1959-2009

Oxford Instruments plc

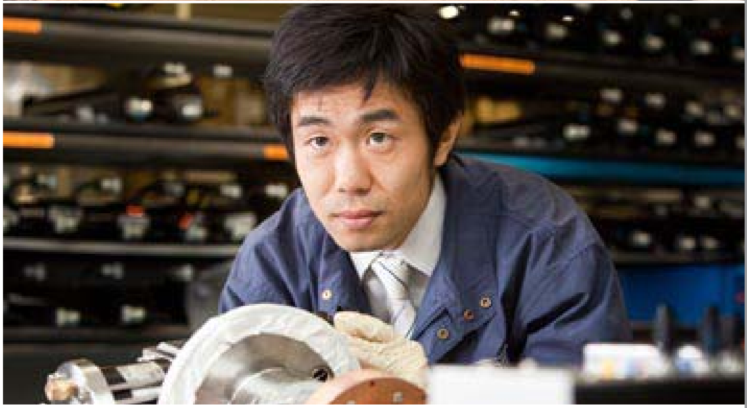
Reports and Financial Statements 2009

Celebrating 50 Years

Oxford Instruments

The Business of Science®

Contents



About Us

This year we celebrate 50 years of continuous scientific innovation and excellence. Throughout this period the expertise of our people has been the driving force behind our growth and success. The quest for new ideas, the creation of innovative products and the provision of a quality service has built a world class brand.

Oxford Instruments is a worldwide business supplying high technology tools and systems for the analysis and manipulation of matter at the smallest scale. Our diverse markets include industrial analysis and quality control, research, education, space, energy and the environment.

As mankind faces the great challenges of the 21st Century, Oxford Instruments is providing scientists with the tools to tackle issues concerned with alternative energy, climate change, environmental pollution and healthcare.

For example, today Oxford Instruments is providing equipment to the developers of new photovoltaic devices who are seeking to produce more cost effective solutions for turning sunlight into electricity. We are also working with international agencies on the ITER programme to develop a technology that seeks to demonstrate the production of large quantities of carbon free energy. Oxford Instruments' equipment is being used in the development of High Brightness Light Emitting Diodes which offer the possibility of lighting which is so efficient that if adopted widely it would make significant cuts in worldwide CO_2 emissions.

Our hand-held analysers are being used to detect heavy metal pollution more effectively than has ever been done before, meeting ever more stringent environmental regulations.

Our instruments are being used to model everything from the human genome to pharmaceuticals that are being developed as therapies for the diseases which are afflicting the world's ageing and growing population.

The future matters. Scientists can make the world a better place and Oxford Instruments gives them the tools, the expertise and the support to do so.

50 Years of Scientific Excellence and Innovation

1959 | 1961 | 1962 | 1967 | 1978 | 1981 | 1983 | 1986

The Oxford Instrument Company founded by Martin and Audrey Wood to supply high-field magnets to a limited market

1961- Breakthrough in superconductivity with discovery of new Materials

Oxford Instrument's develops the world's first superconducting magnet

Queen's Award for Technical Innovation for developing the 10T magnet and dilution refrigerator

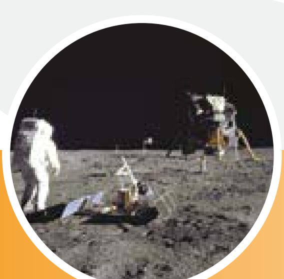
Development of MRI begins

Oxford Instruments delivers world's first MRI system

1983 - Floated on London Stock Exchange

Purchase of Plasma Techology business

1960



1970

1980

1990

CELEBRATING 50 YEARS

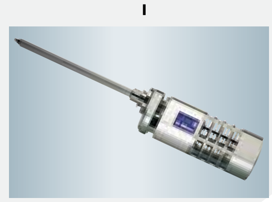
1990 | 1995 | 1997 | 2005 | 2008

Acquisition of Link Analytical to form Oxford Instruments Microanalysis Group. OIKK opens in Tokyo, Japan

Jonathan Flint joins as Chief Executive
OI Medical sold

OI China opens in Beijing, China

Development of innovative X-ray tubes at XTG



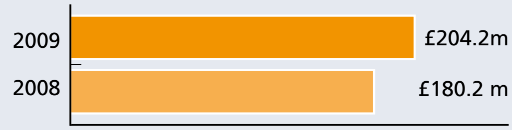
Unique Cryogen free and silicon drift detector technologies developed

1959 The Oxford Instrument Company founded to supply high-field magnets to a limited market
1961 Breakthrough in superconductivity with discovery of new materials
1962 Oxford Instruments develops the world's first superconducting magnet
1967 Queen's Award for Technical Innovation
1970 Acquired small medical company
1972 Queen's Award for Export
1974 Acquired Newport Instruments – making components and Instruments based on NMR
1975 Oxford Medical formed
1978 Development of MRI begins
1980 Oxford Analytical Instruments formed Lab-X XRF analyser launched
1981 Oxford Instruments delivers world's first MRI system
1982 Joint venture with BOC and later Siemens to supply MRI
1983 Floated on London Stock Exchange
1985 Queen's Award for Export and Queen's Award for Technology
1986 Purchase of Plasma Techology business
1987 Queen's Award for Export
1990 Acquisition of Link Analytical to form Oxford Instruments Microanalysis Group
1991 OIKK opens in Tokyo
1995 Development of innovative X-ray tubes at XTG. Acquired Vickers Medical for neurology systems
1997 OI China opens in Shanghai, China
1999 Millenium Science Forum established
2001 OI Group restructured
2005 OI Medical sold. Jonathan Flint joins as Chief Executive
2006 New 5 year plan to double size of the company in place
2007 Queen's Award for Innovation
2008 Unique Cryogen free and silicon drift detector technologies developed

2000

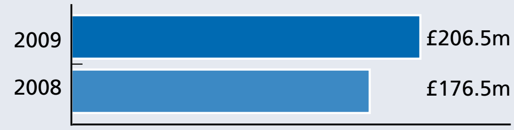
Group Financial Summary 2009

Group Orders



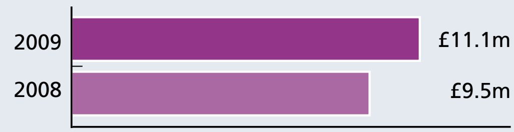
+13%

Revenue



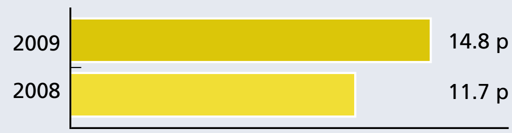
+17%

Adjusted Profit Before Tax



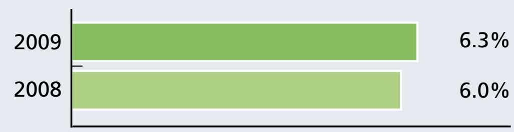
+17%

Adjusted EPS



+3.1p

Trading Profit. Return on Sales (%)



+30 basis points

Group Results

Year ended 31 March	2009 £m	2008 £m
Orders	**204.2**	180.2
Revenue	**206.5**	176.5
Trading profit	**13.1**	10.6
Adjusted profit before tax (note 1)	**11.1**	9.5
Net borrowings (note 21)	**(28.3)**	(17.8)
Equity	**61.9**	62.5

	2009 pence per share	2008 pence per share
Total basic earnings	**(13.9)**	5.6
Adjusted earnings (note 1)	**14.8**	11.7
Proposed dividends	**8.4**	8.4
Net assets	**125.4**	126.5

Employees at year end *	**1,449**	1,545

** Includes temporary employees.*

Oxford Instruments plc Group Structure

NANOANALYSIS

PLASMA TECHNOLOGY

INDUSTRIAL ANALYSIS

NANOSCIENCE

X-RAY TECHNOLOGY

SUPERCONDUCTING TECHNOLOGY

AUSTIN SCIENTIFIC

MOLECULAR BIOTOOLS

ANALYTICAL

NANOANALYSIS

An industry-leading range of accurate, fast and easy-to-use tools for materials analysis on an electron microscope.
Markets include scientific research and materials analysis, failure analysis, and Quality Control/Analysis. Industrial sectors include petrochemical, pharmaceutical, semiconductor and automotive.

INDUSTRIAL ANALYSIS

Materials identification and/or thickness gauging analysis instrumentation to industrial customers with diverse needs.
Markets include environmental monitoring, metal analysis, coating thickness measurement and Quality Control/Analysis.

X-ray Technology

World-class manufacturer of high efficiency, small form factor X-ray tubes for use in a range of measurement equipment.
Key markets include the analysis industry, research and development, healthcare and aerospace.

PLASMA TECHNOLOGY

Market leading high performance, flexible tools for customers involved in research and development, and batch production.
Markets include academic and corporate research into semiconductor materials and process, High Brightness LEDs, failure analysis and photovoltaics.

SUPERCONDUCTIVITY

NANOSCIENCE

High performance environments for low temperature and high magnetic field applications in fundamental physics research and process development down to the atomic scale.
Key markets include physical science research, industrial Quality Control and quantum computing.

SUPERCONDUCTING TECHNOLOGY

World-leading superconducting wire for use in medical and scientific applications.
Service and support for MRI customers in USA and Japan.
Markets include research, energy and healthcare.

AUSTIN SCIENTIFIC

Robust, high quality cryogenic vacuum pumps, helium compressors and cold heads for customers in the semiconductor, medical and research sectors.
High quality support, refurbishment and maintenance services for all cryogenic system users.

MOLECULAR BIOTOOLS (MAGNETIC RESONANCE)

Benchtop NMR analysers, low field MRI and imaging tools.
Markets include life science research and development, pharmaceuticals, and industrial Quality Control and Analysis.

Chairman's Statement

The Group continued to grow during the year with order intake up 13% to £204.2 million. Revenue rose by 17% to £206.5m and adjusted profit before tax increased by 17% to £11.1 million. This strong performance was delivered despite a marked softening in some of our markets during the second half of the year, and was helped significantly by currency movements.

Our strategy is to generate shareholder value by being a leading provider of tools and systems used by customers who need to observe and manipulate matter at the smallest scale. Our products offer high technology solutions to both the research and industrial sectors.

In 2006 we announced a five year objective to double the size of the business and improve our margins significantly. Despite the difficulties in some of our end user markets, we have shown another full year of progress toward this objective. It is difficult to predict the impact and duration of the current economic downturn but we have taken extensive management action to ensure that we are well positioned to meet our targets as markets improve.

In the year we have taken steps to lower our cost base, resulting in a reduction in Group headcount of some 15%. The costs associated with these actions, which amount to £8.7 million, have been taken as an exceptional charge and the reorganisation will result in ongoing annual savings of c. £11 million. I would like to thank all our employees for their commitment and professionalism during this period of far-reaching change across the Group.

During the year, the Group has focused strongly on cash generation. Operating cash flow increased to £14.4 million (2008: £0.1 million outflow). Our net debt closed the year at £28.3 million (2008: £17.8 million). Of the increase in net debt, £10.3 million is as a result of changes in foreign exchange rates altering the sterling value of our cash and borrowings. We have a five year rolling debt facility of £50 million maturing in 2012 and a further £14.5 million of overdraft and other facilities. In January 2009 the drawings under our facility were switched to sterling to prevent currency movement from further eroding our borrowing headroom.

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

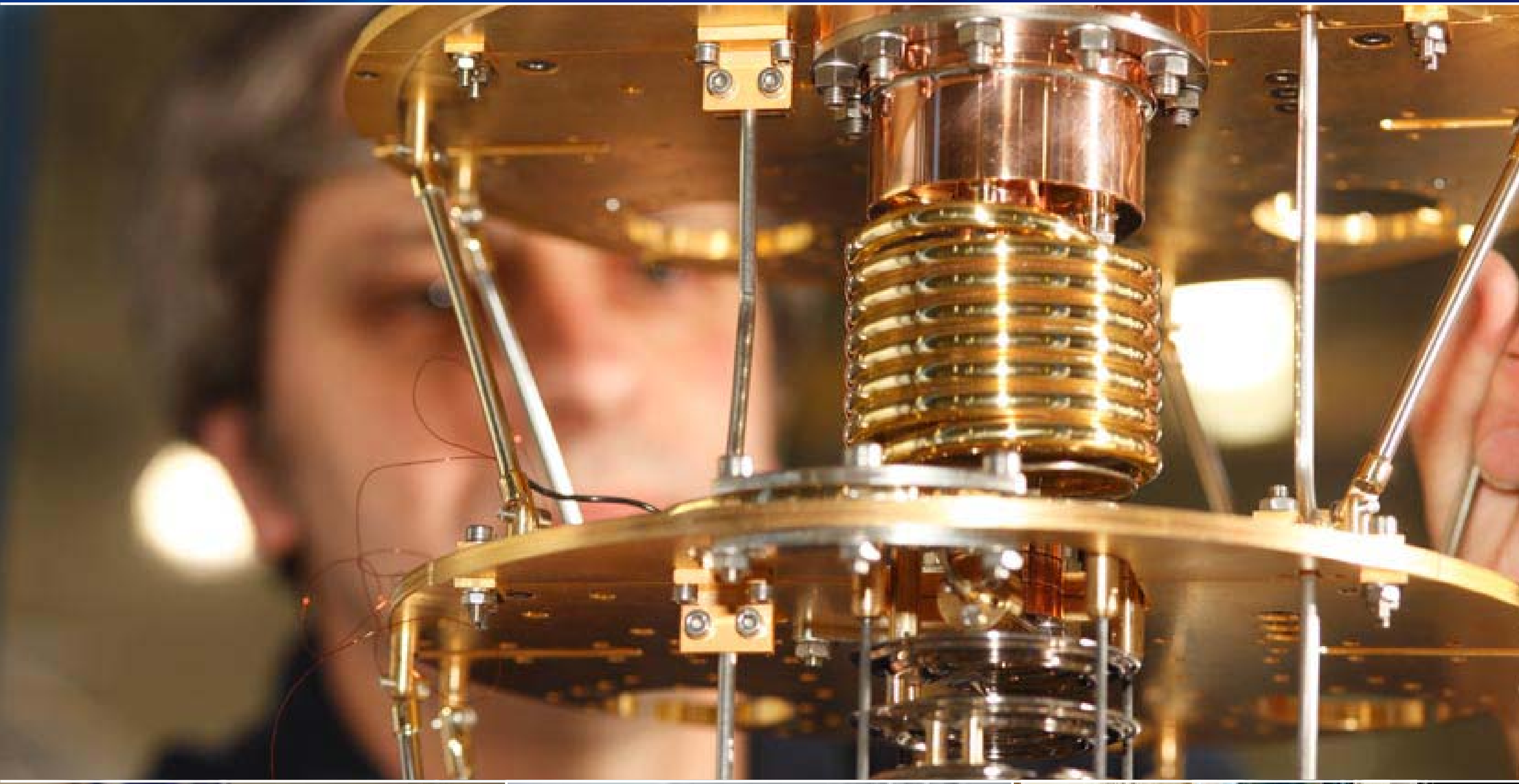
In the year we announced the retirement of Steve Parker from the Board of the Company. I would like to thank Steve for his contribution over the 9 years he was with us. On 1 April 2009 Jock Lennox joined the Board as a Non-Executive Director with a view to his succeeding Peter Morgan as Chairman of the Audit Committee. Having served as a Non-executive Director since 1999, Peter will retire from the Board at the forthcoming AGM. We wish him every good fortune for the future.

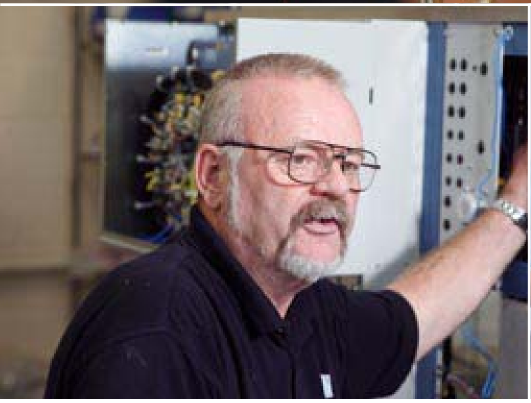
Trading so far in the current year has been in line with our expectations. Demand from our customers in research markets remains resilient. Our industrial markets have shown signs of stabilisation, although the level of demand remains below that of 12 months ago.

Oxford Instruments was formed in 1959 and this year celebrates 50 years of scientific excellence and innovation. Our business model has proven resilient to the current economic downturn as we have a broad spread of customers, applications and geographic markets. We are confident that we will be able to deliver long term profitable growth providing sustainable value for our shareholders.

Nigel Keen Chairman
9 June 2009

"Our business model has proven resilient to the current economic downturn as we have a broad spread of customers, applications and geographic markets."





Chief Executive's Statement

Operational Review

In 2006 we set out a plan to double the turnover of the Company and increase trading profit margins from 3% to 13% over five years starting from a base year of 2005/06. We are now reporting on the third year of this plan.

Our sales growth this year has been in line with our targets under the five year plan. This result was supported by currency movements (+19%) and acquisitions (+6%) offset by a decline in volumes in industrial markets (-8%). Despite these challenging times we have not needed to alter the pricing of our products and this underpinned a rise in gross margins from 41.5% to 43.9%. Trading profit margins increased from 6.0% to 6.3%. The Group's policy is to hedge its net forward foreign currency exposure on a rolling 12 month basis. As a result, in the financial year, the positive effect of currency movements on trading profit has been moderated. Excluding the effects of hedging, the trading profit margin was 10.4%.

We have responded to market pressures by continuing our programme of new product introductions and by offering improved levels of customer service. It is a testimony to our innovation skills that Oxford Instruments was named Best Technology Company 2008 at the PLC Awards, which recognise excellence amongst smaller companies quoted on the London Stock Exchange.

Environmental and safety issues for our customers continue to be a major sales driver. Research markets have held up well, supported by a number of government stimulus packages in countries around the world. Industrial markets however declined markedly in November 2008, particularly affecting the Industrial Analysis and Austin Scientific businesses. During the final quarter of the financial year, industrial demand appears to have stabilised, but to date we have not seen a return to growth. However we are now seeing the first sign of an increase in enquiries from the USA driven by the planned $21 billion investment in science by the Obama administration.

