---|---|---|
| | **£m** | £m |
| Decrease in cash and cash equivalents | **(9.6)** | (16.2) |
| Effect of foreign exchange rate changes on cash and cash equivalents | **(0.3)** | 0.4 |
| Revaluation of cash balances on adoption of IAS 32 and IAS 39 | **-** | (0.1) |
| | **(9.9)** | (16.0) |
| Cash outflow from decrease in debt | **1.9** | - |
| Cash inflow from increase in debt | **-** | (0.8) |
| Movement in net cash in the year | **(8.0)** | (16.8) |
| Net cash at start of the year | **9.8** | 26.6 |
| **Net cash at the end of the year** | **1.8** | 9.8 |
| Analysed as: | | |
| Cash and cash equivalents (per Balance Sheet) | **3.9** | 13.9 |
| Bank overdrafts | **(1.1)** | (1.2) |
| Cash and cash equivalents (per Statement of cash flows) | **2.8** | 12.7 |
| Borrowings | **(1.0)** | (2.9) |
| **Net cash at end of the year** | **1.8** | 9.8 |

## 25 HELD FOR SALE ASSETS

At the year end held for sale assets comprised a property in Eynsham, UK with a carrying value of £2m and a property in Abingdon, UK with a carrying value of £5m.

The Eynsham property became surplus to operating requirements during the year and was transferred to held for sale assets from property, plant and equipment. On transfer its carrying value was adjusted to fair value less costs to sell. No profit or loss arose as a result.

At the year end a buyer was being actively sought for both properties and they were expected to be sold for a consideration in excess of carrying value within the next year.

On 4 June 2007 the group entered into a binding contract for the sale of the Abingdon property at a price of £5.5m with completion expected in July 2007.

## 26 RECONCILATION OF MOVEMENT IN CAPITAL AND RESERVES

| | Share capital £m | Share premium account £m | Capital redemption reserve £m | Cash flow hedge reserve £m | Foreign exchange translation reserve £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|---|
| Total recognised (expense)/ income for the year | - | - | - | (0.2) | 0.9 | (10.8) | (10.1) |
| Credit in respect of employee service costs settled by award of share options | - | - | - | - | - | 0.3 | 0.3 |
| Proceeds from shares issued | - | 0.8 | - | - | - | - | 0.8 |
| Disposal of own shares held | - | - | - | - | - | 0.1 | 0.1 |
| Dividends paid | - | - | - | - | - | (2.9) | (2.9) |
| Opening equity shareholders' funds at 1st April 2005 (as restated) | 2.4 | 19.4 | 0.1 | 0.2 | - | 36.1 | 58.2 |
| Closing equity shareholders' funds at 31st March 2006 | 2.4 | 20.2 | 0.1 | - | 0.9 | 22.8 | 46.4 |

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

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

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

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

The group holds 595,749 (2006 826,441) of its own shares in an employee benefit trust. The cost of these shares is included within retained earnings.

## 27 CALLED UP SHARE CAPITAL

Issued and fully paid ordinary shares:

| | 2007 Number of shares | 2006 Number of shares |
|---|---|---|
| At the beginning of the year | **48,738,592** | 48,308,217 |
| Issued for cash | **459,304** | 430,375 |
| At the end of the year | **49,197,896** | 48,738,592 |

| | 2007 Number of shares | 2007 £m | 2006 Number of shares | 2006 £m |
|---|---|---|---|---|
| **Authorised** | | | | |
| Ordinary shares of 5p each | **58,000,000** | **2.9** | 58,000,000 | 2.9 |
| **Allotted, called up and fully paid** | | | | |
| Ordinary shares of 5p each | **49,197,896** | **2.5** | 48,738,592 | 2.4 |

| | 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 | 87,208 | £4,360 | £1.27 - £2.02 |
| Exercise of Executive Share Options | 372,096 | £18,605 | £1.585 - £1.875 |

| | 2007 Number of shares | Option price range | Period when exercisable | 2006 Number of shares |
|---|---|---|---|---|
| Options subsisting at the year end on unissued ordinary shares | | | | |
| Executive Share Option Schemes | **1,856,707** | **£1.48 - £3.58** | 01/04/07 – 03/09/16 | 2,171,670 |
| Savings Related Share Option Scheme | **608,745** | **£1.27 - £2.14** | 01/04/07 – 31/07/12 | 492,705 |
| Total options subsisting on unissued ordinary shares | **2,465,452** | | | 2,664,375 |
| Percentage of issued share capital | **5.0%** | | | 5.5% |
| | | | | |
| Options subsisting at the year end on existing ordinary shares held in trust | | | | |
| Senior Executive Long Term Incentive Scheme | **179,500** | **Nil** | 01/04/07 – 03/09/13 | 294,692 |
| Executive Share Option Scheme | **52,250** | **£1.94 - £1.96** | 01/04/07 – 23/12/09 | 81,250 |
| Individual Options | **50,000** | **£2.95** | 01/04/07 – 08/08/07 | 150,000 |
| Savings Related Share Option Scheme | **79,321** | **£1.64 - £1.75** | 01/02/08 – 31/07/09 | 99,283 |
| Total options subsisting on existing ordinary shares held in trust | **361,071** | | | 625,225 |

## 28 BORROWINGS

Borrowings of £1.0m (2006: £2.9m) relate to a US dollar bank loan made in the US to the Group's US operation. It is repayable on demand and carries an interest rate of LIBOR plus 1%. It is not secured on the assets of the Group.

## 29 RETIREMENT BENEFIT OBLIGATIONS

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

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

**The amounts recognised in the balance sheet are:**

| | **UK 2007 £m** | **USA 2007 £m** | **Total 2007 £m** | UK 2006 £m | USA 2006 £m | Total 2006 £m |
|---|---|---|---|---|---|---|
| Present value of funded obligations | **159.4** | **6.5** | **165.9** | 173.2 | 7.6 | 180.8 |
| Fair value of plan assets | **(130.7)** | **(4.4)** | **(135.1)** | (123.3) | (4.1) | (127.4) |
| Recognised liability for defined benefit obligations | **28.7** | **2.1** | **30.8** | 49.9 | 3.5 | 53.4 |

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

| | **UK 2007 £m** | **USA 2007 £m** | **Total 2007 £m** | UK 2006 £m | USA 2006 £m | Total 2006 £m |
|---|---|---|---|---|---|---|
| Benefit obligation at the beginning of the year | **173.2** | **7.6** | **180.8** | 139.1 | 6.0 | 145.1 |
| Interest on obligation | **8.5** | **0.4** | **8.9** | 7.6 | 0.3 | 7.9 |
| Current service cost | **3.1** | **0.6** | **3.7** | 2.2 | 0.6 | 2.8 |
| Past service cost | **-** | **-** | **-** | 0.1 | - | 0.1 |
| Contributions paid by plan participants | **1.0** | **-** | **1.0** | 1.1 | - | 1.1 |
| Benefits paid | **(3.2)** | **(0.2)** | **(3.4)** | (2.0) | (0.3) | (2.3) |
| Actuarial (gain)/loss on obligation | **(23.2)** | **(0.9)** | **(24.1)** | 25.1 | 0.4 | 25.5 |
| Exchange rate adjustment | **-** | **(1.0)** | **(1.0)** | - | 0.6 | 0.6 |
| Benefit obligation at the end of the year | **159.4** | **6.5** | **165.9** | 173.2 | 7.6 | 180.8 |

## 29 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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

| | **UK 2007 £m** | **USA 2007 £m** | **Total 2007 £m** | UK 2006 £m | USA 2006 £m | Total 2006 £m |
|---|---|---|---|---|---|---|
| Fair value of plan assets at the beginning of the year | **123.3** | **4.1** | **127.4** | 98.6 | 3.2 | 101.8 |
| Expected return on plan assets | **7.9** | **0.3** | **8.2** | 7.0 | 0.2 | 7.2 |
| Contributions by employers | **3.8** | **0.6** | **4.4** | 3.4 | 0.7 | 4.1 |
| Contributions paid by plan participants | **1.0** | **-** | **1.0** | 1.1 | - | 1.1 |
| Benefits paid | **(3.2)** | **(0.2)** | **(3.4)** | (2.0) | (0.3) | (2.3) |
| Actuarial (loss)/gain on assets | **(2.1)** | **0.1** | **(2.0)** | 15.2 | - | 15.2 |
| Exchange rate adjustment | **-** | **(0.5)** | **(0.5)** | - | 0.3 | 0.3 |
| Fair value of plan assets at the end of the year | **130.7** | **4.4** | **135.1** | 123.3 | 4.1 | 127.4 |

**Defined contribution schemes**

Since 1 April 2001 all new joiners in the UK have been offered participation in the defined contribution Oxford Instruments Stakeholder Plan. During the year ended 31 March 2007 the Company paid contributions to the scheme on a variable scale up to a maximum of 4% for members who contributed at a rate of at least 2%. Employees make contributions at a rate of their choice. Other defined contribution schemes are the Oxford Instruments 1998 Executive Pension Scheme, a UK scheme, and the 401k defined distribution plan in the USA.