During the second half of the year, in recognition of the likely difficult trading conditions ahead, we instigated a wide-ranging restructuring of the business with the aim of shaping the Group to be effective in more difficult times and to position us well when markets recover. In January we announced a reduction in the number of employees by approximately 15% (228 staff) reducing operating costs by £11 million. In the current half-year, we plan to further reduce our staffing levels by approximately 30 at a cost of £0.4 million. This will further reduce our operating costs by £1.4 million in a full year. Although these changes affect most of our sites worldwide, we have been able to retain key skills and capabilities. Relocation of products and staff has enabled us to close two operating sites. These initiatives, together with a focus on cost control, have helped to protect earnings in the face of reduced sales volumes since November 2008. We will continue to monitor our markets and flex our capacity accordingly.

In the first half of the year we acquired Technology and Devices International (TDI), which brought expertise in fabrication of high brightness light emitting diodes (HBLEDs), and Link Analytical AB which secured access to the Scandinavian market for our analytical instrumentation products. In light of volatile market conditions and difficulties in making accurate valuations, we did not pursue other acquisition opportunities during the second half of the year. However, the acquisitions already made have integrated well, and net of disposals, contributed an additional £10.4 million to our turnover in the year. In April 2008, we sold our non-strategic minority shareholding in Oxford Diffraction Ltd to Varian Inc for a consideration of £3.8 million. In September we sold our non-core Molecular Beam Epitaxy business to Riber SA for a consideration of £0.3 million.

“We are well positioned to benefit from a future strengthening of demand as soon as it occurs”

We currently report in two operating sectors, Analytical and Superconductivity. Starting from the current financial year we plan to change the reporting structure to bring it into line with revised operational arrangements within the Group. This will see the formation of 3 sectors: *Nanotechnology, Industrial Products* and *Service*. These sectors align more closely with the way in which we now manage the business and go to market. The businesses in each sector have underlying common attributes, which will aid the extraction of cost and revenue synergies and improve the clarity of our reporting. Our half year results for 2009/10 will be reported under this new structure.

Analytical Businesses

Orders and revenues for the year were £129.5 million (2008: £115.8 million) and £134.7 million (2008: £115.7 million) respectively. Trading profit was £11.1 million[1] (2008: £11.0 million). Our Analytical businesses provide measurement and fabrication instruments for industrial and research companies. The business units are Industrial Analysis (including X-Ray Technology), NanoAnalysis and Plasma Technology.

Our *Industrial Analysis* business, which produces tools that enable our customers to analyse the chemical constituents of materials, suffered a decline during the year following a downturn in global industrial markets. Overall, our order intake was 26% down compared to the level we had expected at the beginning of the year. However, effects of the market downturn were mitigated by the introduction of two new products. The X-MET5100, the latest version of our best selling hand-held X-ray fluorescence analyser was launched in September 2008 and enhanced our market share. These instruments are used for a variety of environmental and quality control applications. Our new Foundry-Master Pro Optical Emission Spectrometer offers superior resolution performance for our customers in the steel industry. Despite reducing demand for steel products generally, this product sold well and has exceeded our expectations.

Our *X-Ray Technology* business produces small X-ray sources for the analytical instrumentation market. The X-ray sources produced by this business are now found in most Oxford Instruments industrial products. This control of a key technology gives the Group a capability unique amongst our competitors. Production levels were down on the previous year, affected by the broader downturn in industrial demand, but margins continue to be strong.

1 Current year results include part of the costs of OII which were reported separately in 2008 (see note 2)

Chief Executive's Statement *Continued*

Our *NanoAnalysis* business is the leading provider of a range of detectors used in conjunction with electron microscopes to enable our customers to analyse chemical and structural properties of materials. This business continued to perform well despite a worldwide slowdown in the sales of electron microscopes. Revenues were assisted by the launch of our new X-Max Energy Dispersive Spectrometer, using a novel large area silicon drift detector. X-Max has a greater sensitivity than any other equivalent product on the market and this contributed to a very rapid uptake by our customers. Our Electron Backscatter Diffraction (EBSD) equipment is selling well, with volumes up significantly in the year. These systems, which are also used in conjunction with electron microscopes, enable the detailed crystal structure of materials to be analysed. This technique, which has traditionally been used on ferrous metals, is now finding wider applications. For example, EBSD is now being used to optimise the performance of next generation photovoltaic devices. These new products and applications have partially insulated Oxford Instruments from the wider reduction in sales of electron microscopes.

Plasma Technology provides a range of fabrication tools for compound semiconductor devices and other nano structures. The business performed well during the year with orders up 25% on the prior year, supported by strong demand for research tools for next generation photovoltaic devices and for the production of HBLEDs. Demand for photovoltaic research tools continues to be strong. There was some softening in demand for HBLEDs for lighting caused by the slow down in the construction industry. However, this was offset by increased demand from the electronics industry, where HBLEDs are increasingly used as a replacement for fluorescent sources in the displays of laptop computers and televisions.

Our acquisition of TDI Inc based in Maryland, USA has brought to the Group a unique technology for Hydride Vapour Phase Epitaxy (HVPE). This business is now managed as part of Plasma Technology and offers an opportunity to produce HBLEDs using a new and more efficient process. We have now industrialised this process and produced a tool to enable commercial fabrication of HBLEDs using HVPE. Demand for this product is expected to be strong. However, the recent downturn in semi-conductor investment means that early orders will be delayed.

Superconductivity Businesses

Orders and revenues in the year were £74.7 million (2008: £64.4 million) and £71.8 million (2008: £60.8 million) respectively. Trading profits were £2.0 million[1] (2008: £2.0 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.

Our *NanoScience* business provides equipment to customers researching in areas which require very high magnetic fields or very low temperatures. These techniques are required in a new generation of electronics which use quantum effects. The applications for these devices include miniature high speed cameras and ultra high density computer memory. The achievement of very low temperatures without the use of liquid helium is key to these new markets. Our pulse tube cooler technology obtained through last year's acquisition of VeriCold provides this capability. Progress in transferring this new technology from Germany to the UK has been good, and we are now able to deliver these products at highly competitive prices, with short lead times. We have increased production capacity to cope with the larger than expected demand for this type of product. Demand for our traditional "wet" products (which continue to use liquid helium) continues, albeit at a lower level than in recent years.

Our *Superconducting Wire* business produced record revenues in the year driven by our increasing market share with MRI scanner manufacturers. In addition, demand for our specialist high performance wire has been strong from research customers. We are in negotiation with a number of national agencies to provide a significant quantity of superconducting wire for the ITER programme which seeks to produce clean energy using thermonuclear fusion. Our wire has successfully passed the qualification requirements and it is expected that contracts will be awarded shortly. If we are successful we would expect some deliveries to be made in the current financial year with increasing volumes over the subsequent three years.

Our *MRI Service* business maintains MRI scanners throughout the United States and Japan. This business provides a steady revenue stream and we have been successful in winning a number of new service contracts.

Our *Austin Scientific* business produces, services and maintains high technology pumps and compressors for industrial and research customers. The downturn in demand, particularly in the semiconductor sector meant that this business suffered a decline in revenues of 6% in the year. Cost cutting measures and the introduction of new products have now returned profitability to previous levels despite this reduced turnover.

Our *Molecular Biotools* business produces instrumentation for research and industrial customers using advanced techniques. Our pharmaceutical research customers are now following more conservative spending plans. As a result, we have scaled back our research spend in this side of the business. We retain the capability to exploit fully the benefits of this market when the upturn comes. In light of the change of emphasis, this business will focus on the application of magnetic resonance techniques and has been renamed *Magnetic Resonance*.

Emerging Markets
Emerging markets continue to offer good opportunities for Oxford Instruments to grow its business more quickly than market average and we have put greater focus on developing our sales in China, India, Russia and Latin America.

We had another strong year in China with orders up by 17% despite difficult trading circumstances in industrial markets. Sales from our factory in Shanghai grew 80% and we had a healthy order backlog at year end. The factory also serves as the location for a growing team of software development experts. Our office in Mumbai, India, had a reasonable year with growth in our NanoAnalysis business offsetting a decline in industrial sales particularly in the steel segment. We saw an increase in the level of activity from research customers in Russia, however it is unclear whether this will be sustained at the same level looking ahead. Our focus on the Latin American markets resulted in an increase of 17% in order volume with growth being particularly strong in the research segment.

Property
During the year we postponed the planned move of our Plasma Technology business to a new purpose built facility. We have re-negotiated the term of the option to sell our present Plasma Technology site, whilst preserving its beneficial commercial conditions. Postponing this move by two years has improved our cash position and reduced risk.

We closed our leased manufacturing and distribution site in Chicago. The activities previously undertaken in this facility have now successfully been moved to other sites in the USA and to our manufacturing plant in Shanghai. We also closed our operation in Hobro, Denmark and successfully transferred its expertise to our High Wycombe site.

People
This year has been particularly difficult for our employees as they have coped with the ramifications of the global market downturn. They have responded with professionalism and resilience and I would like to thank them for their contributions.

Outlook
Trading so far in the current year has been in line with our expectations. Demand from our customers in research markets remains resilient. Our industrial markets have shown signs of stabilisation, although the level of demand remains below that of 12 months ago.

We have now achieved three consecutive years of growth and margin improvement. Given the tough market conditions, we are unlikely to see growth in the current year. However, the activities undertaken to reduce costs and provide enhanced value and service to our customers, assisted by favourable currency conditions, are designed to support our continued drive for margin improvement. We are well positioned to benefit from a future strengthening of demand as soon as it occurs.

Jonathan Flint
Chief Executive
9 June 2009

Financial Review

Trading Performance

Revenues for the year grew by 17.0% to £206.5 million (2008: £176.5 million) helped by acquisitions which, net of disposals, contributed £10.4 million (+6%) in the year and the effect of favourable foreign exchange rates which added £33.7 million (+19%). On an organic constant currency basis, revenues fell by 8% primarily due to the downturn suffered by our Industrial Analysis business.

Gross margins improved from 41.5% to 43.9% aided by efficiency gains in a number of business units but particularly by a strong performance from the Analytical division's Plasma Technology business.

Trading profit increased by £2.5 million to £13.1 million (2008: £10.6 million), giving a 6.3% margin (2008: 6.0%). Of the growth in the year, operating efficiencies contributed £5.2 million, acquisitions added £0.4 million and favourable exchange rates a further £2.7 million. These gains were offset by £5.8 million resulting from the downturn in volume.

Trading profit was impacted by a loss on the settlement of currency hedges of £8.3 million in the year. Had the Group not hedged its foreign exchange exposure, trading profit margins would have been 10.4%.

Reported operating expenses increased by £15.0 million to £77.6 million (2008: £62.6 million). Of this increase, £8.2 million was the increase in the loss on the currency hedges described above (see note 3), £4.4 million came from the acquisitions and £6.0 million was the result of translating overseas expenses at a weaker sterling exchange rate. On a constant currency organic basis, operating expenses fell by £3.6m due to improved efficiencies and some early effects of the restructuring programmes described in the Operational Review.

Amortisation of acquired intangibles

Amortisation of acquired intangibles increased by £1.4 million to £4.3 million as a result of the acquisitions made in the last two years.

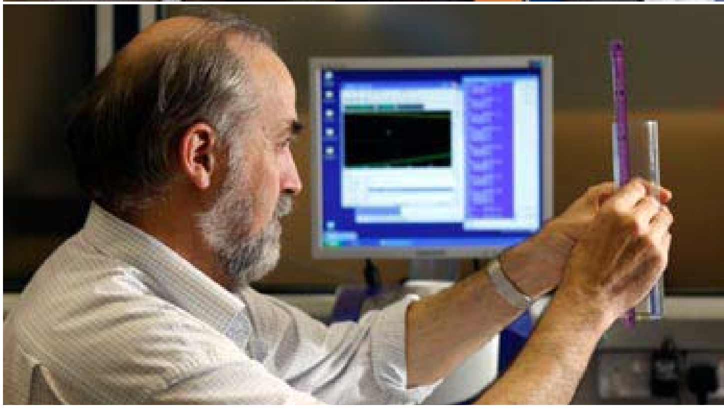
Reorganistion costs and impairment

These are described in note 5 and consist of the profit made on the disposal of the Group's holding in Oxford Diffraction Limited which had been previously held as an investment, the loss on the disposal of the Molecular Beam Epitaxy business and the costs of the restructuring programme discussed in the Chairman's Statement. This includes redundancies across the Group, the closure of our sites in Chicago and Denmark with operations being relocated to other Group locations and the curtailment of further research and development within the Group's Molecular Biotools business to reflect the significant reduction in Research and Development spend within the pharmaceutical industry

As we reported in our Interim Management Statement in February it is anticipated that the restructuring programme will result in annual savings of approximately £11 million.

In addition, as discussed in our Half Year Report we impaired the carrying value of our investment in ARKeX Limited, a high technology venture capital backed company based in Cambridge, England, which was spun out of the Group in 2004.

"Trading profit up 23% to £13.1 million.
Adjusted profit before tax up 17% to £11.1 million."



Financial income and expenditure
Within financial income and expenditure, total net interest payable decreased by £0.1 million to £1.3 million as interest rates fell. The interest charge on pension scheme liabilities exceeded the expected return on pension scheme assets by £0.7 million, a difference of £1.0 million over the prior year.

Currency hedging
The Group uses derivative products to hedge its exposure to fluctuations in foreign exchange rates. It is Group policy to have in place at the beginning of a financial year hedging instruments to cover 80% of its forecast transactional exposure for that period.

In common with a number of other companies, we have decided that the additional costs of meeting the extensive documentation requirements of IAS39 to apply hedge accounting to the foreign exchange hedges cannot be justified. Accordingly the Group does not use hedge accounting for these derivatives. Net movements on marking to market such derivatives at the balance sheet date are disclosed in the income statement as Financial Expenditure and excluded from our calculation of adjusted profit before tax (note 1).

Commodity hedging
The Group also uses derivative products to hedge its exposure to fluctuations in the price of copper, a major component for the Superconducting Wire business. Given the small number of contracts involved we apply hedge accounting for these transactions and consequently the results of marking to market are excluded from the Income Statement.

Taxation
The underlying tax rate on the profit before tax for the continuing businesses before reorganisation costs and impairments, amortisation of acquired intangibles and marking to market of hedging derivatives was 35% (2008: 39%). The rate is higher than the main UK rate due to higher rates of tax paid in overseas jurisdictions, particularly the United States, Germany and Japan.

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 £11.3 million (2008: £9.6 million) has been recognised against US tax losses and certain temporary differences. Of this, £4.0 million (2008: £5.9 million) relates to the deficit in the pension schemes. No deferred tax asset has been recognised against past UK tax losses. A deferred tax liability of £7.6 million has been recognised in respect of the intangible assets arising from acquisitions. This liability will unwind as the intangible assets are amortised.

Financial Review *Continued*

Earnings
After a tax credit of £2.6 million (2008: charge £2.3 million) the reported net loss for the financial year was £6.7 million (2008: profit £2.7 million). With a weighted average number of shares of 48.8 million (2008: 48.7 million), the basic loss per share was 13.9 pence (2008: earnings 5.6 pence).

Adjusted profit before tax (note 1), which we believe gives a better indication of the underlying performance of the business, grew by £1.6 million to £11.1 million which translates into an adjusted earnings per share of 14.8 pence (2008: 11.7 pence), an increase of 26%.

Dividends
The Group's proposed final dividend of 6.0p per share (2008: 6.0p), payable on 29 October 2009, gives a total dividend for the year of 8.4p per share (2008: 8.4p). Dividend cover for the underlying business before reorganisation costs and impairments, amortisation of acquired intangibles and marking to market of hedging derivatives was 1.8 times.

Investment in research and development (R&D)
The total cash spent on research and development in the year was £16.3 million (2008: £16.2 million). A reconciliation between the cash spent and the amounts charged to the Income Statement is given below:

	2009 £ million	2008 £ million
Total cash spent on research and development during the year	**16.3**	16.2
Less: amount capitalised	**(6.4)**	(6.6)
Add: amortisation of amounts previously capitalised	**3.4**	1.9
Research and development charged to the income statement	**13.3**	11.5

The net book value of capitalised R&D at the end of the financial year was £17.7 million (2008: £14.4 million).

Balance sheet
Net operating assets, excluding goodwill, acquired intangibles and associated deferred tax, fell by £3.2 million to £71.7 million.

Net working capital (excluding derivative financial instruments) reduced by £1.9 million in the year compared with an increase of £10.9 million in the prior year.

Debtor days reduced from 59 days to 58 days while stock turns decreased from 3.0 to 2.9.

Intangible assets rose by £10.9 million (2008: £25.9 million) primarily as a result of the R&D capitalisation outlined above and intangible assets resulting from the two acquisitions. A reconciliation is given below:

	Development costs £ million	Technology and customer related acquired intangibles £ million	Goodwill £ million	Total £ million
Brought forward	14.4	19.2	10.4	44.0
VeriCold and Metorex	-	-	1.9	1.9
TDI	-	3.6	-	3.6
Nordiska	-	0.9	0.2	1.1
Capitalised Development Costs	6.4	-	-	6.4
Disposals and impairments	(1.1)	-	(0.5)	(1.6)
Amortisation charge for the year	(3.4)	(4.3)	-	(7.7)
Effect of movement in foreign currency	1.4	3.9	1.9	7.2
Carried forward	17.7	23.3	13.9	54.9

Pensions
The Group has defined benefit pension schemes in the UK and the US. Both have been closed to new entrants since 2001. The total deficit, before tax, under IAS19 on these pension schemes decreased in the year by £6.8 million to £14.4 million. Assets of the schemes at 31 March 2009 were £125.1 million. The reduction in deficit is primarily due to an increase in the discount rate applied to liabilities, which is based on corporate bond yields.

The latest triennial actuarial valuation of the UK scheme was carried out as at 31 March 2006 and resulted in an actuarial deficit of £17.7 million. A long-term plan for recovering the deficit over 10 years was agreed between the Company and the Pension Trustee, which involves annual payments of £2.1 million for the five years to March 2011, rising to £3.2 million for the subsequent five years. A new actuarial valuation is now underway which will be completed by June 2010 at the latest.

Cash
Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by £3.7 million to £20.3 million. Working capital in the year reduced by £1.4 million compared with an increase of £11.2 million in the prior year. This led to operating cash flow of £14.4 million, an increase of £14.5 million on the prior year. Other elements of cash flow that varied significantly compared with the prior year were the amount spent on acquisitions of £4.4 million (2008: £12.7 million) and the amount received from the sale of investments of £3.1 million (2008: nil).

At the last reporting date, September 2008, the majority of the Group's debt was denominated in US dollars and Euros as it had been borrowed to fund acquisitions of assets denominated in those currencies and thus provided a balance sheet hedge. In addition, the US dollar and Euro are the Group's main trading currencies. The significant weakening of sterling in the last quarter of calendar 2008 greatly increased the Group's borrowings when expressed in sterling and correspondingly reduced the Group's borrowing capacity. To mitigate the risk of a further decline in sterling, the Group switched its borrowings into sterling in January 2009. The increase in net debt due to the movement of exchange rates was £10.3 million in the year.

Net debt at the year end was £28.3 million. The Group has a committed £50 million revolving credit facility that expires in July 2012 and overdraft and other facilities of £14.5 million.

Employees
The number of employees at 31 March 2009 was 1,449, a decrease of 96 over the prior year due to the effects of the restructuring programme. An additional 132 will have left by the end of the first quarter of the current year.

Share price
The closing mid-market price of the ordinary shares at the end of the financial year was £1.10, compared with £1.85 at the beginning of the year. The highest and lowest prices recorded in the financial year were £2.51 and £1.07 respectively.

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

	2009	2008
Revenue growth		
As reported	**+17.0%**	+9.2%
At constant currencies, continuing businesses	**-2.1%**	+11.6%
Return on sales		
Trading profit as a percentage of revenue	**6.3%**	6.0%
R&D		
R&D cash spend as a percentage of revenue	**7.8%**	9.2%

Financial Review *Continued*

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

Our business plan requires the introduction of new products to gain market share to support our growth. There is the risk that future product introductions may not yield the sales forecast, especially in industries where investment has been cut back in the light of current economic conditions.

Global financial market conditions impact on demand but we remain well positioned, enjoying a broad spread of customers, applications and geographical markets.

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

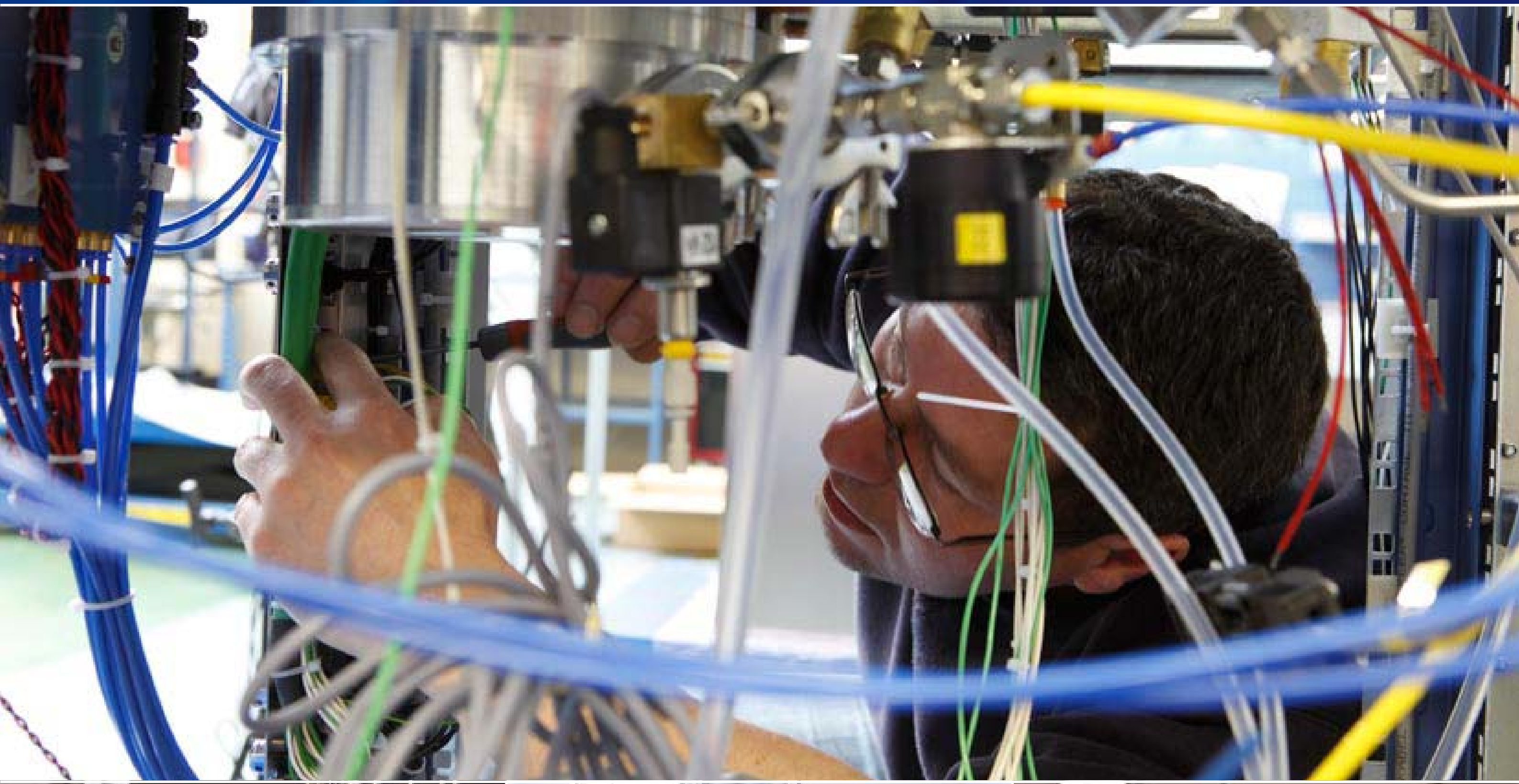
Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Statement. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in this Financial Review.

The relatively diverse nature of the Group together with its current financial strength provides a solid foundation. The Directors have reviewed the Group's forecasts and flexed them to incorporate a number of potential scenarios relating to changes in trading performance and believe that the Group will be able to operate within its existing debt facility which expires in July 2012. This review also considered hedging arrangements in place. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook.

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

Save as described in the preceding statements, there have been no material events or significant changes in the financial position of the Group since year end.

Kevin Boyd
Group Finance Director
9 June 2009

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Directors' Biographies

Chairman
Nigel Keen, Non-Executive Chairman, joined the Board in 1999. He has a degree in engineering from Cambridge University, is a Fellow of the Institute of Chartered Accountants and has been involved in the formation and development of high technology businesses for more than thirty years. He is Chairman of Laird PLC, Axis-Shield plc, Bioquell Plc and Deltex Medical Group plc and a Non-Executive 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 University's intellectual property company).

Executive Directors
Jonathan Flint joined the Group as Chief Executive in April 2005. He holds a BSc in Physics from Imperial College and an MBA from Southampton University. He is a Fellow of the Institute of Physics and Institute of Engineering and Technology. He has held senior management positions within Vislink plc, BAE Systems, GEC Marconi and Matra Space Systems.

Kevin Boyd joined Oxford Instruments in August 2006 as Group Finance Director. He holds a BEng in Electronic and Information Engineering from Queen's University Belfast and is a Chartered Engineer (FIET) and Chartered Accountant (FCA), 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 was appointed to the Board as Group Business Development Director in November 2005, having joined Oxford Instruments in 1999. He has a BSc in Electrical and Electronics Engineering from Bristol University and an MBA from INSEAD. Previously he held senior management positions within United Industries plc, B Elliott plc, Bowthorpe plc and Chloride Group plc.

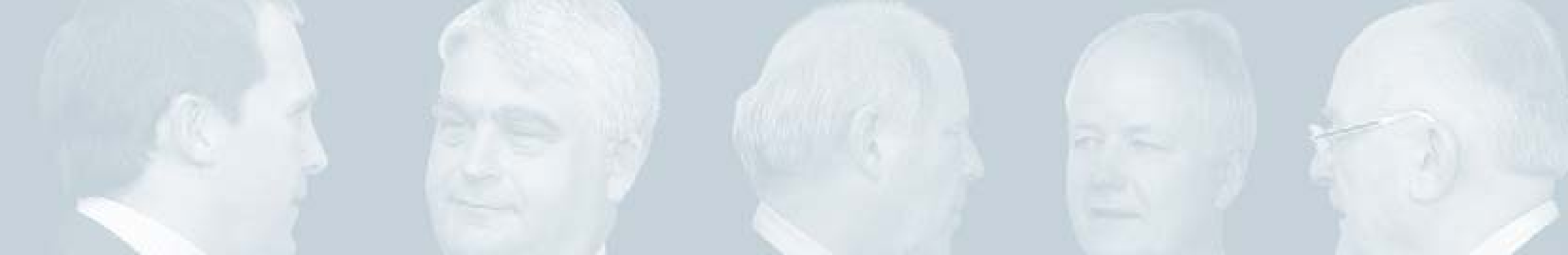
Non-Executive Directors
Professor Sir Michael Brady, Deputy Chairman and Independent Non-Executive Director, joined the Board in 1995 and is BP Professor of Information Engineering at Oxford University. He is also a Fellow of the Royal Society and a Fellow of the Royal Academy of Engineering. He is a founding Director of Guidance Ltd. Mirada Medical Ltd and Matakina Ltd (a New Zealand based company), Chairman of Dexela Ltd, a Director of ISIS Innovation Ltd and Senior Independent Director of IXICO Ltd.

Professor Michael Hughes, Senior Independent Non-Executive Director, joined the Board in November 2004. He is Chairman of EA Technology Ltd, a Non-Executive Director of South Staffordshire Group plc and Chairman of North West Electricity Networks (Jersey) Ltd. Previously held senior management positions in GEC plc and Midlands Electricity plc.

Jock Lennox, Independent Non-Executive Director, joined the Board on 1 April 2009. He was a Senior Audit Partner at Ernst & Young until April 2009. He is Non-Executive Director of Hill & Smith Holdings plc, a member of the Council of the Institute of Chartered Accountants of Scotland (chairing the Qualification Board) and is a Director of Golden Lane Housing Ltd (the residential property partner of Mencap). He is also a member of the Advisory Board of Alchemy, the private equity firm.

Peter Morgan, Independent Non-Executive Director, joined the Board in 1999. He is a Director of Strategic Thought Group plc, Hyder Consulting plc and the Association of Lloyd's Members. He is a UK delegate to the European Economic and Social Committee in Brussels. He is a former Executive Director of IBM UK and IBM Europe, a former Director General of the Institute of Directors and was a Member of the Council of Lloyd's from 2000 to 2009. Peter Morgan will be retiring from the Board at the 2009 AGM.

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



Directors and Advisers

Directors
The Directors at the date of the Report were:
N J Keen, Non-Executive Chairman
D J Flint, Chief Executive
K J Boyd, Group Finance Director
C J A Holroyd, Executive Director
J M Brady, Deputy Chairman and Independent Non-Executive Director
M A Hughes, Senior Independent Non-Executive Director
J F Lennox, Independent Non-Executive Director
P W L Morgan, Independent Non-Executive Director
B J Taylor, Independent Non-Executive Director

Board Committees
Audit: JF Lennox, Chairman; JM Brady; MA Hughes; PWL Morgan; BJ Taylor
Remuneration: NJ Keen, Chairman; JM Brady; MA Hughes; JF Lennox; PWL Morgan; BJ Taylor
Nomination: NJ Keen, Chairman; JM Brady; MA Hughes; JF Lennox; PWL Morgan; BJ Taylor
Administration: Any two Directors

JF Lennox was appointed Chairman of the Audit Committee on 2 June 2009 in place of Peter Morgan who will retire from the Board at the forthcoming Annual General Meeting.

Honorary President
Sir Martin Wood OBE FRS Hon FREng DL

Company Secretary
Susan Johnson-Brett

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

Kevin Boyd Bernard Taylor Michael Hughes Jock Lennox Peter Morgan
Charles Holroyd Jonathan Flint Michael Brady Nigel Keen

The Directors present their Report and the Financial Statements of Oxford Instruments plc for the year ended 31 March 2009.

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 tools and 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 2009, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group. The information which fulfils these requirements includes a business and financial review on pages 8 to 18 and corporate and social responsibilities on pages 25 to 27, which are incorporated in this report by reference. The business, the strategy, the research and development activities and likely future prospects are reviewed in the Chairman's Statement on page 8, the Chief Executive's Statement on page 10, and the Financial Review on pages 14 to 18.

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 6p per ordinary share, which together with the interim dividend of 2.4p per ordinary share makes a total of 8.4p per ordinary share for the year (2008: 8.4p). Subject to shareholder approval, the final dividend will be paid on 29 October 2009 to shareholders registered at close of business on 2 October 2009.

Risks and Uncertainties

The Board exercises proper and appropriate corporate governance for the group. It ensures that there are effective systems of internal controls in place to safeguard shareholders interests and the Group's assets, including the assessment and the management of the risks that the businesses are exposed to, and to monitor and manage the compliance with all the legal requirements that affect the Group's worldwide business activities.

The Executive Directors report to the Board on changes in the business and in the external environment which may affect the risks which the Group faces. The Executive Directors also provide the Board with monthly financial information. Other key performance indicators are reviewed quarterly.

There are a number of risks and uncertainties which may have a material affect on the Oxford Instruments Group. These are described below.

Market Risk

Oxford Instruments provides a range of high technology equipment and systems. There is a risk that the demand for this type of product will vary from time to time because of competitor action or economic cycles. The Group operates across a broad range of geographical regions. Its turnover is approximately equally split between Asia, Europe and North America. This spread reduces risk in any one territory. Similarly, the Group operates in both the research and industrial markets, mitigating the risk of a downturn in any one product area.

The potential risk of the loss of any key customer is limited as no single customer accounts for more than 5% of turnover.

Technical Risk

The Group's business plan is based around the introduction of new products generated by its R&D programme in order to sustain competitive advantage. There is a risk that new technologies and products may take longer to develop than originally planned or cost more. There is an extensive 'Voice of the Customer' programme which assesses customer demand at all stages in the R&D programme. However, there is a risk that the eventual market realised may not be as originally planned.

Acquisitions

Part of the growth plan for Oxford Instruments relies on acquisitions which provide the Group with complementary technologies. There is the risk that appropriate acquisition targets will not be available in the necessary timescale or that, once acquired, targets fail to provide the planned value. This risk is mitigated through extensive financial and technical due diligence during the acquisition programme.

Financial Risk

The principal financial risks faced by the Group are foreign currency, interest rates, copper pricing, liquidity and the movement in the assets and liabilities of the defined benefit pension schemes.

Foreign exchange transaction risk is managed principally through forward contracts covering approximately 80% of forecast net forward exposures for twelve months ahead. Foreign exchange translation risk, which results from converting foreign currency to Sterling, is not hedged. In general, it is the objective where possible to hedge foreign currency investments with borrowings in the same currency, however as discussed in the Financial Review, the Group switched all foreign currency borrowing into sterling in January to address the risk of further falls in the value of sterling eroding borrowing capacity.

The long term objective to manage interest rate risk is to maintain a balance between fixed and floating rate debt managed through interest rate swaps.

Copper is the largest constituent by value in the manufacture of superconducting wire. The risk of movements in the price of copper is through a combination of forward contracts and contracts with customers which specify that the copper price risk is shared with the customer.

The Group manages its liquidity risk through the use of regularly updated cash flow forecasts. The Group maintains sufficient lines of credit from high quality lenders to cover expected cash requirements and provide reasonable headroom. These facilities are described in detail in the Financial Review.

As described in the notes to the Financial Statements, the Group provides defined benefit pensions to a number of its employees in the UK and USA. The schemes were closed to new entrants in 2001. In addition to employees who continue to accrue pension benefits, the schemes also have members with deferred pension benefits and members receiving pensions. The Group works closely with the trustees and their advisors to ensure that pension fund assets are invested appropriately and agrees with the trustees the technical provisions used to value liabilities. The calculated value of the relationship between the pension scheme assets and its liability to provide pensions for the members is sensitive to changes in the actuarial assumptions and relatively small changes in these assumptions may have an appreciable effect on the reported position of the pension funds. The Group agrees with the trustees of the schemes deficit recovery plans which are affordable and sustainable.

Directors
Biographies of all the Directors at the date of this report appear on page 20.

Steve Parker was a Director until he retired from the Board on 13 November 2008. Jock Lennox joined the board on 1 April 2009. All other Directors served throughout the year.

Directors' interests
The beneficial interests of the Directors in the Company's share capital, all in fully paid up shares at 31 March 2009, are shown below. Details of share options are shown in the Directors' Remuneration Report on pages 34 to 40.

	2009 Shares	2008 Shares
Kevin Boyd	**6,087**	5,249
Mike Brady	**2,500**	2,500
Jonathan Flint	**838**	-
Charles Holroyd	**36,964**	35,477
Mike Hughes	**12,216**	12,216
Nigel Keen	**126,580**	126,580
Peter Morgan	**20,000**	20,000
Bernard Taylor	**190**	190

Jock Lennox, appointed since the year end on 1 April 2009, had on appointment no beneficial interest in the share capital of the Company.

No Director was beneficially interested in the shares of any subsidiary company at any time during the year. In the year to 31 March 2009 no Director had a material interest in any contract of significance with the Company or any of its subsidiaries other than the contract between Imperialise Limited and the Company for the services of Nigel Keen, as described in the Directors' Remuneration Report on page 39. There have been no changes since the year end.

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

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

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

Share capital
The Company only has one class of share capital which comprises ordinary shares of 5p each. All shares forming part of the ordinary share capital have the same rights and carry one vote each. There are no unusual restrictions on the transfer of a share. The full rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Directors, are set out in the Company's Articles of Association, copies of which can be obtained from Companies House or by writing to the Company Secretary.

During the year to 31 March 2009 the issued share capital was increased by 0.07% with the issue of 32,115 ordinary shares (2008: 179,340) following the exercise of options under the Company's share option schemes. At 31 March 2009, the issued share capital of the Company was 49,409,351 ordinary shares of 5p each, of which 569,394 shares (1.15%) are held in an offshore employee benefit trust. Details of the share capital and options outstanding as at 31 March 2009 are set out in note 23 of the Financial Statements. There have been no further changes in the issued share capital of the Company since the year end.