**Expense recognised in the Income Statement**

| | **2007 £m** | 2006 £m |
|---|---|---|
| Current service cost | **3.7** | 2.8 |
| Past service cost | **-** | 0.1 |
| Interest on obligation | **8.9** | 7.9 |
| Expected return on plan assets | **(8.2)** | (7.2) |
| Total – defined benefit | **4.4** | 3.6 |
| Contributions to defined contribution schemes | **1.2** | 1.1 |
| | **5.6** | 4.7 |

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

| | **2007 £m** | 2006 £m |
|---|---|---|
| Cost of sales | **1.6** | 1.6 |
| Selling and marketing costs | **0.8** | 0.5 |
| Administration and shared services | **1.6** | 1.3 |
| Research and development | **0.9** | 0.6 |
| Financial income | **(8.2)** | (7.2) |
| Financial expenditure | **8.9** | 7.9 |
| | **5.6** | 4.7 |

**Actuarial gains and losses shown in the Statement of Recognised Income and Expense:**

| | **2007 £m** | 2006 £m |
|---|---|---|
| Actuarial (gain)/loss | **(22.1)** | 10.3 |

## 29 RETIREMENT BENEFIT OBLIGATIONS Continued

**Actual return on plan assets**

| | **2007 £m** | 2006 £m |
|---|---|---|
| Expected return on plan assets | **8.2** | 7.2 |
| Actuarial (loss)/gain | **(2.0)** | 15.2 |
| Actual return on plan assets | **6.2** | 22.4 |

**History of experience gains and losses are as follows:**

| | | | UK |
|---|---|---|---|
| | **2007** | 2006 | 2005 |
| Difference between the expected and actual return: | | | |
| Amount £m | **(2.1)** | 15.2 | 1.9 |
| % of scheme assets | **(2%)** | 12% | 2% |
| Experience gains/(losses) on scheme liabilities: | | | |
| Amount £m | **23.2** | (25.1) | (6.8) |
| % of the present value of the scheme liabilities | **(15%)** | 15% | 5% |

| | | | US |
|---|---|---|---|
| | **2007** | 2006 | 2005 |
| Difference between the expected and actual return: | | | |
| Amount £m | **0.1** | - | - |
| % of scheme assets | **2%** | - | - |
| Experience gains/(losses) on scheme liabilities: | | | |
| Amount £m | **0.9** | (0.4) | (1.2) |
| % of the present value of the scheme liabilities | **12%** | 5% | 20% |

**Defined benefit scheme - United Kingdom**
A full actuarial valuation of the UK plan was carried out as at 31 March 2006 and has been updated to 31 March 2007 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

| | **As at 31 March 2007 %** | As at 31 March 2006 % |
|---|---|---|
| Discount rate | **5.4** | 4.9 |
| Rate of salary increase | **4.0** | 4.0 |
| Rate of increase to pensions in payment (pre 1997) | **2.8** | 2.8 |
| Rate of increase to pensions in payment (post 1997) | **2.5** | 2.8 |
| Rate of inflation | **3.0** | 3.0 |
| Mortality – pre-retirement – males | **PA92 – year of birth** | PA91c2030 |
| Mortality – pre-retirement – females | **PA92 – year of birth** | PA91c2030 |
| Mortality – post-retirement – males | **PA92 – year of birth** | PA92c2015 |
| Mortality – post-retirement – females | **PA92 – year of birth** | PA92c2015 |

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

**29 RETIREMENT BENEFIT OBLIGATIONS** Continued

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

| | 2007 | 2006 |
|---|---|---|
| Pre-retirement – males | **20.9** | 20.5 |
| Pre-retirement – females | **23.9** | 23.4 |
| Post-retirement – males | **19.9** | 19.4 |
| Post-retirement – females | **22.9** | 22.4 |

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

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

| | **Long-term rate of return expected at 31 March 2007 %** | **Value at 31 March 2007 £m** | Long-term rate of return expected at 31 March 2006 % | Value at 31 March 2006 £m |
|---|---|---|---|---|
| Equities | **8.0** | **70.4** | 7.5 | 66.5 |
| Corporate bonds | **5.4** | **19.9** | 4.9 | 8.4 |
| Gilts | **4.5** | **27.0** | 4.2 | 26.9 |
| Property | **-** | **-** | 6.0 | 10.6 |
| Cash and other assets | **5.3** | **2.8** | 4.5 | 0.9 |
| Absolute return fund | **7.3** | **10.6** | 7.0 | 10.0 |
| | | **130.7** | | 123.3 |

**Defined benefit scheme - United States**
A full actuarial valuation of the US plan was carried out as at 1 January 2005 and has been updated to 31 December 2006 by a qualified independent actuary. Results at 31 March 2007 have been taken to be the same as those at 31 December 2006. The major assumptions used by the actuary were (in nominal terms):

| | **As at 31 March 2007 %** | As at 31 March 2006 % |
|---|---|---|
| Discount rate | **5.75** | 5.25 |
| Rate of salary increase | **4.00** | 4.00 |
| Rate of increase to pensions in payment | **0.00** | 0.00 |
| Rate of inflation | **3.00** | 3.00 |
| Mortality – pre-retirement | **RP-2000 combined mortality table, male and female projected to 2005 with scale AA** | 1983 Group Annuity Table, male and female |
| Mortality – post-retirement | **RP-2000 combined mortality table, male and female projected to 2005 with scale AA** | 1994 Group Annuity Reserving Table, split 50% for males and females |

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

**29 RETIREMENT BENEFIT OBLIGATIONS** Continued

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

| | **Long term rate of return expected at 31 March 2007** | **Value at 31 March 2007** | Long term rate of return expected at 31 March 2006 | Value at 31 March 2006 |
|---|---|---|---|---|
| | **%** | **£m** | % | £m |
| Equities | **9.20** | **2.3** | 8.05 | 2.2 |
| Bonds | **6.00** | **1.8** | 5.25 | 1.6 |
| Property | **8.40** | **0.3** | 7.30 | 0.3 |
| | | 4.4 | | 4.1 |

**30 TRADE AND OTHER PAYABLES**

| | **2007** | 2006 |
|---|---|---|
| | **£m** | £m |
| Trade payables | **22.3** | 21.9 |
| Social security and other taxes | **1.1** | 1.0 |
| Accrued expenses | **13.9** | 12.4 |
| Other creditors (including deferred consideration) | **3.1** | 3.9 |
| | **40.4** | 39.2 |
| Amounts due after more than one year – other creditors | **0.2** | 0.5 |
| | **40.2** | 38.7 |

Payables include accrued costs of nil (2006 £0.7m) in respect of long term contracts. Deferred consideration relates to amounts payable in respect of acquisitions made in 2005 and 2006.

**31 PROVISIONS FOR OTHER LIABILITIES AND CHARGES**

| | Warranties | Restructuring | Other | Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Balance at 1 April 2006 | 2.6 | 3.1 | 0.4 | 6.1 |
| Provisions made during the year | 2.1 | - | 0.4 | 2.5 |
| Provisions used during the year | (2.0) | (1.4) | - | (3.4) |
| Provisions released/transferred during the year | (0.2) | (1.7) | - | (1.9) |
| **Balance at 31 March 2007** | **2.5** | **-** | **0.8** | **3.3** |

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

### 32 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

| | **2007** **£m** | 2006 £m |
|---|---|---|
| Less than one year | **0.2** | 0.5 |
| Between one and five years | **4.0** | 3.6 |
| More than five years | **2.3** | 2.7 |
| | **6.5** | 6.8 |

### 33 CAPITAL COMMITMENTS

During the year ended 31 March 2007, the Group entered into contracts to purchase property, plant and equipment for £0.2m (2006 £0.5m). These commitments are expected to be settled in the following financial year.

### 34 CONTINGENCIES

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

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

### 35 RELATED PARTIES

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

Transactions with key management personnel are disclosed in the Director's Remuneration Report on pages 28 to 35. There were no other significant transactions with key management personnel in either the current or preceding year other than the following.

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

| | **2007 Purchases £m** | **2007 Current liabilities £m** | 2006 Purchases £m | 2006 Current liabilities £m |
|---|---|---|---|---|
| Transactions with Directors | 0.1 | - | 0.1 | - |

## 36 GROUP ENTITIES

| | Equity owned by the company % | Country of incorporation | Principal activity |
|---|---|---|---|
| Oxford Instruments Analytical Holdings Ltd | 100 | Great Britain | Holding |
| Oxford Instruments Overseas Holdings Ltd | 100 | Great Britain | Holding |
| Oxford Instruments Superconductivity Holdings Ltd | 100 | Great Britain | Holding |
| Oxford Instruments Overseas Marketing Ltd | *100 | Great Britain | Marketing |
| Oxford Instruments Analytical Ltd | *100 | Great Britain | Trading |
| Oxford Instruments Molecular Biotools Ltd | *100 | Great Britain | Trading |
| Oxford Instruments Plasma Technology Ltd | *100 | Great Britain | Trading |
| Oxford Instruments Superconductivity Ltd (trading as Oxford Instruments NanoScience) | *100 | Great Britain | Trading |
| Oxford Instruments America Inc | *100 | USA | Distribution |
| Oxford Instruments OST Holdings LLC | *100 | USA | Holding |
| Oxford Instruments (Tennessee) Inc | *100 | USA | Holding |
| Oxford Instruments Holdings Inc | *100 | USA | Holding |
| Austin Scientific Company | *100 | USA | Trading |
| Oxford Instruments X-Ray Technology Inc | *100 | USA | Trading |
| Oxford Superconducting Technology | *100 | USA | Trading |
| Oxford Instruments (Shanghai) Company Ltd | *100 | China | Trading |
| Oxford Instruments HKL Technologies A/S | *100 | Denmark | Trading |
| Oxford Instruments Analytical Oy | *99.1 | Finland | Trading |
| Oxford Instruments SAS | *100 | France | Distribution |
| Oxford Instruments GmbH | *100 | Germany | Distribution |
| Oxford Instruments Measurement Systems GmbH | *100 | Germany | Distribution |
| Oxford Instruments KK | *100 | Japan | Distribution |
| Oxford Instruments Pte Ltd | *100 | Singapore | Distribution |

A full list of the Group companies as at 31 March 2007 is available for inspection at the Company's registered office.

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

Oxford Instruments Analytical Oy is accounted for as though it is a 100% subsidiary since the 0.9% minority interest is not considered material.

## 37 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

**Provisions**
Note 31 contains information about provisions. Provisions are judgemental by their nature. Amounts provided are the Group's best estimate of exposure based on currently available information.

**Impairment of goodwill**
Note 18 contains information about the assumptions relating to goodwill impairment tests.

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

**Pension assumptions**
The principal actuarial assumptions applied to pensions are shown in Note 29. The actuarial evaluation of pension assets and liabilities is based on assumptions in respect of inflation, future salary increases, discount rates, returns on investments and mortality rates. Due to their sizes relatively small changes in the assumptions underlying the actuarial valuation of pension schemes can have a significant impact on the net pension liability included in the balance sheet and the associated deferred tax asset.

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

## 38 SUBSEQUENT EVENTS

The interim dividend of 2.4p per share (total cost £1.1m) was paid after the balance sheet date. In addition on 13 June 2007 the Director's proposed a final dividend of 6.0p per ordinary share (total cost £2.9m). The total amount of £4.0m has not been provided for and there are no income tax consequences.

## 39 EXCHANGE RATES

The principal exchange rates to sterling used were:

| Average translation rates | 2007 | 2006 |
|---|---|---|
| US Dollar | **1.89** | 1.79 |
| Euro | **1.47** | 1.46 |
| Yen | **221** | 202 |

| Year end rates | 2007 | 2006 |
|---|---|---|
| US Dollar | **1.96** | 1.73 |
| Euro | **1.47** | 1.43 |
| Yen | **232** | 205 |

| | Notes | 2007 £m | 2006 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | c | **1.5** | 1.3 |
| Investments in subsidiary undertakings | d | **51.4** | 66.7 |
| Other investments | d | **0.6** | 1.0 |
| | | **53.5** | 69.0 |
| **Current assets** | | | |
| Debtors | e | **60.2** | 48.1 |
| Cash at bank and in hand | | **19.3** | 26.8 |
| | | **79.5** | 74.9 |
| **Creditors:** amounts falling due within one year | | | |
| Bank loans and overdrafts | | **(1.4)** | (4.4) |
| Other creditors | f | **(12.6)** | (18.0) |
| | | **(14.0)** | (22.4) |
| **Net current assets** | | **65.5** | 52.5 |
| **Total assets less current liabilities** | | **119.0** | 121.5 |
| **Provisions for liabilities and charges** | g | **(0.3)** | (0.1) |
| **Net assets** | | **118.7** | 121.4 |
| Share capital | i | **2.5** | 2.4 |
| Share premium account | i | **20.9** | 20.1 |
| Other reserves | i | **7.7** | 7.7 |
| Profit and loss account | i | **87.6** | 91.2 |
| **Equity shareholders' funds** | | **118.7** | 121.4 |

The financial statements were approved by the Board of Directors on 13 June 2007 and signed on its behalf by:

**Jonathan Flint**
Director

**Kevin Boyd**
Director

## a) Accounting Policies

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

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

In accordance with FRS 1 the company is exempt from preparing its own cash flow statement.

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

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

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

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

**Fixed assets and depreciation.**
Depreciation is provided to write off the valuation or the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | |
|---|---|
| Freehold buildings | 50 years |
| Machinery and equipment | 5 to 10 years |
| Computer equipment | 4 years |
| Motor vehicles | 4 years |
| Furniture and fittings | 10 years |

Leasehold land and buildings, where the period of the lease is less than 50 years, are written off on a straight-line basis over the remaining period of the lease. Freehold land is not depreciated.

**Post retirement benefits**
The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 Retirement benefits, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Refer to Note j for the additional disclosures required by FRS 17.

**Foreign currencies**
The Company enters into forward exchange contracts to mitigate the currency exposures that arise on sales and purchases denominated in foreign currencies. Transactions in foreign currencies are converted into Sterling at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date or at the appropriate forward contract rates. Exchange profits and losses arising from the above are dealt with in the profit and loss account.

## a) Accounting Policies

**Classification of financial instruments issued by the Company**
Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (ie. forming part of shareholders' funds) only to the extent that they meet the following two conditions:
i) they include no contractual obligation upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
ii) Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividend policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Hedging instruments and hedged items are accounted for separately in the balance sheet. Gains and losses in both are included in profit for the year when they arise (fair value hedges) or when the hedged transaction occurs having first recorded those on the hedging instrument in equity (cash flow hedges, to the extent effective).

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

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

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

**Dividends on shares presented within shareholders' funds**
Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

**Financial guarantee contracts**
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### b) Profit for the year

The Company's profit for the financial year was nil (2006 £0.1m).

The auditor's remuneration comprised £65,000 (2006 £60,000) for the statutory audit and £6,000 (2006 £5,000) for tax advice. Additionally in 2006 the auditors were paid £28,000 for IFRS advisory work.

The average number of people employed by the Company (including Directors) during the year was 45 (2006 40). All of these individuals were involved in administration.