At this year's Annual General Meeting, the Directors are seeking authority to increase authorised share capital from £2,900,000 to £4,101,000 (Resolution 6) and propose to renew the authority granted to them at last year's AGM to:

(a) allot ordinary shares up to an aggregate nominal value of £815,254 and, excluding those shares up to an aggregate nominal value of £1,630,508 where full pre-emption rights are applied (Resolution 7);
(b) allot up to 2,470,460 ordinary shares without first offering them to existing shareholders (Resolution 8); and
(c) to buy back up to 10% of the Company's issued share capital (Resolution 9). Details of these resolutions are set out in the notice of the meeting.

Substantial shareholdings
As set out below, the Directors have been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules of beneficial interests of 3% or more of the Company's issued ordinary share capital, the only class of voting capital, at 9 June 2009.

	Shares 000	% of Total
Schroder Investments	5,781,118	11.7
Threadneedle Asset Management	4,411,593	8.9
Sir Martin and Audrey Wood	3,693,530	7.5
GAM International Management Ltd	3,164,891	6.4
Howson Tattersall Invest Counsel (CA)	2,765,397	5.6
BAE Pension Fund Investment Management	2,303,177	4.7
Aberdeen Asset Management PLC	2,022,533	4.1
Legal & General Investment Management Ltd	1,951,296	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 in accordance with these terms. Trade creditors of the Company and the Group's UK subsidiaries at 31 March 2009 were equivalent to 23 days' (2008: 36) and 58 days' (2008: 56) purchases respectively, based on the amounts invoiced by suppliers during the year and the amounts owed to trade creditors at the end of the year.

Charitable Donations
During the year, the Group made charitable donations of £14,797.

Fixed Assets
Whilst the market value of some fixed assets may differ from book value, the Directors believe that the differences are not material.

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 15 September 2009 is set out in a letter to shareholders 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
9 June 2009

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

The Group's products and services provide solutions which help 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 participates in global projects to research into alternative clean, sustainable energy sources, and its superconducting wire is 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's employees, which promote a commitment to maintaining the highest standard of ethics and integrity in the conduct of the Group's business.

These codes include guidelines covering personal conduct, and advice on 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 business malpractice policy provides employees with the opportunity to report unethical or illegal corporate conduct. The independent position of the Group's Senior Independent Director provides an alternative channel of communications for those employees who require it. The formal code of ethics is updated regularly and is available on the corporate website or from the Company on request.

A fair and open culture is fostered throughout the business in which everyone's views and contributions are encouraged and respected. New employees are introduced to the Company's culture and style through an induction process which actively supports the 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 Board believes that operating in this way is an important part of efficient and profitable business management, and recognises that the Group's success depends on the involvement and commitment of everyone in the organisation.

Health and Safety

Oxford Instruments is committed to ensuring providing high standards of safety in the working conditions for its employees and to the continual improvement of its health and safety (H&S) performance. During 2008/09, reportable accidents were reduced and the collection of minor accident information has improved to provide a more complete view of safety performance. Two of the Group's major sites are now certified to the OHSAS18001 H&S Management System standard and this, or similar standards, will be implemented at its other sites. Health and Safety training and awareness is implemented on a site by site basis, tuned to the specific needs and requirements of each site.

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

The Board reviews the H&S performance of all the Group's operations. All Group business divisions report progress on health and safety issues either monthly for large sites, or quarterly for smaller sites, to the Group Health, Safety and Environment Manager who is responsible for keeping Charles Holroyd, and consequently the Board, informed of serious issues. The Group Health, Safety and Environment Manager is responsible for auditing each site at least annually.

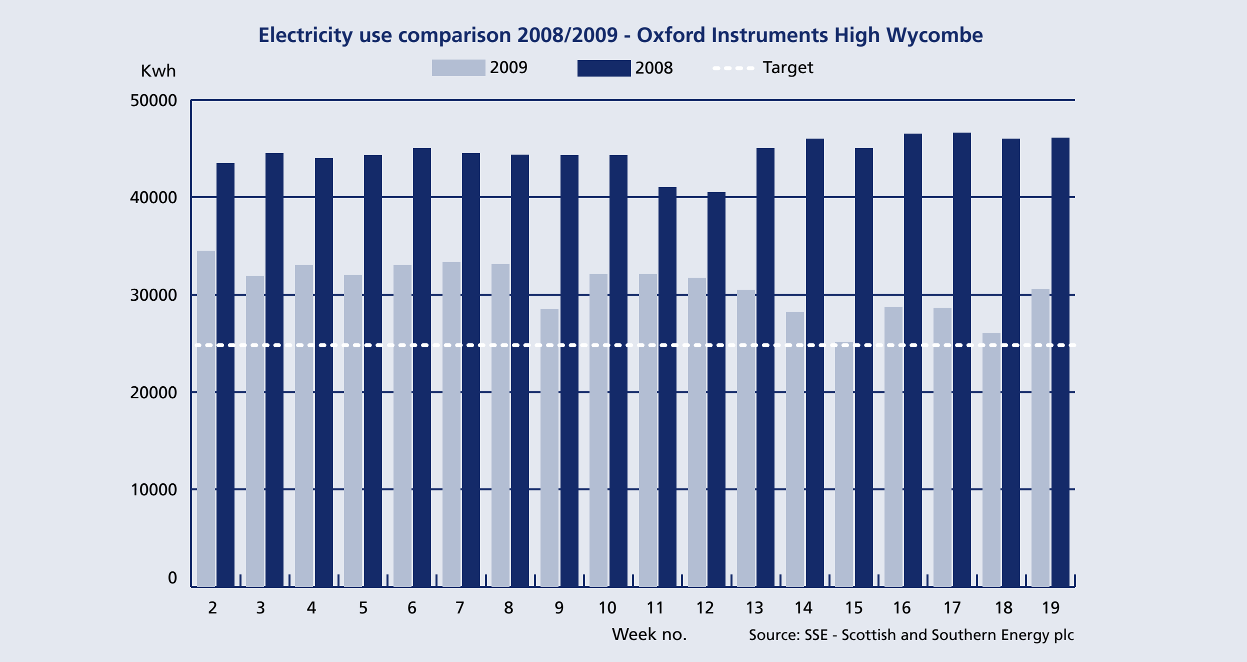
Employees are kept informed of current H&S issues through information provided by local H&S Committees or forums whose members include staff from all areas of the business.

In addition, information is published on the Group intranet, notice boards and in monthly cascades and quarterly business reports. Employees are actively encouraged to suggest improvements that can be made in working conditions and practices.

Environment

The Board is committed to pursuing high standards of environmental performance, including the maintenance of safe and healthy working environments. During the next financial year, the ISO 14001 Environmental Management System standard will be implemented at two sites to assess its benefit in managing environmental issues.

The Group continues to focus on resource efficiency in order to minimise the effect of its operational processes on the environment. During the year, a focus on energy usage, particularly electricity, was initiated to reduce its carbon footprint. At the High Wycombe site, the consumption of electricity has been reduced by 250,000 kWh over seven months and carbon emissions reduced by 180 tonnes. The methodologies adopted will be rolled out to other sites during 2009/10. New technologies that can increase the savings on electricity and carbon emissions will be investigated. The Chief Executive also receives a monthly report on the number of kilometres travelled by air. Whilst these programmes benefit the environment, there is also a positive effect on the financial performance of the Company.



European directives continue to be enacted that have beneficial effects on the environment. The current Directives with which the Group complies include the Waste Electrical and Electronic Equipment (WEEE) Directive, the Restriction on use of Hazardous Substances (RoHS) Directive, the Registration, Evaluation, Authorisation of use of Chemicals (REACh) Directive and the Energy use of Products (EuP) Directive.

Many of the Group's innovative new products are designed to benefit the environment. For example, the recently developed cryogen free products from the NanoScience and NanoAnalysis businesses replace the use of liquid helium, which is a dwindling and non-renewable resource. The new products are both safer to use and more environmentally friendly.

The Group looks not only to improve the environmental performance of its own operations but also manufactures equipment that supports customers who have to comply with current regulations. For example, the X-Met range of hand-held analysers and the X-Strata range of benchtop analysers are used to check compliance to the RoHS directive and the WEEE directive. A different version of the X-Met can be used in assessing contaminated land for the presence of heavy metals and is currently being used on the 2012 Olympics site near London.

All major sites have a responsibility to recycle waste materials. These materials include cardboard, paper, wood and metals. Employees are encouraged to recycle paper, packaging, bottles and cans.

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

Employees

The Board recognises that the Group's employees are its most important asset and critical to the overall delivery of its business strategy. All employees are kept informed of progress against the Group's strategic plan through regular video presentations on the intranet and face-to-face meetings with the Chief Executive, monthly team meetings, the Company intranet and newsletters.

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'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. Each year, the Chairman hosts The Chairman's Awards for Innovation. These awards reward and recognise technical and process innovation. Employees are encouraged to enter projects and/or activities that show innovation in its broadest sense and at the same time have brought value to the business. Winners receive a trophy and a cash prize, awarded at a gala dinner. This year saw the highest number, and the highest standard of entries, since the competition began.

The team from High Wycombe won the Process Innovation Award for their success in reducing electricity usage at their site.

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

A wide-ranging restructuring and efficiency programme was implemented during the year, resulting in a reduction in the workforce of 15%. Employee support services were offered in all affected sites. Where out-placement services were taken up, a 50% success rate in finding alternative employment has been achieved to date.

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 to receive and do 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.

There is a Group supplier management process in place which promotes a common supply chain strategy split by commodity, driving the business towards fewer high level suppliers. This process has resulted in substantial savings across the Group, as well as enabling reductions in working capital

The Strategic Sourcing Team regularly inspect and audit suppliers, and closely manage outsourcing to low cost countries. 'Road maps' and regular strategic reviews are in place for strategically important suppliers. In accordance with ISO9001 and ISO 14001, only quality approved organisations are used.

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.

The Group is an active supporter of local, national and international science communities both on a corporate level, a business group level and an individual level.

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.

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

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

Jonathan Flint Chief Executive
9 June 2009

Introduction
The Board is committed to ensuring that high standards of corporate governance are maintained by the Group.

The Board endorses the main and supporting principles and the provisions set out in the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority ("the Code"), except as detailed below.

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

Compliance
The Board considers that, throughout the period under review, the Group has complied with the provisions recommended in Section 1 of the Code, other than in respect of Provision B.2.1 with the appointment of Nigel Keen as Chairman of the Remuneration Committee as described below.

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

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

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

The General Committee meets at least twice a month either physically or by video or telephone conference and focuses on Group wide performance and risk management.

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 Director of each of the individual businesses.

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

The details of the way the Board operates, including a schedule of matters reserved to the Board for decision, are set out in the 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 strategic and financial management and reporting, capital structure, corporate actions, mergers and acquisitions, major contracts and other commitments, litigation and regulatory proceedings, remuneration and share incentive plans.

Where the Board delegates authority to management it is on a structured basis, which requires that proper management oversight exists at the appropriate level.

The 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, two additional Main Board Meetings were scheduled bringing the total number of Board meetings held during the year to twelve.

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

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 or her 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.

Nigel Keen, Chairman, has a degree in engineering from Cambridge University, is a Fellow of the Institute of Chartered Accountants and has been involved in the formation and development of high technology businesses for more than thirty years. He fulfilled the independence criteria at the time of his appointment as set out in the Combined Code. He is Chairman of the Nomination and Remuneration Committees as the Board considers that for a SmallCap company the Chairman's prime roles are: to procure an excellent strategy for the business; to recruit and retain the best available management team to execute this strategy; to put in place a Board of independent directors whose experience can add value to the work of the management; and to ensure that the business maintains the highest standard of corporate governance. Taking in to consideration the size of the Company, the Board believes that in order to fulfil these obligations it is appropriate and necessary for the Chairman of the Board to also be Chairman of the Nomination Committee and the Remuneration Committee. Nigel Keen also serves as Chairman of Oxford Instruments Pension Trustee Limited, which is the Trustee of the UK defined benefit pension scheme. The Board of the Company and the Board of the Trustee to the Pension Scheme have each independently considered whether it is preferable to have the Chairman of the Company as Chairman to the Board of the Trustee of the Pension Scheme notwithstanding the conflicts of interest inherent in the same person holding both these positions and they each have unanimously confirmed that they believe that it is in the interest of all parties for this to continue.

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. His independence of mind gained from a career as a senior academic supervisor of research programmes in a major technical discipline at Oxford University, his technical expertise as the only Non-Executive Director from a scientific profession and the value of that expertise to Board discussions, the breadth of his professional and business interests unrelated to the Group, 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 nine years.

Mike Hughes, Senior Independent Non-Executive Director, has been a member of the Board since November 2004. He is currently the Chairman of EA Technology Ltd, a Non-Executive director of the South Staffordshire Group plc and Chairman of NWEN Jersey Ltd. Previously he held senior management positions within GEC before becoming CEO of Midlands Electricity plc and then Executive Vice President of GPU Inc International Operations Group.

Jock Lennox was appointed to the Board as an Independent Non-Executive Director on 1 April. Until April 2009 he was a Senior Audit Partner at Ernst & Young where he gained extensive experience advising clients in a variety of industries on financial reporting, financing, transactions and international expansion. He became Chairman of the Audit Committee on 2 June 2009 and is a member of the Remuneration and Nomination Board Committees. His appointment was recommended by the Nomination Committee following a thorough evaluation process. The Board believes that as his skills, experience and knowledge will enhance the Board and that he is well qualified to be Chairman of the Audit Committee following the retirement of Peter Morgan, the previous Audit Committee Chairman.

Peter Morgan, Chairman of the Audit Committee, joined the Board in April 1999. He is a Director of Strategic Thought Group plc, Hyder Consulting plc and the Association of Lloyd's Members. He is a UK delegate to the European Economic and Social Committee in Brussels. He is a former executive Director of IBM UK and IBM Europe, a former Director General of the Institute of Directors and was a Member of the Council of Lloyd's from 2000 to 2009. Peter will be retiring from the Board at the 2009 AGM.

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

Further information on each of the Non-Executive Directors is to be found in the Directors' Biographies on page 20.

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

Term of appointment of Non-Executive Directors

Each Non-Executive Director is appointed for an initial term of three years. The requirement to submit Directors for reappointment at regular intervals is met by applying the Company's Articles of Association.

These require that at each Annual General Meeting: (1) not less than one-third of the Directors who are subject to retirement by rotation must retire; (2) any Director has to retire who was not appointed at either of the two previous Annual General Meetings and who has served as a Director for more than two years since appointment or last reappointment; and (3) any Non-Executive Director who has been in office for more than nine years should offer themselves for re-election each year.

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

Board development and evaluation

Board development

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

The operating business units' senior management teams present to the Board on a regular basis.

Non-Executive Directors are encouraged to meet individual members of the senior management team and have done so during the year under review.

Throughout the year, Non-Executive Directors attend Oxford Instruments' events, exhibitions and award presentations.

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

Board evaluation

In the year ended 31 March 2009 the Board completed its annual effectiveness evaluation exercise, including a specific review of the effectiveness of its principal committees and members. This was an internal exercise under the control of the Chairman using a detailed questionnaire completed by all Directors in relation to the key areas of Board accountability and the arrangements in place to enable effective focus on these areas. Topics covered included Group strategy, performance, delegation and accountability, success, development and reward, Board and Committee composition, Board induction and training, internal control and risk management. In addition, whereas in previous years each Director took part in a 360 evaluation process involving completion of an assessment questionnaire, this year assessment was carried out by each director preparing a written statement concerning governance of the Company and discussing the statement with the Chairman at the individual one-to-one interviews which the Chairman holds with each director. The Chief Executive is also involved in the process by giving his input on the way the Board helps him in his role. The output from these evaluations allows the Chairman to review objectively the overall balance of the Board.

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 2009:

	Main Board	Audit Committee[1]	Remuneration Committee	Nomination Committee
Number of meetings held	12	6	5	2
Nigel Keen	12	6	5	2
Jonathan Flint	12	6	2	1
Kevin Boyd	12	6	-	-
Charles Holroyd	12	6	-	-
Steve Parker [2]	7	4	-	-
Mike Brady	11	5	4	2
Mike Hughes	12	6	5	2
Peter Morgan	11	6	5	2
Bernard Taylor	10	6	4	2

Note:

[1] The Chairman of the Board and the Executive Directors attend the Audit Committee by invitation

[2] Steve Parker resigned from the Board on 13 November 2008

Board Committees

The Board has formed the following Committees: Nomination, Remuneration, Audit and Administration.

Membership of Board Committees, which is set out on page 21, is determined by the Board on the recommendation of the Nomination Committee and is reviewed regularly. The written terms of reference of the Board Committees are available on the Company's website and from the Company on request. They will be on display at the Annual General Meeting.

Nomination Committee

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

There is a formal, rigorous and transparent procedure for the appointment of new Non-Executive Directors to the Board, the prime responsibility for which is delegated to the Nomination Committee. Each appointment process begins with an evaluation of the balance of skills, knowledge and experience existing on the Board that is effected through a series of one-on-one meetings between the Committee Chairman and Directors. The Nomination Committee takes external advice when considered appropriate.

A description of the role and capabilities required is prepared using the information gathered. Candidates meet with the Chairman and the Deputy Chairman and a final selection of potential appointees meets several Directors individually. Following these meetings, the Nomination Committee considers each Director's feedback and makes a final recommendation to the Board concerning any appointment.

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

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

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

Remuneration Committee

The Remuneration Committee comprises all the Non-Executive Directors. The Chairman of the Board, Nigel Keen, who fulfilled the independence criteria at the time of his appointment as set out in the Code, is Chairman of the Remuneration Committee because as set out on page 29 above, the Board considers that in a SmallCap company it is 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 34 to 40.

Audit Committee

The Audit Committee comprises all the independent Non-Executive Directors and is chaired by Peter Morgan. Peter Morgan stood down in June 2009 and Jock Lennox was appointed to the Chair in his place. The Chairman of the Board and members of senior management such as the Chief Executive and Group Finance Director are invited to attend all or part of any meetings or to present such reports as are required for the Committee to discharge its duties. The external auditors are invited to attend meetings of the Committee on a regular basis, including at the half year, at the planning stage before the audit and after the audit at the reporting stage. At least once a year the Committee meets with the external auditors without the executives 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 all public statements containing financial information, including the half year and annual financial statements and interim management 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 and contingent liabilities affecting the Group, potential tax contingencies and the Group's compliance with statutory tax obligations.