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

| | **2007** | 2006 |
|---|---|---|
| | **£m** | £m |
| Wages and salaries | **2.8** | 2.2 |
| Social security costs | **0.3** | 0.2 |
| Other pension costs | **0.4** | 0.3 |
| | **3.5** | 2.7 |

The share based payment expense was nil (2006: nil).

Full details of the emoluments paid to Directors can be found in the Directors' Remuneration Report on pages 28 to 35.

### c) Tangible fixed assets

| | Property | Other fixed assets | Total |
|---|---|---|---|
| | £m | £m | £m |
| **Cost** | | | |
| Balance at 1 April 2006 | 0.3 | 2.6 | 2.9 |
| Additions | - | 0.6 | 0.6 |
| Disposals | - | (0.3) | (0.3) |
| **Balance at 31 March 2007** | **0.3** | **2.9** | **3.2** |
| | | | |
| **Depreciation** | | | |
| Balance at 1 April 2006 | 0.1 | 1.5 | 1.6 |
| Charge for year | - | 0.4 | 0.4 |
| Eliminated on disposals | - | (0.3) | (0.3) |
| **Balance at 31 March 2007** | **0.1** | **1.6** | **1.7** |
| | | | |
| **Net book value** | | | |
| At 31 March 2006 | 0.2 | 1.1 | 1.3 |
| | | | |
| **At 31 March 2007** | **0.2** | **1.3** | **1.5** |

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

| | **2007** | 2006 |
|---|---|---|
| | **£m** | £m |
| **Property** | | |
| Freehold buildings | **0.2** | 0.2 |
| | | |
| **Other fixed assets** | | |
| Computer equipment | **1.3** | 1.1 |

**d) Investments**

| | Shares in subsidiary undertakings £m | Other investments £m | Total £m |
|---|---|---|---|
| **Cost or valuation** | | | |
| Balance at 1 April 2006 | 66.7 | 1.2 | 67.9 |
| Additions | 0.4 | - | 0.4 |
| Disposals | - | (0.6) | (0.6) |
| **Balance at 31 March 2007** | **67.1** | **0.6** | **67.7** |

| | Shares in subsidiary undertakings £m | Other investments £m | Total £m |
|---|---|---|---|
| **Amortisation** | - | | |
| Balance as at 1 April 2006 | | 0.2 | 0.2 |
| Impairment | 15.7 | - | 15.7 |
| Disposals | - | (0.2) | (0.2) |
| **Balance at 31 March 2007** | **15.7** | **-** | **15.7** |
| Net book value at 31 March 2006 | 66.7 | 1.0 | 67.7 |
| **Net book value at 31 March 2007** | **51.4** | **0.6** | **52.0** |

Other investments at 31 March 2007 comprise:

| Investment | Principal activity | Percentage of company owned |
|---|---|---|
| ARKeX Limited | Supply of gravity-gradiometry exploration and related services to the oil, gas and minerals industries | 16.7% |
| Oxford Diffraction Limited | X-ray diffraction systems and ancillary products for chemical crystallography and protein structure determination | 23.00% |

During the year the company disposed of its investment in Oxford BioSignals Ltd. The proceeds of disposal were £0.4m. There was no profit on disposal.

During the year additional "B" round funding resulted in the Company's percentage holding in ARKeX Ltd being reduced from 18.9% (2006: 24.9%) to 16.7% (2006: 18.9%). During the prior year the Company reduced its percentage holding ARKeX Limited by 3.6% from 28.5% to 24.9%. The gain on disposal was £0.1m. The percentage holding was then further reduced as a result of "B" round funding as explained above.

The addition to subsidiary investments of £0.4m relates to the awarding of share options to employees of subsidiary companies. Details of the subsidiary investments are given in Note 36.

The impairment during the year relates to the write down of the Company's investment in Oxford Instruments Exmed Holdings Ltd to its estimated recoverable amount.

**e) Debtors**

| | **2007** **£m** | 2006 £m |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Amounts owed by subsidiary undertakings | **58.9** | 47.2 |
| Other debtors | **0.3** | 0.3 |
| Derivative financial instruments | **0.3** | - |
| Prepayments and accrued income | **0.3** | 0.2 |
| | **59.8** | 47.7 |
| **Amounts falling due after one year:** | | |
| Deferred tax | **0.4** | 0.4 |
| | **60.2** | 48.1 |

**f) Creditors: Amount falling due within one year**

| | **2007** **£m** | 2006 £m |
|---|---|---|
| Trade creditors | **0.4** | 0.5 |
| Amounts owed to subsidiary undertakings | **10.2** | 15.8 |
| Corporation tax | **-** | 0.5 |
| Tax, social security and sales related taxes | **0.7** | 0.6 |
| Accruals and deferred income | **0.8** | 0.6 |
| Derivative financial instruments | **0.2** | - |
| Other creditors | **0.3** | - |
| | **12.6** | 18.0 |

**g) Provisions for liabilities and charges**

| | **Vacant lease provision** £m |
|---|---|
| At beginning of the year | 0.1 |
| Additional provision made | 0.2 |
| **At end of the year** | **0.3** |

### h) Deferred Tax

| | **2007** **£m** | 2006 £m |
|---|---|---|
| **Deferred tax asset** | | |
| At beginning of the year | **0.4** | 0.4 |
| Transfer to profit and loss account | **-** | - |
| | **0.4** | 0.4 |

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

| | Recognised | | Unrecognised | |
|---|---|---|---|---|
| | **2007** **£m** | 2006 £m | **2007** **£m** | 2006 £m |
| Excess of depreciation over corresponding capital allowances | **0.4** | 0.4 | **0.1** | - |
| Other timing differences | **-** | - | **-** | 0.1 |
| | **0.4** | 0.4 | **0.1** | 0.1 |

A deferred tax asset has been recognised in the accounts relating to short-term timing differences and accelerated capital allowances. The Company has recognised the assets only to the extent that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

### i) Reserves

| | Share capital £m | Share premium account £m | Capital redemption reserve £m | Other reserves £m | Profit and loss account £m | Total £m |
|---|---|---|---|---|---|---|
| Balance at 1 April 2006 | 2.4 | 20.1 | 0.1 | 7.6 | 91.2 | 121.4 |
| Retained profit for the year | - | - | - | - | - | - |
| Premium of issued shares | 0.1 | 0.8 | - | - | - | 0.9 |
| Share options awarded to employees of subsidiaries | - | - | - | - | 0.4 | 0.4 |
| Dividends paid | - | - | - | - | (4.0) | (4.0) |
| **Balance at 31 March 2007** | **2.5** | **20.9** | **0.1** | **7.6** | **87.6** | **118.7** |

**j) Pension commitments**

The Company and its employees contribute to the Oxford Instruments Pension Scheme, a defined benefit scheme. Contributions are based on pension costs across the Group as a whole. The assets of the Scheme are held in a separate trustee administered fund.

The Oxford Instruments Pension Scheme was closed to new members from 1 April 2001. Since this date new employees have been invited to join the Oxford Instruments Stakeholder Plan, a defined contribution scheme. The company maked contributions to this scheme of £0.1m (2006: £0.2m) during the year.

The Directors do not believe it possible to allocate the assets and liabilities of the scheme to individual group members on a consistent and responsible basis. Accordingly, under FRS 17 the Company is exempt from recognising its share of the net pension deficit and accounts for the scheme as though it were a defined contribution scheme. The following disclosures relate to the pension commitments for the whole scheme.

The latest actuarial valuation was carried out at 31 March 2006 and updated to 31 March 2007 by a qualified independent actuary.