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

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

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

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

To fulfil its responsibility regarding the independence of the external auditors, the Audit Committee reviews the changes in key external audit staff in the external auditor's plan for the current year, the arrangements for day-to-day management of the audit relationship, a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest and the overall extent of non-audit services provided by the external auditors. In addition the Committee reviews the provision of non-audit services by the external auditors where the proposed fee exceeds £20,000.

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

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

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

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

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

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

Annual General Meeting (AGM)
The Annual General Meeting is an opportunity for the Board to meet shareholders. At its AGM, the Group complies with the provisions of the Combined Code relating to the disclosure of proxy votes, the separation of resolutions and the attendance of Committee Chairmen. The Group arranges for the Annual Report and Accounts and related papers to be posted on its website and, where shareholders have elected to receive papers copies, 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 15 September 2009.

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

A standard process is in place throughout the Group that requires the senior management of each business to identify significant business risks and to classify them both as to probability and potential impact.

Once identified, mitigating action, where possible, is formulated and responsibility within the management team assigned. On a regular basis each business reviews and updates its risk summary which is then reported to the Chief Executive. If a material risk changes or arises, the Managing Director of the business reports this in writing to the Chief Executive at which time there is a discussion on the adequacy of the mitigating actions taken. Details of all major risks identified and the mitigating actions in place are reported to and reviewed by the Board. The Directors' Report gives an overview of the major risks and uncertainties faced by the Group.

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

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

During the year the Directors have reviewed the effectiveness of the Group's system of internal controls.

These internal control procedures have been in place for the year under review and up to the date of approval of the report. They are regularly reviewed by the Board and accord with the Turnbull guidance. These controls include financial, operational, compliance and risk management.

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

- there is a formal schedule of matters reserved to the Board for decision; other than these matters, the Board delegates to the Chief Executive and reviews the delegation of authorities throughout the management structure;
- the Group's management structure comprises the General Committee whose members have Group wide financial responsibilities and to whom day-to-day responsibility for the management of the Group is delegated. The management system is based on the identification of separate businesses for each of the Group's activities, the heads of these businesses together with the Chief Executive, the Group Finance Director and certain other members of the senior management team form the Group's Executive Committee. There are clearly defined lines of management responsibilities at all levels up to and including the Group Board and the Group's accounting and reporting functions reflect this organisation;
- financial executives within Group businesses report to their own operational head but there is also a well established and acknowledged functional reporting relationship through to the Group Finance Director;
- the Board reviews strategic issues and options formally once a year during the annual strategic planning process and during the year as appropriate. In addition the Executive Directors maintain a three year planning model of the Group and its individual businesses;
- annual budgets are prepared for each of the Group's businesses which include monthly figures for turnover, profit, capital expenditure, cash flow and borrowings. The budgets are reviewed through the Group management structure and result in a Group financial budget which is considered and approved by the Board;
- the businesses prepare monthly management accounts which compare the actual operating result with both the budget and the prior year. The businesses also prepare rolling reforecasts for orders, turnover, operating profit and cash. Both are reviewed by the Board monthly;
- the Board approves all acquisition and divestment proposals and there are established procedures for the planning, approval and monitoring of capital expenditure;
- for all major investments the performance of at least the first twelve months against the original proposal is reviewed by the Board;
- each Group site, except for representative sales offices, is required to submit a self assessment internal control questionnaire on a regular basis;
- internal audit is carried out through a system of regular reviews of the internal controls at each site by accountants from other parts of the Group and in Japan and China, due to language differences, by local external auditors. These reviews are coordinated by a manager in Head Office;
- 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, litigation, human resources and health and safety matters;
- authorisation limits are set at appropriate levels throughout the Group; compliance with these limits is monitored by the Group Finance Director and internal audit;
- all requests to quote for substantial fixed price contracts are reviewed by the Chief Executive and/or the Group Finance Director 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
9 June 2009

Remuneration Committee
Details of the composition of the Remuneration Committee are set out on page 21. The Committee defines and communicates 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, it aims to provide a formal framework for the development of remuneration policy for 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 changes to existing schemes, together with awards under these schemes, and general increases in salaries and bonus arrangements for staff. The remuneration policy and practice for employees are taken into account when setting remuneration for Executive Directors.

Over the past year the Committee continued to use Hewitt New Bridge Street to provide independent external advice on the Executive Directors' remuneration and the Committee sought input as required from the Chief Executive.

The Chairman maintains contact with principal shareholders regarding remuneration policy as appropriate.

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

Executive Directors
The Company has an incentive-driven Executive Director remuneration policy that promotes the delivery of the Group strategy, seeks to align the interests of Directors and shareholders and reflects the performance of each Director. The Remuneration Committee considers carefully the motivational effects of the incentive structure in order to ensure that it is effective and does not have any unintentionally negative impact on matters such as governance and environmental and social issues. A significant proportion of total potential rewards are provided through performance-based schemes.

Overall the remuneration package aims to be appropriate to attract, motivate and retain high calibre executives. The Remuneration Committee's policy on early termination is to provide compensation which reflects the Company's contractual obligations, whilst recognising the principle of mitigation of losses.

Service contracts
Each of the Executive Directors has a service contract. In line with Company policy no Executive Director has a notice period of more than one year.

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

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

Executive Directors' remuneration
Executive Directors receive base salary, annual performance awards, pension contributions 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. It is anticipated that there will be no increase in base salary for Executive Directors during the 2009/10 financial year.

Benefits comprise provision of a car or car allowance, life and health insurance, participation in a bonus scheme and contributions towards a pension.

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

	Salary[1] £000	Benefits £000	Performance related remuneration £000	Total remuneration 2009 £000	Total remuneration 2008 £000
Jonathan Flint	286	13	101	400	475
Kevin Boyd	198	13	48	259	301
Steve Parker[2]	*105	*3	**32	140	280
Charles Holroyd	177	11	44	232	243
Total				1,031	1,299

¹ See paragraph below
² Resigned 13 November 2008
* Using average exchange rates applying for each quarter (see note 34)
** Using exchange rate applying as at 31March 2009 of 1.43 (see note 34)

UK employees are able to elect to cease making personal contributions into the relevant pension schemes. Their salaries are reduced by the amount of their pension contributions and the Company pays the same amount directly to the pension schemes. Accordingly, the annual salaries of Jonathan Flint, Kevin Boyd and Charles Holroyd were reduced to £248,000, £171,000 and £146,000 respectively.

For reasons of clarity, the salaries shown in the table above for these Directors are the amount they would have been paid had they not given up these salary entitlements. These 'notional' base salaries are used to calculate salary linked remuneration such as bonus and some benefits.

Steve Parker resigned as a Director of the Company on 13 November 2008 and ceased to be an employee on 30 November 2008. In accordance with his contract he has been paid six months' salary ($145,000 (£101,399**)) ceasing at the end of May 2009. In addition he was paid a severance payment of $56,785 (£35,491*) in compensation for agreeing to a US separation and release agreement and UK compromise agreement. His bonus has been calculated according to the financial performance of the Group and prorated according to service during the year. Medical benefits continue to be provided by the Company until the end of November 2010. To allow the business to continue to benefit from his expertise in US markets, Steve Parker continues to be retained as a consultant until December 2010, at an expected cost of $75,000 (£52,448**) per annum

* Using average exchange rate applying during Q3 of 1.60 (see note 34)
** Using exchange rate applying as at 31 March 2009 of 1.43 (see note 34)

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 2009 set performance targets which would pay bonuses for on-target performance at the rate of 50% of base salary for Jonathan Flint, and 35% of base salary for Kevin Boyd, Charles Holroyd, and Steve Parker. The bonus potential has a maximum of 100% of salary for Jonathan Flint and 75% of salary for the other Executive Directors. Bonuses are earned on full year performance. The level of award for the year ended 31 March 2009 took account of the continuing improvement in financial performance reflected in achievement against specific financial targets in relation to orders, profit and cash generation and a measurable progress in meeting defined strategic objectives for the Group. However, in view of the difficult economic conditions and in line with managers across the business, the Executive Directors have foregone a significant fraction of the bonus calculated according to the financial results achieved.

For the financial year to 31 March 2010, the structure of Executive Directors' annual bonuses will be similar to that for the year to 31 March 2009.

Pension Plans
Oxford Instruments Pension Scheme
For UK based Executive Directors and employees employed prior to April 2001, a contributory pension, depending on length of service, of up to two thirds of pensionable salary is provided on retirement through the Oxford Instruments defined benefit pension scheme.

This is a contracted-out contributory pension scheme which provides benefits based on earnings at or near retirement and is funded through a separate trust.

Early retirement is possible on a reduced pension from age 50 with the consent of the Company. Pensions in payment are guaranteed to increase by a level of inflation up to a maximum of 3% per year on pension earned before 1 April 1997 and a maximum of 5% per year thereafter, subject to any applicable statutory requirements. In the case of death before retirement from active service a spouse's pension of one half of the member's prospective pension is payable plus a capital sum of three times the member's basic salary and a refund of the member's contributions.

Defined Contribution Pension Arrangements (UK)
Following the closure of the Company's defined benefit scheme to new members in April 2001, employees and 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 in accordance with contractually agreed contribution rates. Under this arrangement only base salary is pensionable. Such contributions are treated as a non-salary benefit as they are paid directly to the pension plan and are not included in the calculation of bonus entitlements and share awards.

Oxford Instruments Holdings Inc
Defined Benefit Pension Plan (USA)
All employees of Oxford Instruments Superconducting Technology and Austin Scientific engaged before 1 February 2006 were entitled to become members of the Plan. The 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), members of the Plan are entitled to a monthly pension benefit based on an actuarial calculation taking into account his or her years of service, age, and the salary earned over the last five years of employment. 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).

The Oxford Instruments Holdings Inc Savings & Investment Plan 401K (USA)
This is a savings plan open to all US employees of Oxford Instruments. Provided the employee does not exceed the maximum dollar value for contributions that the US government allows, the employer matches half the employee's contribution up to the first 6% of base salary and, where the employee is over the age of 50, up to an extra US$5,000 contribution. After two years service 25% of the employer's contributions vest and 100% vest after three years.

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 £40,040 (2008: £38,062) into a personal defined contribution plan in respect of Jonathan Flint and £27,720 (2008: £26,250) into the UK Oxford Instruments Stakeholder Pension Plan in respect of Kevin Boyd.

Charles Holroyd is the only current Executive Director who is a member of the UK defined benefit pension scheme. His pensionable pay is capped at £123,600. The Company contributes to the scheme at a rate of 12.7% of pensionable salary and Charles Holroyd has chosen to contribute at a rate 16.3% for a 1/50th accrual rate and to enable him to take all benefits at the age of 65. 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 2009	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	53	9	19	3	3	22

	Transfer value of accrued pension		Change in transfer value over year less member contributions
	2009	2008	
	£000	£000	£000
Charles Holroyd	257	230	8

Steve Parker, who resigned as a Director on 13 November 2008, was up until this point an active member of the Oxford Instruments Holdings Inc Defined Benefit Pension Plan and was also a contributing member of the Oxford Instruments Holdings Inc 401k Savings Plan. The Company contributed an estimated US$16,060 (2008: US$26,000) to the Oxford Instruments Holdings Inc Pension Scheme in respect of Steve Parker. The Company also contributed US$4,605 (2008: US$10,687) to the Oxford Instruments 401K plan on his behalf Steve Parker is fully vested in both these schemes.

Share Incentive Schemes

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

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

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. Until 1 April 2008, the SAYE scheme was open to all UK permanent staff employed for at least six months on the date of invitation to join the scheme. The SAYE scheme has been replaced by a Share Incentive Plan (SIP) which since 1 April 2008 has been open to all UK permanent staff employed for at least six months.

ESO schemes (1995 and 2001)

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

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

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

Performance conditions

The Remuneration 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 and these arrangements are set out below.

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

Prior to December 2008, 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). In December 2008, options were granted with a performance condition based solely on EPS performance. This change was made in conjunction with a change to the performance conditions relating to the Company's SELTIS Scheme (see below).

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 options granted between 2004 and 2008 15% growth in EPS and TSR is required. TSR is measured by comparing its average net return over the three month period preceding the beginning of each performance period with its average net return (calculated in the same manner) over the same period at the end of each performance period. In December 2008, options were granted to the Executive Directors with a single EPS performance condition. 50% of the option will vest where the Company's EPS grows by at least RPI +5% per annum rising on a straight-line basis to full vesting for EPS growth of RPI +10% per annum or better. Options granted at the same time to other employees will fully vest where the growth in EPS is at least RPI +5% per annum.

Only 50% of the options granted in September 2001 are exercisable, as the TSR performance test failed, none of the options granted in 2002 are exercisable due to failure of both tests, 50% of the options granted in December 2002, July 2003 and July 2004 are exercisable as for each grant the EPS performance test failed, 49% of options granted in July and December 2005 have vested with the failure of the TSR performance test and partial vesting of the EPS performance test. The options granted in July and September 2006 will become exercisable proportionately by reference to the level of both TSR and EPS target growth performance. Details are set out in the table below.

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

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

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

Share appreciation rights
At the Annual General Meeting in 2005, shareholders gave their approval to the granting of Share Appreciation Rights (SAR) and to the satisfaction of outstanding unapproved options with share appreciation rights. 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. In December 2008, the Company granted options over 184,411 shares under the SAR arrangements.

SELTIS
The SELTIS scheme is similar to the ESO schemes, with the exception that options are exercisable at no cost to the option holder. All shares used to satisfy SELTIS awards are currently purchased in the market. A resolution is to be proposed at the Annual General Meeting to allow SELTIS awards to be satisfied by newly issued shares.

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

SELTIS options granted since the establishment of the 2001 ESO scheme
Prior to December 2008, the performance conditions are the same as those applying to awards under the 2001 ESO scheme in the same financial year as detailed above. In December 2008, SELTIS options were granted with a single TSR performance condition which compares the Company's TSR performance with that of a comparator group made up of the FTSE Small Cap index (excluding companies within the Food & Drug Retailers, General Retailers, Banks, Nonlife Insurance, Life Insurance, Real Estate, General Financial, Equity Investment Instruments and Nonequity Investment Instruments Sectors). 50% of the option will vest where the Company's TSR performance at least equals the TSR performance of the median company in the comparator group rising on a straightline basis to full vesting where the Company's TSR performance is equal to or greater than that of the upper quartile company on the same basis.

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

Individual options
Individual options are granted at the discretion of the Remuneration Committee. There are currently no Individual options which are outstanding.

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

Share Incentive Plan (SIP)
The SIP was launched on 1 April 2008 and is administered in accordance with Inland Revenue guidelines. In accordance with the Plan rules, employees are able to purchase shares up to the value of £1,500 (or where lower, 10% of taxable pay) per annum out of pre-tax pay. Shares ("Partnership Shares") are purchased by the Plan's trustee on the employee's behalf and are held in trust. The Company also purchases one additional share for every five Partnership Shares that the employee purchases to be held for the benefit of the employee (the "Matching Shares"). The risk of forfeiture attached to the Matching Shares will normally be removed on the third anniversary of purchase subject to continued employment and the retention of the Partnership Shares. Both Partnership and Matching Shares can be taken out of the trust tax free to the recipient provided they have been held for at least five years. All shares acquired by the SIP are purchased in the market by the trustee.

As at the 31 March 2009 the outstanding options for Jonathan Flint, Kevin Boyd, Charles Holroyd and Steve Parker under the 1995 and 2001 ESO, the SELTIS and SAYE schemes were as follows:

Name	Scheme	March 2009	Movements during the year Granted	Exercised	*Lapsed	March 2008	Exercise price	Date for earliest exercise	Date for latest exercise
Jonathan Flint	ESO	**220,000**	220,000			0	£1.35	16/12/11	15/12/18
	ESO	**100,000**				100,000	£2.32	28/09/10	27/09/17
	ESO	**100,000**				100,000	£2.10	15/07/09	14/07/16
	ESO	**98,000**			(102,000)	200,000	£2.19	15/07/08	14/07/15
	SELTIS	**110,000**	110,000			0	Nil	16/12/11	15/12/15
	SELTIS	**50,000**				50,000	Nil	26/07/10	25/07/14
	SELTIS	**50,000**				50,000	Nil	15/07/09	14/07/13
	SELTIS	**24,500**			(25,500)	50,000	Nil	15/07/08	14/07/12
Kevin Boyd	ESO	**150,000**	150,000			0	£1.35	16/12/11	15/12/18
	ESO	**40,000**				40,000	£2.32	28/09/10	27/09/17
	ESO	**66,667**				66,667	£2.0375	04/09/09	03/09/16
	SELTIS	**75,000**	75,000			0	Nil	16/12/11	15/12/15
	SELTIS	**12,500**				12,500	Nil	26/07/10	25/07/14
	SELTIS	**12,500**				12,500	Nil	04/09/09	03/09/13
Charles Holroyd	SAYE	**1,032**				1,032	£1.83	01/02/10	31/07/10
	SAYE	**699**				699	£2.14	01/02/09	31/07/09
	SAYE	**0**			(649)	649	£1.75	01/02/08	31/07/08
	ESO	**150,000**	150,000			0	£1.35	16/12/11	15/12/18
	ESO	**40,000**				40,000	£2.32	28/09/10	27/09/17
	ESO	**25,000**				25,000	£2.10	15/07/09	14/07/16
	ESO	**19,600**			(20,400)	40,000	£2.19	15/07/08	14/07/15
	ESO	**25,000**				25,000	£2.18	15/07/07	14/07/14
	ESO	**25,000**				25,000	£1.875	15/07/06	14/07/13
	SELTIS	**75,000**	75,000			0	Nil	16/12/11	15/12/15
	SELTIS	**12,500**				12,500	Nil	26/07/10	25/04/14
	SELTIS	**12,500**				12,500	Nil	15/07/09	14/07/13
	SELTIS	**9,800**			(10,200)	20,000	Nil	15/12/08	14/12/12
Steve Parker**	ESO	**20,000**			(20,000)	40,000	£2.32	01/12/08	30/11/09
	ESO	**12,500**			(12,500)	25,000	£2.10	01/12/08	30/11/09
	ESO	**19,600**			(20,400)	40,000	£2.19	15/07/08	30/11/09
	ESO	**30,000**				30,000	£2.18	15/07/07	30/11/09
	ESO	**35,000**				35,000	£1.875	15/07/06	30/11/09
	ESO	**30,000**				30,000	£1.48	13/12/05	30/11/09
	SELTIS	**12,500**				12,500	Nil	26/07/10	25/07/14
	SELTIS	**12,500**				12,500	Nil	15/07/09	14/07/13
	SELTIS	**9,800**			(10,200)	20,000	Nil	15/12/08	14/12/12

* Lapsed as performance conditions were not met.
** Steve Parker resigned as a Director of the Company on 13 November 2008 and as an employee on 30 November 2008. All ESO options are now exerciseable and the latest date for their exercise is 30 November 2009 . The date for latest exercise of his SELTIS options will remain unchanged.

During the year, no director exercised options under any of the above schemes. As at 31 March 2009, Jonathan Flint and Charles Holroyd have cumulatively 122,500 (2008:nil) and 80,099 (2008: 50,649) options respectively under various schemes capable of exercise. Details of the share price during the year are on page 17.

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. Subject to approval by the Board, the Executive Director concerned may retain fees paid for these services.

At 31 March 2009, the Executive Directors held no such outside appointments.

Chairman
Under an arrangement between the Company and Imperialise Limited, Nigel Keen is retained to act as Chairman of the Company and Chairman of the Trustee to the Oxford Instruments Pension Scheme and he must account to Imperialise Limited for his services. His current term of appointment commenced on 25 February 2008 and is for three years, terminable on 6 months' notice by the Company In addition, Imperialise Limited is paid a sum equivalent to the employer's national insurance contributions on these fees as it 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. The fees for Nigel Keen's services to the Company were reviewed with effect from 25 February 2008.

Independent 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.

Remuneration of the Chairman and Non-Executive Directors:

	2009 £000	2008 £000
Nigel Keen, Chairman [1]	**113**	92
Mike Brady	**32**	30
Mike Hughes	**32**	28
Peter Morgan	**32**	30
Bernard Taylor	**27**	25
Total	**236**	205

[1] Nigel Keen's fees above include a payment of £12,800 to Imperialise Limited in respect of employers' national insurance contributions. He also received fees of £20,000 (2008: £1,954) for his services as Chairman to the Trustee of the Oxford Instruments Pension Scheme together with a payment of £2,560 to Imperialise Limited in respect of employers' national insurance contributions.

The Chairman and Non-Executive Directors receive no other benefits.

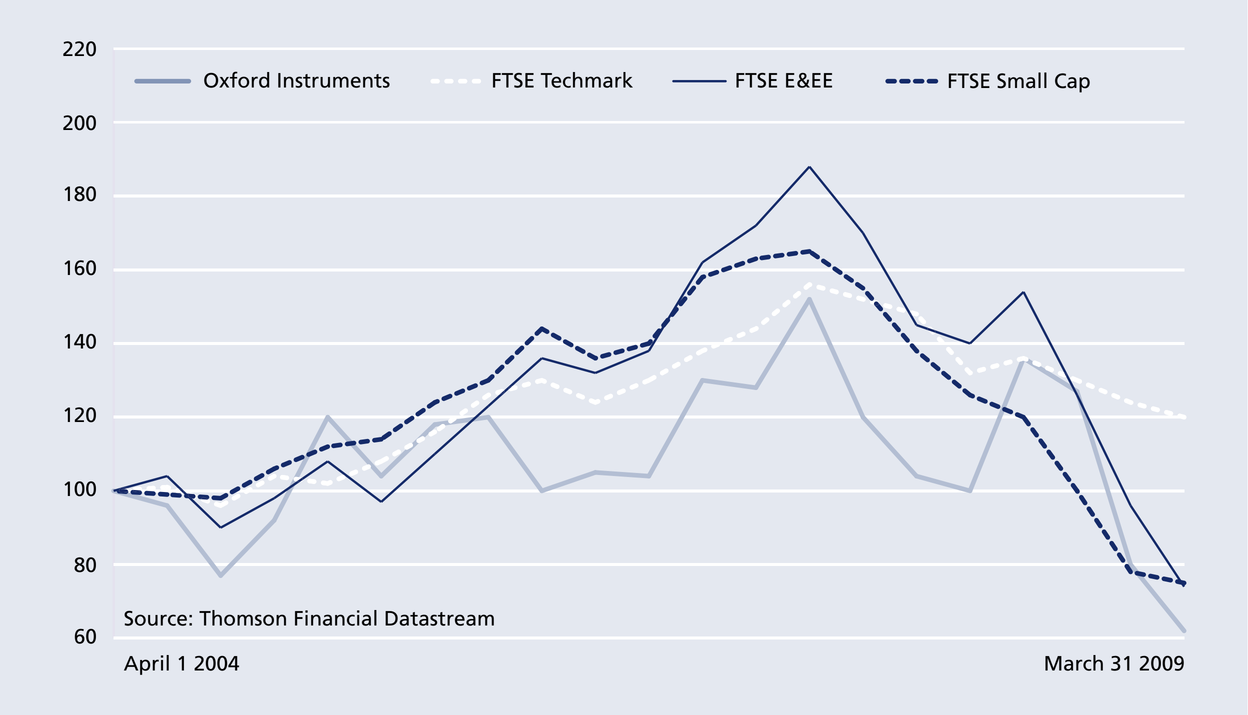
Performance graph

The graph below shows for the five years ended 31 March 2009 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 Small Cap, FTSE Techmark and FTSE Electronic and Electrical Equipment indices are calculated. These indices have been chosen as they are considered to be the most appropriate comparator groups for the Company. TSR has been calculated by reference to the relevant share price for each constituent company assuming dividends are reinvested.

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

This report was adopted by the Remuneration Committee at a meeting on 2 June 2009 and has been approved subsequently by the Board for submission to shareholders at the Annual General Meeting to be held on 15 September 2009.

Nigel Keen Chairman of the Remuneration Committee
9 June 2009



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

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.

Responsibility statement of the Directors in respect of the annual financial report

The Directors confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Jonathan Flint
Director
9 June 2009

Kevin Boyd
Director

We have audited the Group and Parent Company financial statements (the ''financial statements") of Oxford Instruments plc for the year ended 31 March 2009 which comprise the Accounting Policies, the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Statement of Cash Flows, the Group Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 40.

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

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

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

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

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

Basis of audit opinion

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

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

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 2009 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 2009;
- 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
9 June 2009

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 77 to 82.

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

(a) New accounting standards
During the current year two interpretations issued by the International Financial Interpretations Council are effective for the current period. These are: IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' and IFRIC 14 'IAS 19 – the Limit on a Defined Benefit Asset, minimum funding requirements and their interaction'. The adoption of these interpretations has not led to any changes in the Group's accounting policies.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures issued during the year also had no effect on the Group's accounting policies.

(b) Basis of preparation
The financial statements are prepared on the historical cost basis except as described below under the heading 'Financial Instruments".

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

The estimates and underlying assumptions are reviewed on an ongoing basis. The key judgements made in respect of the appropriateness of the Group accounting policies relate to:

- **Fair value measurements on business combinations**
  The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities. The key judgements involved are the identification and valuation of intangible assets which require the estimation of future cash flows and the selection of a suitable discount rate.
- **Impairment of intangible assets (including goodwill) and tangible assets**
  Goodwill is held at cost and tested annually for impairment, and amortised intangibles and tangible assets are tested for impairment where there are indications of impairment. These impairment tests require the Group to make an estimate of the expected cash flows and to select suitable discount rates. These require an estimation of the value-in-use of these assets.
- **Measurement of defined benefit scheme liabilities**
  The Group recognises and measures costs relating to defined benefit pension schemes in accordance with IAS 19 'Employee Benefits'. In applying IAS 19 the costs are assessed in accordance with the advice of independent qualified actuaries. This requires the exercise of judgement in relation to the estimation of future changes in salaries and inflation, as well as mortality rates, and the selection of suitable discount rates. Further detail is provided in note 25.
- **Provisions**
  Provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past expectations or events which can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances which can be subject to change. Amounts provided represent the Group's best estimate of exposure based on currently available information.
- **Deferred tax assets**
  A deferred tax asset is recognised in the period if it is probable that future taxable profits will be available against which the asset can be utilised. This requires the exercise of judgement in relation to the estimation of future taxable profit.

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. The key areas where estimates have been used and assumptions applied are in the calculation of provisions, the valuation of acquired intangible assets, the impairment testing of goodwill and the estimation of defined benefit pension plan liabilities.

During the year, the Directors reviewed the classification of costs relating to the running of its sales offices in Germany, America and Japan, and given the current circumstances and operating structure of the Group, considered that these costs are better reflected as sales and marketing costs, rather than administrative costs. Consequently the previously published figures for the year to 31 March 2008 have been restated in this document. The effect has been to increase sales and marketing costs and reduce administration and shared services by £2.2m for the year to 31 March 2008.

The Directors also reviewed the classification of outward freight costs and considered that these were better reflected as sales and marketing costs, rather than cost of sales. Consequently the previously published figures for the year to 31 March 2008 have been restated in this document. The effect has been to increase sales and marketing costs and reduce cost of sales by £0.5m for the year to 31 March 2008.

(c) Basis of consolidation
The Group accounts include the accounts of Oxford Instruments plc and its subsidiary companies adjusted to eliminate intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions. The results of subsidiary companies are included from the month of their acquisition or to the month of their disposal.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into sterling at average quarterly exchange rates. Foreign exchange differences arising on retranslation are recognised directly in a separate translation reserve.

(d) Foreign currency
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 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.

(e) Financial instruments
Financial assets and liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.
(i) The Group's investments in equity securities are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available for sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss.

(ii) Derivative financial instruments of the Group are used to hedge its exposure to interest rate, foreign currency and commodity pricing risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes. Derivatives comprising interest rate swaps, foreign exchange contracts and options and metal futures contracts are classified as 'fair value through profit and loss' under IAS 39, unless designated as hedges. Derivatives not designated as hedges are recognised initially at fair value. Subsequent to initial recognition, changes in fair value of such derivatives and gains or losses on their settlement are recognised in net financial income or expense.

(iii) Cash flow hedges
Changes in the fair value of the derivative hedging instruments designated as cash flow hedges are recognised in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedge item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects profit or loss.

(iv) The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price. The gain or loss on remeasurement to fair value of forward exchange contracts is recognised immediately in the income statement.

(v) Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowing on an effective interest basis.

(f) Property, plant and equipment
Property, plant and equipment is stated at historic cost less provisions for impairment (see accounting policy l) and depreciation which, with the exception of freehold land which is not depreciated, is provided on a straight-line basis over each asset's estimated economic life. The principle estimated economic lives used for this purpose are:

Freehold buildings, long leasehold land and buildings	50 years
Leasehold improvements (less than 50 years duration)	Period of lease
Furniture and fittings	10 years
Machinery and other equipment	5 to 10 years
Computer equipment and software	4 years
Vehicles	4 years

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

Goodwill arising on acquisitions is stated at cost and allocated to cash-generating units that are anticipated to benefit from the combination. It is not amortised but is tested annually for impairment (see accounting policy l).

(ii) Development costs
Research and development costs are charged to the income statement in the year in which they are incurred unless development expenditure meets certain strict criteria for capitalisation. These criteria include demonstration of the technical feasibility of completing a new intangible asset that will be available for sale and that the asset will generate probable future economic benefits. Where expenditure meets the criteria, development costs are capitalised and amortised through the income statement over their useful economic lives.

(iii) Acquired intangible assets
An intangible asset acquired with a subsidiary undertaking is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be reliably measured. The asset is amortised through the income statement over it useful economic life.

(iv) Amortisation
Amortisation of intangible assets is charged to the income statement on a straight-line basis over their estimated useful economic lives as follows:

Capitalised development costs	3 to 5 years
Technology related acquired intangibles	5 to 10 years
Customer related acquired intangibles	6 months to 8 years

(h) Trade and other receivables
Trade and other receivables are initially recognised at fair value and subsequently stated at their cost less appropriate allowances for amounts which are expected to be non-recoverable.

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

Provision is made for obsolete, slow moving and defective stock where appropriate in the light of recent usage, expected future requirements, new product introduction plans and likely realisable values.

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

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

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

(l) Impairment of non-current assets
All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying value may be impaired. Additionally, goodwill is subject to an annual impairment review.

An impairment loss is recognised in the income statement to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's net realisable value and it value in use. An asset's value in use represents the present value of the future cash flows expected to be derived from the asset or from the cash generating unit to which it relates. The present value is calculated using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset concerned.

Impairment losses recognised in previous periods for an asset other than goodwill are reversed if there has been a change in estimates used to determine the asset's recoverable amount, but only to the extent that the carrying amount of the asset does not exceed its carrying amount had the impairment loss not been recognised in previous periods. Impairment losses in respect of goodwill are not reversed.

(m) Employee benefits
The Group operates a number of defined benefit and defined contribution plans which require contributions to be made to independent trustee administered funds.

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

(ii) Defined benefit plans
The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that current and past employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method.

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

The charge to the income statement reflects the current service cost. The expected return on scheme assets and the interest cost on scheme liabilities are included within financial income or financial expenditure in the income statement respectively.

(iii) Share-based payment transactions
The fair value of equity settled share option programmes is measured at grant date and charged to the income statement on a straight line basis over the period during which the employees become unconditionally entitled to the options. 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. A provision for warranty is recognised when the underlying products are sold. 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. 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 initially recognised at their fair value and subsequently stated at amortised cost.

(p) Revenue
Revenue is recognised in the income statement when the significant risks and rewards of ownership have transferred to the buyer. Revenue excludes value added tax and similar sales based taxes, represents sales to external customers of products and services and is stated before commissions payable to agents. Revenue is recognised on shipment, except for installation and service contracts. Revenue from installation is separately recognised on completion of the installation. Revenue from contracts for maintenance and support is recognised on a pro-rata basis over the contract period.

(q) 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. 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.

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

(r) 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.

(s) Adopted IFRS not yet applied
At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial starments, were in issue but not yet effective:
IFRS 1 (amended)/IAS 27 (amended): Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 8: Operating Segments
IFRS 23: Borrowing Costs
IFRS 2: Share-Based Payment: Vesting Conditions and Cancellations
IFRIC 13: Customer Loyalty Programmes
IAS 1 (revised): Presentation of Financial Statements
IFRS 3: Business Combinations
IAS 32 (amended)/IAS 1 (amended): Puttable Financial Instruments and Obligations Arising on Liquidation

The Directors anticipate that the adoption of these Standards and Interpretations in the future periods are unlikely to have a material impact on the financial statements of the Group except for:

(i) additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009. Upon adoption of IFRS 8, the Group will be required to disclose segment information based on the internal reports regularly reviewed by the Group's Chief Executive in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of business and geographical segments (see note 2). Effective from 1 April 2009, the Group has realigned its internal reporting structure and future segmental reporting under IFRS 8 will reflect this new structure. In future, the Group will report three sectors: Nano Technology, Industrial Products and Service as these will form the basis of internal reporting;

(ii) treatment of the acquisition of subsidiaries when IFRS 3 comes into effect for business combinations for which the acquisition date is on or after 1 April 2010. Under the revised IFRS 3 the following changes are likely to be most relevant to the Group:

- Contingent consideration will be measured at fair value with subsequent changes therein recognised in income statement.
- Transaction costs, other than share and debt issue costs will be expensed as incurred.

Group Income Statement *year ended 31 March 2009*

	Notes	2009 £m	2008 *As restated £m
Revenue	2	**206.5**	176.5
Cost of sales		**(115.8)**	(103.3)
Gross profit		**90.7**	73.2
Trading expenses excluding cost of sales	3	**(77.6)**	(62.6)
Trading profit		**13.1**	10.6
Reorganisation costs and impairment	5	**(6.8)**	0.7
Amortisation of acquired intangibles		**(4.3)**	(2.9)
Operating profit		**2.0**	8.4
Bank interest receivable		**0.2**	0.3
Expected return on pension scheme assets		**9.6**	9.3
Financial income		**9.8**	9.6
Interest payable on bank loans and overdrafts		**(1.5)**	(1.7)
Interest charge on pension scheme liabilities		**(10.3)**	(9.0)
Mark to market loss in respect of derivative financial instruments	1	**(9.3)**	(2.3)
Financial expenditure		**(21.1)**	(13.0)
(Loss)/profit before income tax		**(9.3)**	5.0
Income tax credit/(expense)	9	**2.6**	(2.3)
(Loss)/profit for the year attributable to equity shareholders of the parent		**(6.7)**	2.7

		pence	pence
Earnings per share			
Basic (loss)/earnings per share	10	**(13.9)**	5.6
Diluted (loss)/earnings per share	10	**(13.9)**	5.5
Dividends per share			
Dividends paid	11	**8.4**	8.4
Dividends proposed	11	**8.4**	8.4

* See Accounting Policies (b) Basis of preparation

Adjusted profit before tax is calculated as follows:

		£m	£m
(Loss)/profit before income tax		**(9.3)**	5.0
Reorganisation costs and impairment		**6.8**	(0.7)
Amortisation of acquired intangibles		**4.3**	2.9
Mark to market loss in respect of derivative financial instruments		**9.3**	2.3
Adjusted profit before tax	1	**11.1**	9.5

		pence	pence
Adjusted earnings per share			
Basic earnings per share	10	**14.8**	11.7
Diluted earnings per share	10	**14.8**	11.7

Group Statement of Recognised Income and Expense *year ended 31 March 2009*

	Note	2009 £m	2008 £m
Foreign exchange translation differences		**5.6**	3.1
Actuarial gain in respect of post retirement benefits	25	**6.4**	7.1
Net loss on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	19	**(0.6)**	-
Tax on items recognised directly in equity	9	**(1.6)**	(2.6)
Net profit recognised directly in equity		**9.8**	7.6
(Loss)/profit for the year		**(6.7)**	2.7
Total recognised income for the year attributable to equity shareholders of the parent		**3.1**	10.3