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

| | **At 31 March 2007 %** | At 31 March 2006 % |
|---|---|---|
| Rate of increase in salaries | **4.0** | 4.0 |
| Rate of increase in pensions in payment (pre 1997) | **2.8** | 2.8 |
| Rate of increase in pensions in payment (post 1997) | **2.5** | 2.8 |
| Discount rate | **5.4** | 4.9 |
| Inflation assumptions | **3.0** | 3.0 |

**j) Pension commitments** continued

| | **Long term Rate of Return Expected at 31 March 2007** | **Value at 31 March 2007** | Long term Rate of Return Expected at 31 March 2006 | Value at 31 March 2006 | Long term Rate of Return Expected at 31 March 2005 | Value at 31 March 2005 |
|---|---|---|---|---|---|---|
| | **%** | **£m** | % | £m | % | £m |
| Equities | **8.0** | **70.4** | 7.5 | 66.5 | 8.0 | 56.1 |
| Corporate bonds | **5.4** | **19.9** | 4.9 | 8.4 | n/a | - |
| Gilts | **4.5** | **27.0** | 4.2 | 26.9 | 4.7 | 23.6 |
| Property | **-** | **-** | 6.0 | 10.6 | 6.5 | 8.8 |
| Cash and other assets | **5.3** | **2.8** | 4.5 | 0.9 | 4.0 | 1.6 |
| Absolute return fund | **7.3** | **10.6** | 7.0 | 10.0 | 7.5 | 8.5 |
| Total market value of assets | | **130.7** | | 123.3 | | 98.6 |
| Present value of scheme liabilities | | **(159.4)** | | (173.2) | | (139.1) |
| Deficit in the scheme | | **(28.7)** | | (49.9) | | (40.5) |
| Related deferred tax asset * | | **8.6** | | 15.0 | | 12.2 |
| Net pension liability | | **(20.1)** | | (34.9) | | (28.3) |

* Based on 30% rate of tax.

The contributions paid by the Company to the Oxford Instruments Pension Scheme were £0.3m (2006 £0.1m)

**k) Guarantees**

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

**l) Commitments**

| | **2007** | 2006 |
|---|---|---|
| | **£m** | £m |
| **Operating leases which expire**: | | |
| Within one year | **-** | - |
| In the second to fifth years inclusive | **0.1** | 0.1 |
| Over five years | **-** | - |
| | **0.1** | 0.1 |

There were no capital commitments as at 31 March 2007 (2006 £nil).

**m) Subsequent events**
See Note 38 for details of dividends paid or declared after the balance sheet date.

**THIS DOCUMENT IS IMPORTANT**

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

Notice is hereby given that the forty-third Annual General Meeting of Oxford Instruments plc will be held at 2.30pm on 25 September 2007 at the offices of Oxford Instruments Group Head Office, Tubney Woods, Abingdon, Oxon, OX13 5QX to transact the following business:

**1 Directors' Report and Accounts**
To receive and adopt the Reports and Financial Statements for the year ended 31 March 2007 and the Report of the Auditors thereon.

**2 Final dividend**
To declare the final dividend for the year to 31 March 2007.

**3 Directors' Remuneration Report**
To approve the Directors' Remuneration Report set out on pages 28 to35 of the Reports and Financial Statements for the year ended 31 March 2007.

**4 Re-election of Directors**
(a) To re-elect Jonathan Flint who retires by rotation but, being eligible, will be proposed for re-election.
(b) To re-elect Bernard Taylor who retires by rotation but, being eligible, will be proposed for re-election.
(c) To re-elect Peter Morgan who retires by rotation but, being eligible, will be proposed for re-election.
(d) To re-elect Mike Brady who is required to retire annually as he has been a Non-Executive Director for more than 9 years.

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

**6. Permission for the Directors to allot further shares**
To consider as an Ordinary Resolution that the authority conferred by Article 10.1 of the Articles of Association be renewed until the earlier of the expiry of the next following Annual General Meeting of the Company and the date which is fifteen months from the date of the passing of this Resolution and that the Section 80 amount be £440,105.

**7. Relaxation of the restrictions which normally apply when ordinary shares are issued for cash**
To consider as a Special Resolution that the authority conferred by Article 10.2 of the Articles of Association be renewed until the earlier of the expiry of the next following Annual General Meeting of the Company and the date which is fifteen months from the date of the passing of this Resolution and that the Section 89 amount be £122,995.

**8. Authority to buy back up to 10% of the Company's issued share capital**
To consider as a Special Resolution that pursuant to Article 4 of the Articles of Association of the Company and subject to the provisions of the Companies Act 1985 ("the Act") the Company be generally and unconditionally authorised to purchase by market purchase (as defined by Section 163 of the Act) up to 4,919,790 ordinary shares of 5p each in its own capital subject to the following:

(i) the purchase price for any share so purchased shall not exceed a sum (exclusive of all expenses) equal to 105% of the average of the middle market quotations for ordinary shares for the five business days immediately preceding the day of purchase (as derived from the London Stock Exchange Daily Official List) and shall not be less than the nominal value of the share;
(ii) the authority shall expire on the earlier of the close of the following Annual General Meeting or the expiry of fifteen months from the date of the passing of 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.

**9. Donations to EU political organisations and EU political expenditure**
To consider as an Ordinary Resolution that the Company be and is hereby authorised to:
(i) make Donations to any one or more EU Political Organisation which is not a Registered Party; and
(ii) incur EU Political Expenditure in an aggregate amount not exceeding £100,000 per annum during the period commencing on the date of this Resolution and ending on the date of the Annual General Meeting in 2008.

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

**10. Amendments to the 2001 Executive Share Option Scheme**
To consider as an Ordinary Resolution that the rules of the Oxford Instruments 2001 Executive Share Option Scheme (the "Scheme), be amended as marked on the rules of the Scheme produced to the meeting and signed by the Chairman for the purposes of identification. The proposed amendment to the rules of the Scheme is detailed in the explanatory note to this Resolution 10 below.

**11. Amendments to the Company's Articles of Association**
To consider as a Special Resolution that the Articles of Association of the Company be amended as follows:
(a) References
(i) In Article 2.1 insert the year "1985" between the words "The" and "Act" in the first line of the table of Words and Meanings, and insert the following after the first line of that table: "The 2006 Act : The Companies Act 2006";
(ii) In line six of Article 31.5 the words "Section 207, Companies Act 1989" shall be deleted and the words "Section 785 of the 2006 Act" shall be inserted.
(iii) In line two of Article 68.1 the words "Section 212 of the 1985 Act" shall be deleted and the words "Section 793, of the 2006 Act" shall be inserted.
(iv) In lines three and six of Article 68.5(1) and line two of Article 68.5(2) the words "Section 212" shall be deleted and the words "Section 793" shall be inserted.
(v) In line three of Article 68.7 the words "Part VI of the Act" shall be deleted and the words "The 2006 Act" shall be inserted.
(b) Notices, Documents and Communications
The current Article 145 shall be deleted and the following paragraphs shall be inserted in replacement:

"Notices, Documents and Communications
145.1 The Company shall send to a member any notice or other document or information pursuant to these Articles, legislation or other rules and regulations applicable to the Company by whichever of the following methods it may determine at its discretion:

(a) Personally; or
(b) By posting the notice or other document or information in a prepaid envelope addressed, in the case of a member, to his registered address, or in any other case, to the person's usual address; or
(c) By leaving the notice or other document at that address; or
(d) If the member has agreed (generally or specifically) that the document or information may be sent using electronic means (and has not revoked that agreement), by sending the notice or other document or information using electronic means to such address (if any) for the time being notified to the Company by or on behalf of the member for that purpose (generally or specifically); or
(e) In accordance with Article 145.2 below; or
(f) By any other method approved by the board.

145.2 Subject to the provisions of the 2006 Act, the Company may also send to a member any notice or other document or information pursuant to these Articles, legislation or other rules and regulations applicable to the Company by making that notice or other document or information, available on a website where:

(a) the member has agreed (or is deemed to have agreed in accordance with the provisions of the 2006 Act) to such method of communication;
(b) the notice or document is one to which that agreement applies;
(c) the member is notified, in writing, of:
(i) the publication of the notice, document or information on a website;
(ii) the address of that website;
(iii) the place on that website where the notice or document may be accessed and how it may be accessed; and

(d) the notice or document is published on that website for the applicable notice period provided in these Articles, legislation or other rules and regulations applicable to the Company, or a period of not less than 28 days beginning on the day that notice pursuant to paragraph 145.2(c) is sent or (if later) deemed sent. Provided that, if the notice or document is published on that website for a part, but not all of, the applicable period, the notice or document shall be treated as being published throughout that period if the failure to publish that notice or document throughout that period is wholly attributable to circumstances which were not reasonably avoidable or preventable by the Company.

145.3 Where a member has been sent a notice, document or other information by the Company otherwise than in hard copy form, the Company will at the written request of such member send a hard copy of such notice, document or other information to that member within twenty-one days of receipt of such written request by the Company.