Group Balance Sheet *as at 31 March 2009*

	Notes	2009 £m	2008 £m
Assets			
Non-current assets			
Property, plant and equipment	13	**23.5**	22.4
Intangible assets	14	**54.9**	44.0
Available for sale equity securities	15	**-**	0.6
Deferred tax assets	16	**11.3**	9.6
		89.7	76.6
Current assets			
Inventories	17	**39.9**	34.9
Trade and other receivables	18	**57.6**	53.5
Current income tax recoverable		**0.6**	0.7
Derivative financial instruments	20	**0.2**	0.6
Cash and cash equivalents	21	**13.3**	7.9
		111.6	97.6
Total assets		**201.3**	174.2
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	22	**2.5**	2.5
Share premium	22	**21.3**	21.2
Other reserves	22	**(0.3)**	0.1
Translation reserve	22	**7.9**	2.3
Retained earnings	22	**30.5**	36.4
		61.9	62.5
Liabilities			
Non-current liabilities			
Bank loans	24	**31.8**	24.9
Other payables	26	**1.0**	2.4
Retirement benefit obligations	25	**14.4**	21.2
Deferred tax liabilities	16	**7.6**	6.1
		54.8	54.6
Current liabilities			
Bank loans	24	**0.1**	0.1
Bank overdrafts	21	**9.7**	0.7
Trade and other payables	26	**53.3**	46.2
Current income tax payables		**1.8**	2.7
Derivative financial instruments	20	**12.4**	3.3
Provisions	27	**7.3**	4.1
		84.6	57.1
Total liabilities		**139.4**	111.7
Total liabilities and equity		**201.3**	174.2

The financial statements were approved by the Board of Directors on 9 June 2009 and signed on its behalf by:

Jonathan Flint
Director

Kevin Boyd
Director

Group Statement of Cash Flows *year ended 31 March 2009*

	2009 £m	2008 £m
(Loss)/profit for the year	**(6.7)**	2.7
Adjustments for:		
Income tax (credit)/expense	**(2.6)**	2.3
Net financial expense	**11.3**	3.4
Reorganisation costs and impairment	**6.8**	(0.7)
Amortisation of acquired tangibles	**4.3**	2.9
Depreciation of property, plant and equipment	**3.8**	4.1
Amortisation of capitalised development costs	**3.4**	1.9
Earnings before interest, tax, depreciation and amortisation	**20.3**	16.6
Cost of equity settled employee share schemes	**0.3**	0.2
Restructuring costs paid	**(2.5)**	-
Cash payments to the pension scheme more than the charge to the income statement	**(1.9)**	(2.1)
Operating cash flows before movements in working capital	**16.2**	14.7
Increase in inventories	**(0.2)**	(6.9)
Decrease/(increase) in receivables	**3.6**	(6.9)
(Decrease)/increase in payables and provisions	**(2.0)**	2.6
Cash generated from operations	**17.6**	3.5
Interest paid	**(1.5)**	(1.7)
Income taxes paid	**(1.7)**	(1.9)
Net cash from operating activities	**14.4**	(0.1)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**0.2**	-
Proceeds from sale of held for sale assets	**-**	7.7
Proceeds from sale of available for sale equity securities	**3.1**	-
Proceeds from disposal of product line	**0.3**	-
Interest received	**0.2**	0.3
Acquisition of subsidiaries, net of cash acquired	**(4.4)**	(12.7)
Acquisition of property, plant and equipment	**(3.6)**	(3.8)
Capitalised development expenditure	**(6.4)**	(6.6)
Net cash used in investing activities	**(10.6)**	(15.1)
Cash flows from financing activities		
Proceeds from issue of share capital	**0.1**	0.3
Repayment of borrowings	**(2.6)**	(1.0)
Increase in borrowings	**-**	24.2
Dividends paid	**(4.1)**	(4.1)
Net cash from financing activities	**(6.6)**	19.4
Net (decrease)/increase in cash and cash equivalents	**(2.8)**	4.2
Cash and cash equivalents at beginning of the year	**7.2**	2.8
Effect of exchange rate fluctuations on cash held	**(0.8)**	0.2
Cash and cash equivalents at end of the year	**3.6**	7.2

1 RECONCILIATION BETWEEN PROFIT AND ADJUSTED PROFIT

	2009 **£m**	2008 £m
(Loss)/profit before income tax	**(9.3)**	5.0
Reorganisation costs and impairment	**6.8**	(0.7)
Amortisation of acquired intangibles	**4.3**	2.9
Mark to market loss in respect of derivative financial instruments	**9.3**	2.3
Adjusted profit before income tax	**11.1**	9.5
Share of taxation	**(3.9)**	(3.7)
Adjusted profit	**7.2**	5.8

Adjusted earnings per share	**pence**	pence
Basic	**14.8**	11.7
Diluted	**14.8**	11.7

Adjusted figures are stated before other operating income, amortisation of acquired intangibles, reorganisation costs and impairment and unrealised changes in the fair value of financial instruments.

Under IAS 39, all derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, they are also measured at fair value. In respect of instruments used to hedge foreign exchange risk and interest rate risk the Group does not take advantage of the hedge accounting rules provided for in IAS 39 since that standard requires certain stringent criteria to be met in order to hedge account, which, in the particular circumstances of the Group, are considered by the Board not to bring any significant economic benefit. Accordingly, the Group accounts for these derivative financial instruments at fair value through profit or loss. 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.

See note 10 for details of the calculation of earnings per share.

2 SEGMENT INFORMATION

Information is presented in the consolidated financial statements in respect of the Group's two business segments being the primary basis of the Group's segmental reporting. The Analytical business provides measurement and fabrication instruments for industrial and commercial customers. The 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.

2 SEGMENT INFORMATION CONTINUED

a) Analysis by Business

	Analytical £m	Superconductivity £m	2009 Total £m	Analytical £m	Superconductivity £m	2008 Total £m
Revenue	**134.7**	**71.8**	**206.5**	115.7	60.8	176.5
Trading profit before costs of OII	**11.1**	**2.0**	**13.1**	11.0	2.0	13.0
Costs of OII			**-**			(2.4)
Trading profit			**13.1**			10.6
Reorganisation costs and impairment			**(6.8)**			0.7
Amortisation of acquired intangibles			**(4.3)**			(2.9)
Operating profit			**2.0**			8.4
Net financial expense			**(11.3)**			(3.4)
Income tax credit/(expense)			**2.6**			(2.3)
(Loss)/profit for the year			**(6.7)**			2.7
Segment assets	**112.8**	**63.3**	**176.1**	99.7	55.7	155.4
Unallocated assets			**25.2**			18.8
Total assets			**201.3**			174.2
Segment liabilities	**47.5**	**26.8**	**74.3**	38.7	18.3	57.0
Unallocated liabilities			**65.1**			54.7
Total liabilities			**139.4**			111.7
Depreciation charge	**2.5**	**1.3**	**3.8**	2.6	1.5	4.1
Amortisation charge	**6.0**	**1.7**	**7.7**	3.9	0.9	4.8
Capital expenditure, including capitalised research and development	**7.7**	**2.3**	**10.0**	8.0	2.4	10.4

Research and development to enhance and develop existing products is undertaken within both the Analytical and Superconductivity business segments. In addition, until closure during the second half of the Group's 2008 year, Oxford Instruments Innovation (OII) carried out initial investigations into new product lines that would not normally be undertaken by the operating businesses. Trading profit in the prior year is shown both before and after OII costs. In the current year the activities formerly undertaken by OII are now undertaken by the business units.

b) Geographical Analysis

Year to 31 March 2009

	UK £m	Continental Europe £m	North America £m	Japan £m	Rest of Asia £m	Rest of World £m	Total £m
Revenue from external customers	**24.5**	**55.3**	**55.2**	**20.0**	**40.7**	**10.8**	**206.5**
Segment assets	**66.0**	**53.2**	**44.2**	**10.1**	**2.6**	**-**	**176.1**
Unallocated assets							**25.2**
Total							**201.3**
Capital expenditure, including capitalised research and development	**7.6**	**1.4**	**0.9**	**-**	**0.1**	**-**	**10.0**

2 SEGMENT INFORMATION CONTINUED

Year to 31 March 2008

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

3 TRADING EXPENSES EXCLUDING COST OF SALES

	2009 £m	2008 As restated £m
Selling and marketing costs	**36.4**	32.2
Administration and shared services	**19.6**	18.8
Research and development (note 4)	**13.3**	11.5
Foreign exchange loss	**8.3**	0.1
	77.6	62.6

The foreign exchange loss represents the loss arising on foreign exchange hedging instruments which matured during the year.

Auditor's remuneration

	£'000	£'000
Audit of these financial statements	**104**	96
Amounts received by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**196**	179
Tax advisory services	**16**	18
Other services	**27**	-
Total fees paid to auditor and its associates	**343**	293

4 RESEARCH AND DEVELOPMENT

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

	Analytical £m	**Super-conductivity £m**	**2009 Total £m**	Analytical £m	Super-conductivity £m	2008 Total £m
Total cash spent on research and development during the year	**11.7**	**4.6**	**16.3**	10.7	5.5	16.2
Less: amount capitalised	**(5.1)**	**(1.3)**	**(6.4)**	(5.5)	(1.1)	(6.6)
Add: amortisation of amounts previously capitalised	**3.2**	**0.2**	**3.4**	1.8	0.1	1.9
Research and development charged to income statement	**9.8**	**3.5**	**13.3**	7.0	4.5	11.5

5 REORGANISATION COSTS AND IMPAIRMENT

	2009 £m	2008 £m
Profit on disposal of held for sale assets	-	0.7
Profit on disposal of Oxford Diffraction Ltd	3.4	-
Loss on disposal of MBE product line	(1.0)	-
Restructuring costs	(8.7)	-
	(6.3)	0.7
Impairment of carrying value of ARKeX Ltd	(0.5)	-
	(6.8)	0.7

The profit on disposal of held for sale assets in the prior year arose on the disposal of previously held for sale freehold properties in Abingdon and Eynsham, UK.

The Group disposed of its 22% holding in Oxford Diffraction Ltd on 4 April 2008. Consideration after professional costs was £3.7m of which £0.6m is held as a receivable as at 31 March 2009. The carrying value at the time of disposal was £0.3m resulting in a profit of £3.4m.

On 22 September 2008 the Group disposed of the Molecular Beam Epitaxy (MBE) product line to Riber SA for a cash consideration of £0.3m. The carrying value of the MBE assets at that time was £1.2m which comprised goodwill of £0.6m and inventories of £0.6m; after accounting for £0.1m of additional costs, the resulting loss on disposal was £1.0m.

Restructuring costs comprise rationalisation of activities at sites in Oxfordshire and High Wycombe UK, Chicago US, Espoo Finland, Uedem and Ismaning Germany and Hobro Denmark. Costs comprise redundancy and related charges of £5.5m, inventory impairments of £1.8m, capitalised research and development impairments of £1.0m and fixed asset impairments of £0.4m.

During the period the Group recognised an impairment charge of £0.5m against the cost of its investment in and loans to ARKeX Ltd.

6 PERSONNEL COSTS

	2009 £m	2008 £m
Wages and salaries	55.7	45.5
Social security costs	5.4	4.2
Charge in respect of defined benefit pension schemes	2.9	2.9
Contributions to defined contribution pension plans	1.8	1.5
Charge in respect of employee share options	0.3	0.2
	66.1	54.3

Directors' emoluments are disclosed in the Directors' Remuneration Report on pages 34 to 39 of this Annual Report.

7 EMPLOYEES

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

	2009 Number	2008 Number
Production	676	677
Sales and marketing	377	362
Research and development	252	242
Administration and shared services	226	220
Total average number of employees	1,531	1,501

8 SHARE OPTION SCHEMES

The Group operates four share option schemes.

All employee Save As You Earn Scheme
Options awarded under the Save As You Earn scheme have a vesting period of either 3 or 5 years. The exercise prices are determined according to the mid-market closing share price on the day before the date of grant. Options must be exercised within 6 months of vesting. There are no performance conditions associated with this scheme. The final grant under this scheme was made in December 2006 and at the current time the Directors do not intend to grant any further options under this scheme.

Executive Share Option Scheme (ESO)
Options awarded under the Executive Share Option scheme are made annually to certain senior executives. The exercise prices are determined according to the mid-market closing share price on the day before the date of grant. Options have a life of 10 years and a vesting period of 3 years.

Senior Executive Long Term Incentive Scheme (SELTIS)
Options awarded under the Senior Executive Long Term Incentive scheme are made annually to certain senior executives. The exercise prices are nil. Options have a life of 7 years and a vesting period of 3 years.

Both the Executive Share Option scheme and Senior Executive Long Term Incentive Scheme are subject to performance conditions which can be found in the Directors' Remuneration Report on pages 34 to 39.

All employee Share Incentive Plan (SIP)
All UK employees are eligible to participate in the Group's HM Revenue and Customs approved SIP. Participating employees make a cash contribution to the plan each month. The Group contributes a further amount equal to 20% of the employee's contribution. Independent trustees then purchase shares in the market on behalf of the employees. The matching shares vest on the completion by the participating employee of a further three years service and can be withdrawn from the plan tax-free after 5 years service.

Administrative expenses include a charge of £0.3m (2008: £0.2m) in respect of the cost of providing share options. The cost is calculated by estimating the fair value of the option at grant date and spreading that amount over the vesting period.

Fair values are determined using an internal calculation based on Monte-Carlo stochastic and modified Black-Scholes models. 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 ESO options issued before 2009 and all SELTIS options use Total Shareholder Return (TSR) as a performance condition. As TSR is a market based performance condition, the accounting treatment differs from that for shares subject to internal performance conditions. This means that the TSR performance conditions have been incorporated into the calculation of the fair value as a discount in calculating the fair value.

For options granted in 2008 and 2009, the fair value per option granted and the assumptions used in the calculation are as follows:

	Senior Executive Long Term Incentive Scheme		Executive Share Option Scheme	
	2009	2008	**2009**	2008
Fair value at measurement date	**48.1p**	£1.86	**23.8p**	38.0-51.3p
Share price	**£1.33**	£2.71	**£1.33**	£1.86-£2.30
Exercise price	**£nil**	£nil	**£1.35**	£1.92½-£2.32
Expected volatility	**36.6%**	22.8%	**34.4%**	29.8%-30.2%
Expected option life (expressed as weighted average life used in the modelling)	**3 years**	3 years	**6 years**	6 years
Expected dividend yield	**6.3%**	3.1%	**6.3%**	4.5%-3.7%
Risk free interest rate	**2.3%**	5.5%	**3.0%**	5.5%-5.8%
Performance condition discount in respect of TSR condition	**66.3%**	48.8%	**n/a**	24.9%-33.7%

The options existing at the year end were as follows:

	2009 Number of shares	Exercise price	Period when exercisable	2008 Number of shares
Options subsisting at the year end on unissued ordinary shares				
Executive Share Option Schemes				
July 2000	**2,625**	**£1.83**	**01/04/09 – 21/12/10**	14,625
December 2002	**30,000**	**£1.87½**	**01/04/09 – 13/12/12**	30,000
July 2003	**141,250**	**£1.875**	**01/04/09 – 15/07/13**	153,000
July 2004	**146,500**	**£2.18**	**01/04/09 – 15/07/14**	160,793
July 2005	**234,437**	**£2.42½**	**01/04/09 – 15/07/15**	493,975
December 2005	**1,470**	**£2.425**	**01/04/09 – 15/12/15**	6,000
July 2006	**382,450**	**£2.03¾**	**01/07/09 – 15/07/16**	421,500
September 2006	**66,667**	**£2.038**	**01/09/09 – 04/09/16**	66,667
September 2007	**459,500**	**£1.92½**	**01/09/10 – 28/09/17**	507,000
December 2007	**2,000**	**£1.925**	**01/12/10 – 18/12/17**	2,000
December 2008	**878,000**	**£1.35**	**01/12/11 – 16/12/18**	-
Save As You Earn				
December 2002	**-**	**£1.27**	**01/02/08 – 31/07/08**	9,512
December 2003	**39,512**	**£1.64**	**01/04/09 – 31/07/09**	42,989
December 2004	**-**	**£1.75**	**01/02/08 – 31/07/08**	2,293
December 2004	**86,112**	**£1.65**	**01/02/10 – 31/07/10**	93,718
December 2005	**40,792**	**£2.14**	**01/04/09 – 31/07/09**	43,937
December 2005	**75,217**	**£2.02**	**01/02/11 – 31/07/11**	83,822
December 2006	**76,780**	**£1.83**	**01/02/10 – 31/07/10**	84,623
December 2006	**131,739**	**£1.73**	**01/02/12 – 31/07/12**	142,716
Total options subsisting on unissued ordinary shares	**2,795,051**			2,359,170
Percentage of issued share capital	**5.7%**			4.8%

Options subsisting at the year end on existing ordinary shares held in trust				
Senior Executive Long Term Incentive Scheme				
July 2005	**24,500**	**Nil**	**01/04/09 – 15/07/12**	50,000
December 2005	**19,600**	**Nil**	**01/04/09 – 25/07/12**	40,000
July 2006	**75,000**	**Nil**	**25/07/09 – 25/07/13**	75,000
September 2006	**12,500**	**Nil**	**25/09/09 – 25/07/13**	12,500
July 2007	**87,500**	**Nil**	**25/07/10 – 25/07/14**	87,500
December 2008	**260,000**	**Nil**	**18/12/11 – 18/12/15**	-
Executive Share Option Scheme				
December 1998	**-**	**£1.96**	**01/04/09 – 23/12/08**	43,350
December 1999	**5,500**	**£1.945**	**01/04/09 – 23/12/09**	5,500
Save As You Earn				
December 2003	**34,469**	**£1.64**	**01/04/09 – 31/07/09**	42,582
December 2004	**-**	**£1.75**	**01/02/08 – 31/07/08**	26,307
Total options subsisting on existing ordinary shares held in trust	**519,069**			382,739

8 SHARE OPTION SCHEMES CONTINUED

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

	Weighted average exercise price 2009	**Number of options 2009**	Weighted average exercise price 2008	Number of options 2008
Outstanding at the beginning of the period	**£1.87**	**2,741,909**	£1.93	2,826,523
Granted during the year	**£1.04**	**1,138,000**	£1.98	604,000
Forfeited during the year	**£1.91**	**(81,315)**	£2.74	(202,582)
Exercised during the year	**£1.76**	**(50,382)**	£1.78	(189,824)
Lapsed during the year	**£1.93**	**(434,092)**	£1.52	(296,208)
Outstanding at the year end	**£1.58**	**3,314,120**	£1.87	2,741,909
Exercisable at the year end	**£1.54**	**2,829,499**	£1.97	406,768

9 INCOME TAX EXPENSE

Recognised in the income statement

	2009 £m	2008 £m
Current tax expense		
Current year	**1.0**	2.9
Adjustment in respect of prior years	**(0.3)**	0.2
	0.7	3.1
Deferred tax expense		
Origination and reversal of temporary differences	**(4.4)**	(0.8)
Write off of deferred tax previously recognised	**0.8**	-
Adjustment in respect of prior years	**0.3**	-
	(3.3)	(0.8)
Total tax (income)/expense	**(2.6)**	2.3
Reconciliation of effective tax rate		
(Loss)/profit before income tax	**(9.3)**	5.0
Income tax using the UK corporation tax rate of 28% (2008: 30%)	**(2.6)**	1.5
Effect of:		
Tax rates in foreign jurisdictions	**(0.6)**	0.2
Non-tax deductible expenses	**0.3**	0.2
Profit on disposal of held for sale assets	**(0.8)**	(0.2)
Tax incentives not recognised in the income statement	**-**	(0.1)
Temporary differences not recognised for deferred tax	**0.2**	0.2
Effect of current tax losses not utilised	**0.7**	0.7
Effect of previous tax losses now utilised	**(0.6)**	(0.4)
Write off of deferred tax previously recognised	**0.8**	-
Under provided in prior years	**-**	0.2
Total tax (income)/expense	**(2.6)**	2.3
Taxation recognised directly in equity		
Current tax – relating to employee benefits	**-**	0.6
Deferred tax - relating to employee benefits	**(1.8)**	(3.2)
Deferred tax – relating to cash flow hedges	**0.2**	-
	(1.6)	(2.6)

On 1 April 2008 the current tax rate in the UK changed from 30% to 28%.