145.4 Where a notice or other document or information is served in an electronic communication other than a website, service shall be deemed to be effected at the expiration of 48 hours after the time it was sent. Proof that a notice contained in an electronic communication was sent in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators from time to time shall be conclusive evidence that the notice was given. An electronic communication shall not be treated as received by the Company if it is rejected by computer virus protection arrangements. In the case of a notice served by first class post, service shall be deemed to be effected twenty-four hours (or, where second-class mail is employed, forty-eight hours) after the time when the letter containing the same is posted (save that, if the foregoing provisions of this sentence would otherwise result in a notice or other document being deemed to have been served on a Sunday or a Bank Holiday (as defined in the Act), such service shall be deemed to be effected at 9.00am on the next following day which is not a Sunday or a Bank Holiday) and in proving such service it shall be sufficient to prove that such letter was properly addressed, stamped and posted. Any notice or other document delivered or left at a registered address otherwise than by post shall be deemed to have been served or delivered at the time when it is so delivered or left."

(c) Directors' Age
By amending Article 85.2 by deleting the existing paragraph (b) and relettering the existing paragraph (c) as (b) and by amending Article 86 by deleting paragraph (d)

**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 Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU 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 2.30pm on 23 September 2007 shall be entitled to attend or vote at the Meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the relevant register of securities after 2.30pm on 23 September 2007 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 until the conclusion of the Meeting:
   (i) the service contracts of the Executive Directors;
   (ii) the register of interests of Directors (and their families) in the shares of the Company; and
   (iii) the written terms of reference of the Board Committees.

The Directors believe that the proposed resolutions are in the best interests of the Company and its shareholders, and accordingly unanimously recommend shareholders to vote in favour of resolutions 1 to 11 inclusive to be proposed at the Annual General Meeting, as they propose to do so in respect of their beneficial shareholdings.

By Order of the Board
**Susan Johnson-Brett,** Company Secretary
Date of Posting

**Explanatory Notes on the Proposed Resolutions**

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

Resolutions 1 to 6 and 9 to 10 will be proposed as ordinary resolutions. More than 50% of the votes cast must support these resolutions in order for them to be passed. Resolutions 7, 8 and 11 will be proposed as special resolutions and 75% or more of the votes cast must support them in order for these resolutions to be passed.

**Resolution 1** –Shareholders will be asked to approve the adoption of the Reports and Financial Statements for the year ended 31 March 2007.

**Resolution 2** – Shareholders will be asked to approve payment of a final dividend of 6.0p per ordinary share for the year ended 31 March 2007. If approved at the Annual General Meeting, the dividend will be paid on 25 October 2007 to shareholders registered at the close of business on 28 September 2007.

**Resolution 3** – Shareholders will be asked to approve the adoption of the Directors' Remuneration Report for the year ended 31 March 2007. Under the Directors' Remuneration Report Regulations 2002, Directors are required to ask shareholders to vote on the Directors' Remuneration Report (shown on pages xx to xx of the Annual Report and Accounts 2007). The Directors, who have unanimously endorsed the Directors' Remuneration Report, consider that asking the shareholders to vote on this Report facilitates accountability and transparency.

**Resolution 4** – The Company's Articles of Association state that at each Annual General Meeting, the following Directors must retire from office: (i) any Director who has held office for three years or more since his last election or for whom the Meeting is the third Annual General Meeting since he was last elected, and (ii) one third of the Directors at the commencement of the Annual General Meeting. All Directors take it in turn to retire in this way. This gives shareholders the chance to confirm their re-appointments. At the 2007 Annual General Meeting Jonathan Flint, Bernard Taylor and Peter Morgan are retiring under this provision and, being eligible, are standing for re-election.

(a) Jonathan Flint, Chief Executive, was first elected at the Annual General Meeting in 2005, having been appointed by the Board as an Executive Director in April of that year.

(b) Bernard Taylor is an Independent Non-Executive Director and joined the Board in 2002. He is a member of the Audit and Nomination Board Committees.

(c) Peter Morgan is an Independent Non-Executive Director and joined the Board in 1999. He is Chairman of the Audit Committee and a member of the Remuneration and Nomination Board Committees.

(d) Mike Brady is Deputy Chairman and Senior Independent Director and as of June 2007 had served on the Board for twelve years. He is currently a member of the Audit, Remuneration and Nomination Board Committees. Mike Brady first became a Non-Executive Director of the Company in 1995; accordingly the Board has considered whether it is appropriate in view of his length of service that he continue in office and if so whether he should continue to be considered to be independent. Having taken into account his technical expertise as the only Non-Executive Director from a scientific profession; the value of that expertise to Board discussions; the strength of his professional and business interests unrelated to the Group or other members of the Board; his continual constructive probing of the technical aspect of proposals considered by the Board; the composition of the Board generally and the fact that he qualifies as independent in all other criteria referred to in the Combined Code, the Board has concluded that it is appropriate that he continues in office and that he should properly be considered to be independent. This year, Mike Brady retires in accordance with the provisions of the Combined Code and offers himself for re-election to allow shareholders the opportunity to express their views on the matter.

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

The biographical details of all the Directors standing for re-election are set out on pages xx to xx of the Annual Report and Accounts 2007.

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

**Resolution 6** – This Resolution lifts the restrictions which would apply to the Directors' power to allot or agree to allot new shares and will allow the Directors to allot or agree to allot further relevant securities up to an aggregate nominal amount of £440,105. This represents the unissued ordinary share capital on 31 March 2007. This authority replaces the previous power of the Directors to allot relevant securities and, if passed, will lapse at the earlier of the Annual General Meeting following its passing or, if later, on 25 December 2007. The Directors have no present intention of allotting new ordinary shares, other than pursuant to the exercise of options under employees' share schemes. The Company presently holds no treasury shares.

**Resolution 7** – Unless they are given an appropriate authority, Directors may allot new equity shares (including treasury shares) for cash (excluding shares issued under employees' share schemes) only if they have first been offered to existing shareholders in proportion to their holdings. There may however be occasions when in order to act in the best interests of the shareholders and the Company, the Directors will need the flexibility to finance business opportunities as they arise by the issue of a small number of shares for cash in circumstances such as the acquisition of a new company or business by the Group. The maximum number of ordinary shares to be covered under the power, with the exception of a rights issue or other pre-emptive offers, is 2,459,895 which represents 5% of the issued ordinary share capital on 31 March 2007. This Special Resolution replaces the Directors' existing authority and, if passed, will lapse at the earlier of the Annual General Meeting following its passing or if later, on 25 December 2007.

**Resolution 8** – This Special Resolution is a renewal of the authority granted to Directors at the 2005 Annual General Meeting. It allows the Company to buy back up to 4,919,790 of its issued ordinary shares on the stock market. This is equal to 10% of the Company's issued share capital on 31 March 2007. The Resolution sets out the lowest and highest prices the Company can pay for the shares.

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

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

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

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

This power will automatically lapse at the end of the Company's next Annual General Meeting or on 25 December 2007 whichever is earlier.

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

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

This authority would last until the conclusion of the Company's Annual General Meeting in 2008.

**Resolution 10** – The Company operates the Oxford Instruments 2001 Executive Share Option Scheme (the "Scheme") as part of its long-term incentive arrangement strategy for selected senior executives, including the Company's Executive Directors.

Currently, options granted under the scheme may ordinarily be exercised as to one third from the third anniversary of the grant. The vesting options is ordinarily subject to the grantee's continued employment within the Company's group until such anniversary of grant and the satisfaction of a mix of total shareholder return and earnings per share growth performance conditions.

Following a review of the principal terms of the Scheme the Remuneration Committee of the Board of Directors propose that for future options granted under the Scheme there be a single vesting point at the third anniversary of the grant. The performance conditions would remain unchanged (and, as to date, will ordinarily be assessed over a single three year period).

The Remuneration Committee will also introduce formal share ownership guidelines requiring Executive Directors to build up and retain a holding of shares in the Company with value of at least one times annual salary.

The Remuneration Committee considers that a three year vesting period for future grants in conjunction with share ownership guidelines would be reflective of current market practice.

Assuming shareholder approval is secured for the proposed amendment to the Scheme, it is currently anticipated that the first grants under the Scheme as amended will be made shortly following the AGM.

**Resolution 11** – In January 2007 certain parts of the Companies Act 2006 came into force. The amendments in paragraph

(a) of Resolution 11 delete references to legislation no longer in force and replace these with the references to the new legislation.

(b) An important part of the Companies Act 2006 (the "2006 Act") now in force relates to electronic communications with shareholders. The proposed resolutions bring the Company's Articles into line with the 2006 Act and give the Company the option to take advantage of using electronic means to communicate with its shareholders. The 2006 Act allows the Company to use its website to communicate with shareholders if authorised to do so by its Articles and provided each shareholder agrees or is deemed to have agreed to such communication.

If the resolutions are passed, shareholders will be asked to indicate their preferred method of communication by the Company to them, using the form on the enclosed letter from the Chairman relating to electronic communications.

The Directors of the Company believe that the proposed amendments will be of benefit to those shareholders who do not wish to receive all documents in hard copy, and also to the Company by saving considerable printing and delivery costs. The reduced use of paper will also be of benefit to the environment.

(c) The amendments proposed in paragraph (c) of Resolution 11 reflect the abolition by the Companies Act 2006 of the statutory provisions relating to directors aged seventy years or more and delete the requirements of the existing Articles that relate to a director's age.

| | 2003 £m | 2004 £m |
|---|---|---|
| **Profit and loss account** | | |
| Group and share of joint venture turnover | 231.4 | 193.1 |
| Less share of joint venture turnover | (44.1) | (10.8) |
| Group turnover * | 187.3 | 182.3 |
| | | |
| **Group operating profit before goodwill, exceptional items and discontinued businesses** ** | 6.8 | 7.9 |
| Exceptional items | (2.1) | (1.6) |
| Discontinued businesses before goodwill ** | (0.5) | 0.1 |
| Goodwill amortisation | (0.3) | (0.7) |
| Group operating profit | 3.9 | 5.7 |
| Group share of operating profit/(loss) of joint venture | 1.6 | (0.2) |
| Total operating profit | 5.5 | 5.5 |
| Loss on sale of business before goodwill | (1.5) | - |
| Profit on disposal of investment before goodwill | - | 6.8 |
| Goodwill previously written off | - | (0.2) |
| Net interest payable | (1.6) | (0.2) |
| Profit on ordinary activities before tax | 2.4 | 11.9 |
| Taxation | (1.2) | (1.9) |
| Profits attributable to shareholders | 1.2 | 10.0 |
| | | |
| **Balance sheet** | | |
| Intangible assets – goodwill | 2.7 | 2.6 |
| Tangible fixed assets | 35.6 | 32.6 |
| Investments | 4.1 | 1.6 |
| | | |
| Stocks | 36.5 | 28.5 |
| Debtors | 61.1 | 58.9 |
| Other creditors | (48.8) | (47.5) |
| Net current assets, excluding net cash | 48.8 | 39.9 |
| | | |
| Cash at bank and on short term deposits | 6.4 | 23.2 |
| Bank loans and overdrafts | (3.1) | (2.5) |
| Net cash | 3.3 | 20.7 |
| | | |
| Provisions for liabilities and charges | (5.3) | (5.3) |
| Net assets employed | 89.2 | 92.1 |
| | | |
| Equity shareholders' funds *** | 89.2 | 92.1 |
| | | |
| **Cash flow** | | |
| Net cash inflow from operating activities | 14.9 | 17.8 |
| Interest and dividends, paid and received | (2.6) | (4.0) |
| Taxation | (2.0) | (2.4) |
| Investing activities | (3.2) | 6.1 |
| Net cash inflow before management of liquid resources and financing | 7.1 | 17.5 |
| | | |
| | pence | pence |
| **Per ordinary share** | | |
| Earnings | 2.6 | 21.3 |
| Earnings from continuing operations before exceptional items ** | 9.5 | 25.7 |
| Dividends | 8.4 | 8.4 |
| | | |
| **Employees** | | |
| Average number of employees | 1,674 | 1,537 |

* Not adjusted for change of accounting policy regarding revenue in 2007.
** After adjusting for disposal of Medical business 2004 only.
*** After deducting investment in own shares 2004.

| | 2005<br>£m | 2006<br>£m | **2007**<br>**£m** |
|---|---|---|---|
| **Income statement** | | | |
| Revenue | 135.8 | 147.4 | **161.6** |
| | | | |
| Trading profit | 7.4 | 4.4 | **8.3** |
| Other operating income | 0.2 | 2.0 | **-** |
| Amortisation of acquired intangibles | (1.3) | (0.2) | **(1.1)** |
| Restructuring and non-recurring costs | (6.2) | (6.7) | **(5.2)** |
| Operating profit/(loss) | 0.1 | (0.5) | **2.0** |
| Net financing costs | - | (0.4) | **(0.7)** |
| Profit/(loss) before taxation | 0.1 | (0.9) | **1.3** |
| Income tax expense | (1.7) | (2.5) | **(2.8)** |
| Loss after taxation but before profit on discontinued operations | (1.6) | (3.4) | **(1.5)** |
| Profit from discontinued operations, net of tax | 7.2 | - | **-** |
| Profit/(loss) for the year | 5.6 | (3.4) | **(1.5)** |
| | | | |
| **Balance sheet** | | | |
| Property, plant and equipment | 23.0 | 23.4 | **21.5** |
| Intangible assets | 12.5 | 15.6 | **18.1** |
| Available for sale equity securities | 1.6 | 1.0 | **0.6** |
| Deferred and current tax | 14.1 | 18.1 | **10.3** |
| Inventories | 23.9 | 27.1 | **25.6** |
| Trade and other receivables | 46.5 | 45.4 | **45.6** |
| Held for sales assets | 5.4 | 5.0 | **7.0** |
| Trade and other payables | (44.3) | (39.0) | **(40.4)** |
| Net current assets excluding net cash | 82.7 | 96.6 | **88.3** |
| Cash and cash equivalents | 28.6 | 12.7 | **2.8** |
| Bank borrowings | (2.1) | (2.9) | **(1.0)** |
| Net cash | 26.5 | 9.8 | **1.8** |
| Provisions and other items | (7.9) | (6.6) | **(3.5)** |
| Retirement benefit obligations | (43.3) | (53.4) | **(30.8)** |
| Net assets employed | 58.0 | 46.4 | **55.8** |
| Capital and revenues attributable to the company’s equity holders | 58.0 | 46.4 | **55.8** |
| | | | |
| **Cash flow** | | | |
| Net cash from operating activities | 5.9 | (8.0) | **5.2** |
| Net cash from investing activities | 15.3 | (7.0) | **(9.7)** |
| Net cash from financing activities | (14.7) | (1.2) | **(5.1)** |
| Net increase/(decrease) in cash equivalents | 6.5 | (16.2) | **(9.6)** |
| | | | |
| | pence | pence | **pence** |
| **Per ordinary share** | | | |
| Earnings – continuing | (3.0) | (7.2) | **(3.2)** |
| Adjusted earnings * | 13.9 | 3.9 | **9.6** |
| Dividends – excluding special dividend | 8.4 | 8.4 | **8.4** |
| Dividends – special | 25.0 | - | **-** |
| | | | |
| **Employees** | | | |
| Average number of employees | 1,325 | 1,412 | **1,294** |

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

**Financial calendar**

| | |
|---|---|
| 31 March 2007 | Financial year end |
| 13 June 2007 | Announcement of preliminary results |
| 25 September 2007 | Annual General Meeting |
| 25 September 2007 | Scrip Date |
| 26 September 2007 | Ordinary shares quoted ex-dividend |
| 28 September 2007 | Record date for final dividend |
| 25 October 2007 | Payment of final dividend |
| Mid November 2007 | Announcement of half year results |
| 31 March 2008 | Financial year end |
| Early April 2008 | Payment of interim dividend |

**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 Registrars
Northern House, Woodsome Park, Fenay Bridge,
Huddersfield, West Yorkshire HD8 0LA
Tel 0870 1623100
Fax 0208 639 2342

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
Tubney Woods, Abingdon, Oxon OX13 5QX
Tel 01865 393200
Fax 01865 393442
E-mail info.oiplc@oxinst.co.uk
Website www.oxford-instruments.com

**Company registration**

Registered office: Tubney Woods
Abingdon Oxon OX13 5QX
Registered number: 775598
Registered in Great Britain

**Website** – www.oxford-instruments.com

Oxford Instruments has an extensive website which gives details of all our products and services, contact information, vacancies and latest news announcements. An interactive investor relations section gives information on recent trading reports, share price data and up and coming events. During 2007, the web site will be extended to offer an e-catalogue option for our spares and accessories and a password controlled extranet for use by our partners and customers. This and other developments are part of our strategy of improving communications between Oxford Instruments and its stakeholders.

**Share dealing scheme**

In association with JPMorgan Cazenove Limited a low cost share dealing service has been introduced providing shareholders with a simple way of buying and selling Oxford Instruments plc ordinary shares. Further information is available from the Company Secretary or:

JPMorgan Cazenove Limited
20 Moorgate, London, EC2R 6DA
Tel 020 7588 2828
Fax 020 7155 9000

## Analysis of shareholders as at 31 March 2006

| Size of shareholding | Number of holders | % of total | Total holding | % of total |
|---|---|---|---|---|
| Up to 5,000 shares | 2,731 | 90.85% | 1,829,940 | 3.72% |
| 5,001 to 50,000 shares | 193 | 6.42% | 2,762,929 | 5.62% |
| 50,001 to 200,000 shares | 45 | 1.50% | 4,856,633 | 9.87% |
| Over 200,000 shares | 37 | 1.23% | 39,748,394 | 80.79% |
| Total | 3,006 | 100% | 49,197,896 | 100% |

## Oxford Instruments plc

***Head Office***
Tubney Woods, Abingdon
Oxon OX13 5QX, UK
Tel +44 (0) 1865 393200
Fax +44 (0) 1865 393422
email info.oiplc@oxinst.co.uk

## Analytical

***Industrial Analysis***
***X-ray Fluorescence, X-ray Technology, Optical Emission Spectroscopy, Coating Thickness Measurement***
Halifax Road, High Wycombe,
Bucks HP12 3SE, UK
Tel +44 (0) 1494 442255
Fax +44 (0) 1494 524129
email analytical@oxinst.com

P.O. Box 85 (Nihtisillankuja 5)
FI-02631 Espoo, Finland
Tel: +358 9 329 411
Fax:+358 9 32941 300
Email info@oxinst.fi

945 Busse Road,
Elk Grove Village,
Illinois 60007, USA
Tel +1 847 439 4404
Fax +1 847 439 4425
email info@msys.oxinst.com

360 El Pueblo Road
Scotts Valley, CA, 95066, USA
Tel +1 831 439 7929
Fax +1 831 439 6051
email sales@oxfordxtg.com

## NanoAnalysis

***X-ray Microanalysis and Electron Backscatter Diffraction***
Halifax Road, High Wycombe,
Bucks HP12 3SE, UK
Tel +44 (0) 1494 442255
Fax +44 (0) 1494 524129
email nanoanalysis@oxinst.co.uk

Majsmarken 1
Hobro
DK 9500
Denmark
TEL: +45 9657 2600
FAX: +45 9657 2609
email hkl@oxinst.com

## Plasma Technology

***Plasma etching, deposition equipment and nanostructure fabrication***
North End, Yatton, Bristol
BS49 4AP, UK
Tel +44 (0) 1934 837000
Fax +44 (0) 1934 837001
email plasma.technology@oxinst.com

## NanoScience

***Physical Science : low temperature and high vacuum environments***
Tubney Woods, Abingdon,
Oxon OX13 5QX, UK
Tel +44 (0) 1865 393200
Fax +44 (0) 1865 393333
email nanoscience@oxinst.com

## Molecular Biotools

***In-vitro dynamic nuclear polarising (DNP) systems, NMR, and imaging systems***
Tubney Woods, Abingdon,
Oxon OX13 5QX, UK
Tel +44 (0) 1865 393200
Fax +44 (0) 1865 393333
email: molecularbiotools@oxinst.com

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

## Innovation

Tubney Woods, Abingdon,
Oxon OX13 5QX, UK
Tel +44 (0) 1865 393200
Fax +44 (0) 1865 393333
email: innovation@oxinst.co.uk

## Oxford Superconducting Technology

***Superconducting wire and/MRI support services***
600 Milik Street, P O Box 429,
Carteret,
New Jersey 07008-0429, USA
Tel +1 732 541 1300
Fax +1 732 541 7769
email sales@ost.oxinst.com

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

## Regional Sales and Service Offices

***China***
Room 714, Tower 3
Henderson Centre,
No. 18 Jianguomennei Avenue,
Beijing 100005, China
Tel: 86 (0)10 6518 8160/1/2
Fax: 86 (0)10 6518 8155
email bj@oichina.cn

Room 14-F,
No. 1 Plaza,
No. 800 Nanjing East Road
Shanghai 200001, P. R. China
Tel : +86 (0)21 6360 8530/1/2/3
Fax: +86 (0)21 6360 8535
email sh@oichina.cn

No.129, Lane 150
Pingbei Road, Xinzhuang
Industrial Area,
Minhang District, Shanghai,
201109, China
Tel: +86 (0)21 6490 8580/8280
Fax: +86 (0)21 6490 4042
email sh@oichina.cn

Room2112 Bai Hui Plaza,
193 Zhong Shan Wu Road,
Guangzhou 510030, China
**Tel : +86 (0)20 8364 9990/1**
**Fax: +86 (0)20 8364 9996**
email gz@oichina.cn

***Czech Republic***
Velvarska 13, CZ-160 00 Praha
Czech Republic
Tel +420 233 343 264
Fax +420 224 311 724
email info@oxford.de

***France***
Bâtiment Ariane
Domaine Technologique de Saclay
4 rue René Razel
91892 Saclay
France
Tel : +33 1 69 85 25 25
Fax +33 1 69 41 46 80
Email info@oxford-instruments.fr

***Germany***
Otto-von-Guericke-Ring 10,
65205 Wiesbaden, Germany
Tel +49 6122 937 0
Fax +49 6122 937 100
email info@oxford.de

***India***
Office no 17, Shreeji Arcade,
Almeida Road, Panchapakhadi,
Thane 400 602 India
Tel/Fax +91 22 25452424
email india.analytical@oxinst.com

***Japan***
Haseman Bldg., 2-11-6 Tomioka,
Koto-ku, Tokyo 135-0047, Japan
Tel +81 (0)3 5245 3251
Fax +81 (0)3 5245 4472
email info@oxinst.co.jp

Shin-Osaka Nishiura Bldg.,
2-7-38 Nishi-Miyahara,
Yodogawa-ku,
Osaka 532-0004, Japan
Tel +81 (0)6 6350 0555
Fax +81 (0)6 6350 0880
email info@oxinst.co.jp

***Latin America***
13575 58th Street N. - Suite 154,
Clearwater, Florida 33760, USA
Tel +1 727 538 7702
Fax +1 727 538 4205
email oxford@gate.net

***Russia***
Denisovskiy per. 26
105005 Moscow
Russian Federation
Tel +7 (095) 933 51 23
Fax +7 (095) 933 51 24
email info@oxford.de

***Singapore***
371 Beach Rd,
#17-07 Keypoint
Singapore 199597
Tel +65 6337 6848
Fax +65 6337 6286
email oi.admin@oxford-instruments.com.sg

***Taiwan***
1F, No. 23, Jing-Shang 19th Street,
Hsinchu Taiwan
Tel +886 3 5788696
Fax +886 3 5789993
email oi.admin@oxford-instruments.com.tw

**Oxford Instruments plc**
Tubney Woods, Abingdon
Oxon OX13 5QX, UK
Tel +44 (0) 1865 393200
Fax +44 (0) 1865 393422
email info.oiplc@oxinst.co.uk

Mixed Sources
Product group from well-managed forests and other controlled sources
Cert no. SGS-COC-2679
www.fsc.org
FSC


Designed and produced by Wave Seven Ltd
www.wave-seven.co.uk