10 EARNINGS PER SHARE

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

	2009 Shares million	2008 Shares million
Weighted average number of shares outstanding	**49.4**	49.3
Less shares held by Employee Share Ownership Trust	**(0.6)**	(0.6)
Weighted average number of shares used in calculation of earnings per share	**48.8**	48.7

The following table shows the effect of share options on the calculation of diluted earnings per share:

	2009 Shares million	2008 Shares million
Weighted average number of ordinary shares per basic earnings per share calculations	**48.8**	48.7
Effect of shares under option	**0.2**	0.3
Weighted average number of ordinary shares per diluted earnings per share calculations	**49.0**	49.0

In the current year in respect of unadjusted earnings per share the effect of shares under option was antidilutive and so has been excluded from the calculation.

11 DIVIDENDS PER SHARE

The following dividends per share were paid by the Group:

	2009 pence	2008 pence
Previous year interim dividend	**2.4**	2.4
Previous year final dividend	**6.0**	6.0
	8.4	8.4

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

	2009 pence	2008 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 (2008: 6.0 pence) will not be provided for until authorised by shareholders at the forthcoming Annual General Meeting.

12 ACQUISITIONS

Technologies and Devices International Inc
On 9 April 2008 the Group acquired 100% of the voting rights in Technologies and Devices International Inc based in Silver Spring, Maryland, USA for a net cash consideration of £1.2m. In addition, deferred consideration of £0.5m was paid on 1 October 2008. Further contingent consideration of up to £3.5m ($5.0m) is payable based on post acquisition revenue growth. The Group's best estimate of this contingent consideration at the current time is £0.6m. The company is a manufacturer and developer of Hydride Vapour Phase Epitaxy templates.

In the period subsequent to acquisition the company contributed revenue of £1.0m and a loss before tax of £1.5m (including amortisation of acquired intangibles of £0.8m) to the Group. As the acquisition occurred close to the start of the year it is estimated that these amounts approximate to those which would be reported had the acquisition taken place on the first day of the year.

12 ACQUISITIONS CONTINUED

The following table gives an analysis of the assets acquired and the goodwill arising:

	Book value £m	Fair value adjustments £m	Fair value to the Group £m
Intangible assets	0.2	3.4	3.6
Receivables	0.1	-	0.1
Payables and provisions	(0.3)	-	(0.3)
Deferred tax assets	-	0.1	0.1
Deferred tax liabilities	-	(1.2)	(1.2)
Total net assets acquired	-	2.3	2.3
Goodwill			-
Total purchase cost *			2.3
Less contingent consideration			(0.6)
Net cash outflow in respect of the purchase			1.7

* 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 fair value adjustment relates to the recognition of technology related intangible assets and associated deferred tax.

Oxford Instruments Nordiska AB
On 28 May 2008 the Group acquired 100% of the voting rights in Oxford Instruments Nordiska AB from Link Nordiska AB based in Lidingo, Sweden for a net cash consideration of £0.6m. Further contingent consideration of up to £0.6m is payable based on post acquisition revenue growth. The Group's best estimate of this contingent consideration at the current time is £0.4m. The company is a distributor of Oxford Instruments NanoAnalysis equipment in Scandinavia.

In the period subsequent to acquisition the company contributed revenue of £1.5m and no profit or loss before tax to the Group. Amortisation of acquired intangibles of £0.1m was charged in arriving at this figure. Had the acquisition taken place on the first day of the financial year, additional revenue of £0.3m would have been earned by the Group. The result before tax would have been unchanged.

The following table gives an analysis of the assets acquired and the goodwill arising:

	Book value £m	Fair value adjustments £m	Fair value to the Group £m
Intangible assets	-	0.9	0.9
Receivables	0.3	-	0.3
Net cash	0.4	-	0.4
Payables and provisions	(0.5)	-	(0.5)
Deferred tax liabilities	-	(0.3)	(0.3)
Total net assets acquired	0.2	0.6	0.8
Goodwill			0.2
Total purchase cost			1.0
Less contingent consideration			(0.4)
Net cash outflow in respect of the purchase			0.6
Less cash acquired			(0.4)
Net cash outflow on acquisition			0.2

The book value of the assets is based on the financial accounting records at the date of acquisition. The fair value adjustments relate to the recognition of customer related intangible assets and associated deferred tax. The goodwill comprises the value attributable to the employee workforce as well as expected revenue and cost synergies that will arise following the integration of the business into the Group.

VeriCold Technologies GmbH
During the year the contingent consideration arising on the acquisition of VeriCold Technologies GmbH was finalised. As a result goodwill has increased by £1.8m.

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
Balance at 1 April 2007	13.9	31.3	7.9	53.1
Acquisitions – business combinations	0.8	0.1	0.1	1.0
Acquisitions - other	0.2	3.6	-	3.8
Disposals	(0.1)	(1.2)	(0.1)	(1.4)
Effect of movements in foreign exchange	0.2	0.2	-	0.4
Balance at 31 March 2008	15.0	34.0	7.9	56.9
Balance at 1 April 2008	**15.0**	**34.0**	**7.9**	**56.9**
Acquisitions	**0.1**	**3.4**	**0.1**	**3.6**
Disposals	**-**	**-**	**(0.7)**	**(0.7)**
Effect of movements in foreign exchange	**1.2**	**5.1**	**0.2**	**6.5**
Balance at 31 March 2009	**16.3**	**42.5**	**7.5**	**66.3**
Depreciation and impairment losses				
Balance at 1 April 2007	2.9	22.8	5.9	31.6
Depreciation charge for the year	0.3	3.6	0.2	4.1
Disposals	(0.1)	(0.9)	-	(1.0)
Effect of movements in foreign exchange	-	(0.2)	-	(0.2)
Balance at 31 March 2008	3.1	25.3	6.1	34.5
Balance at 1 April 2008	**3.1**	**25.3**	**6.1**	**34.5**
Depreciation charge for the year	**0.3**	**3.2**	**0.3**	**3.8**
Impairment charge	**-**	**0.4**	**-**	**0.4**
Disposals	**-**	**-**	**(0.5)**	**(0.5)**
Effect of movements in foreign exchange	**0.6**	**3.8**	**0.2**	**4.6**
Balance at 31 March 2009	**4.0**	**32.7**	**6.1**	**42.8**
Carrying amounts				
At 1 April 2007	11.0	8.5	2.0	21.5
At 31 March 2008 and 1 April 2008	11.9	8.7	1.8	22.4
At 31 March 2009	**12.3**	**9.8**	**1.4**	**23.5**

14 INTANGIBLE ASSETS

	Goodwill £m	Customer related acquired intangibles £m	Technology related acquired intangibles £m	Development costs £m	Total £m
Cost					
Balance at 1 April 2007	9.3	0.9	1.1	13.2	24.5
Acquisitions - internally developed	-	-	-	6.6	6.6
Acquisitions – business combinations	1.4	1.7	17.0	-	20.1
Effect of movements in foreign exchange	0.8	0.5	2.9	0.4	4.6
Balance at 31 March 2008	11.5	3.1	21.0	20.2	55.8
Balance at 1 April 2008	**11.5**	**3.1**	**21.0**	**20.2**	**55.8**
Acquisitions - internally developed	**-**	**-**	**-**	**6.4**	**6.4**
Acquisitions – business combinations	**2.1**	**0.9**	**3.6**	**-**	**6.6**
Disposals	**(0.6)**	**-**	**-**	**(1.4)**	**(2.0)**
Effect of movements in foreign exchange	**2.2**	**-**	**5.0**	**1.9**	**9.1**
Balance at 31 March 2009	**15.2**	**4.0**	**29.6**	**27.1**	**75.9**
Amortisation and impairment losses					
Balance at 1 April 2007	1.1	0.9	0.6	3.8	6.4
Amortisation charge for the year	-	1.2	1.7	1.9	4.8
Effect of movements in foreign exchange	-	0.3	0.2	0.1	0.6
Balance at 31 March 2008	1.1	2.4	2.5	5.8	11.8
Balance at 1 April 2008	**1.1**	**2.4**	**2.5**	**5.8**	**11.8**
Amortisation charge for the year	**-**	**0.1**	**4.2**	**3.4**	**7.7**
Impairment charge	**-**	**-**	**-**	**1.0**	**1.0**
Disposals	**-**	**-**	**-**	**(1.3)**	**(1.3)**
Effect of movements in foreign exchange	**0.2**	**-**	**1.1**	**0.5**	**1.8**
Balance at 31 March 2009	**1.3**	**2.5**	**7.8**	**9.4**	**21.0**
Carrying amounts					
At 1 April 2007	8.2	-	0.5	9.4	18.1
At 31 March 2008 and 1 April 2008	10.4	0.7	18.5	14.4	44.0
At 31 March 2009	**13.9**	**1.5**	**21.8**	**17.7**	**54.9**

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:

	2009 £m	2008 £m
Analytical	**7.2**	6.4
Superconductivity	**6.7**	4.0
	13.9	10.4

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

The impairment test operates by determining recoverable amounts of the relevant cash generating units, which are calculated as the higher of the fair value less costs to sell or their value in use. The recoverable amount of the Group's goodwill is based on value in use calculations. Board approved three year cash flow forecasts, prepared by the management of each CGU, are used as a basis for the value in-use calculations together with 5% growth for the subsequent five years.

Key assumptions
The key assumptions are those regarding discount rates, growth rates, expected selling prices and direct costs during the period.

The growth rates are based on industry growth factors. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Management have estimated the discount rate by reference to the Group's cost of capital as adjusted for appropriate risk factors reflecting current economic circumstances and the risk profile of CGUs. A post tax weighted average cost of capital of 6% (2008: 8%) has been used for impairment testing (pre-tax 8% (2008: 10%)).

Sensitivity analysis
The Group's estimate of impairments are most sensitive to increases in the discount rate and forecast cash flows. Sensitivity analysis has been carried out by reference to both of these assumptions which demonstrate that an impairment would only be required where there was an increase in the discount rate to 19% or a 35% reduction in forecast cash flows.

It is not considered possible, other than as disclosed above that any reasonable change to the key assumptions would generate a different impairment test outcome to the one included in these Financial Statements.

15 AVAILABLE FOR SALE EQUITY SECURITIES

	2009 **£m**	2008 £m
Available for sale equity securities	**-**	0.6

Available for sale equity securities at 31 March 2009 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	9.3%	-

The Group considers that ARKeX Limited is not an associate because the Group is unable to exert significant influence over its financial and operating policies due to the dominant influence exerted by other investors.

ARKeX Limited is an unlisted entity which is 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 this investment. During the year the Group recognised an impairment charge of £0.5m against the cost of its investment (£0.3m) in and loans (£0.2m) to ARKeX Limited.

Of the available for sale equity securities held at 31 March 2008, the Group's holding in Oxford Diffraction Limited amounting to £0.3m was sold during the year (see note 5 for details).

16 DEFERRED TAX

Movements in deferred tax assets and liabilities were as follows:

	Property, plant and equipment	Inventory	Employee benefits	Intangible assets	Tax losses	Other	Total
Balance 1 April 2007	2.4	1.2	9.7	(2.5)	0.2	0.6	11.6
Recognised in income	0.8	0.1	0.4	(0.6)	(0.1)	0.2	0.8
Recognised in equity	-	-	(3.2)	-	-	-	(3.2)
Acquisitions	-	0.1	-	(5.7)	-	0.4	(5.2)
Foreign exchange	-	-	-	(0.5)	-	-	(0.5)
Balance 31 March 2008	**3.2**	**1.4**	**6.9**	**(9.3)**	**0.1**	**1.2**	**3.5**
Recognised in income	**0.1**	**(0.3)**	**0.5**	**(1.8)**	**1.9**	**2.9**	**3.3**
Recognised in equity	**-**	**-**	**(1.8)**	**-**	**-**	**0.2**	**(1.6)**
Acquisitions	**-**	**-**	**-**	**(1.5)**	**-**	**-**	**(1.5)**
Foreign exchange	**0.2**	**0.1**	**(1.0)**	**0.3**	**0.1**	**0.3**	**-**
Balance 31 March 2009	**3.5**	**1.2**	**4.6**	**(12.3)**	**2.1**	**4.6**	**3.7**

Certain deferred tax assets and liabilities have been offset as follows:

		Assets		Liabilities		Net
	2009	2008	**2009**	2008	**2009**	2008
	£m	£m	**£m**	£m	**£m**	£m
Gross assets/(liabilities)	**16.0**	13.4	**(12.3)**	(9.9)	**3.7**	3.5
Offset	**(4.7)**	(3.8)	**4.7**	3.8	**-**	-
Net assets/(liabilities)	**11.3**	9.6	**(7.6)**	(6.1)	**3.7**	3.5

Deferred tax assets totalling £2.1m (2008: £ 0.1m) have been recognised relating to territories where tax losses have been incurred in the year. It is anticipated that future profitability arising from restructuring and other actions will result in their realisation.

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

	2009	2008
	£m	£m
Deductible temporary differences	**2.7**	2.8
Tax losses	**11.6**	9.2
	14.3	12.0

The losses do not expire under current tax legislation. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available in the subsidiaries concerned against which the Group can utilise the benefits there from.

No deferred tax liability has been recognised in respect of £52.7m (2008: £56.4m) of undistributed earnings of overseas subsidiaries as the Group is able to control the timing of remittances so that any tax is not expected to arise in the foreseeable future.

17 INVENTORIES

	2009	2008
	£m	£m
Raw materials and consumables	**11.9**	10.9
Work in progress	**13.4**	11.0
Finished goods	**14.6**	13.0
	39.9	34.9

The amount of inventory recognised as an expense comprises cost of sales and £1.8m (2008: £nil) included within reorganisation costs.

18 TRADE AND OTHER RECEIVABLES

	2009 £m	2008 £m
Trade receivables	**50.6**	48.2
Less provision for impairment of receivables	**(0.5)**	(0.6)
Net trade receivables	**50.1**	47.6
Prepayments	**2.2**	2.3
Other receivables	**5.3**	3.6
	57.6	53.5

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

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

	2009 £m	2008 £m
UK	**17.6**	14.2
Continental Europe	**11.3**	12.0
North America	**13.1**	15.3
Japan	**8.3**	6.6
Rest of World	**0.3**	0.1
	50.6	48.2

The ageing of trade receivables at the balance sheet date was:

	2009 £m	2008 £m
Current (not overdue)	**33.1**	29.4
Less than 31 days overdue	**7.9**	9.8
More than 30 days but less than 91 days overdue	**3.5**	4.4
More than 90 days overdue	**6.1**	4.6
	50.6	48.2

In both periods presented all of the provision against trade receivables relates to balances more than 90 days overdue.

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

	2009 £m	2008 £m
Balance at start of year	**0.6**	0.4
(Decrease)/increase in allowance	**(0.1)**	0.2
Balance at end of year	**0.5**	0.6

19 FINANCIAL RISK MANAGEMENT

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

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

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates, interest rates and commodity prices.

19 FINANCIAL RISK MANAGEMENT CONTINUED

The Group has adopted hedge accounting for a limited number of related commodity contracts as outlined below. However, in common with a number of other companies, the Group has decided that the additional costs of meeting the extensive documentation requirements of IAS 39 to apply hedge accounting to derivative financial instruments used for hedging exposure to foreign currency and interest rate volatility cannot be justified. Accordingly the Group does not use hedge accounting for such derivatives.

Foreign Currency Risk
Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of sterling (translational exposures). The Group has operations around the world which record their results in a variety of different local functional currencies. In countries where the Group does not have operations, it invariably has some customers or suppliers that transact in a foreign currency. The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies but the Group's primary exposures relate to the US dollar, the Euro, and the Japanese Yen. To reduce uncertainty the Group maintains a rolling hedge equivalent to 80% of the exposure expected to arise over the next 12 months. The hedge comprises a mixture of fixed forward contracts and option based products. The remaining 20% is sold on the spot market as it arises. The fair value of outstanding currency contracts recognised as a liability as at 31 March 2009 amount to £11.4m (2008: £3.3m) and those recognised as an asset amount to £0.2m (2008: £0.6m).

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

The Group's translational exposures to foreign currency risks can relate both to the income statement and net assets of overseas subsidiaries. The Group's policy is not to hedge the translational exposure that arises on consolidation of the income statements of overseas subsidiaries.

Interest Rate Risk
Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates. At this time, the majority of the Group's borrowings attract floating rates of interest and therefore the Group's principal interest rate risk is a cash flow risk. During the year the Group entered into an interest rate swap in order to manage its exposure to interest rate movements. Under the terms of the swap, the Group pays fixed interest of 3.5% on the notional amount of £14.8m and receives one month Sterling LIBOR.

The fair value of swaps entered into as at 31 March 2009 is estimated as a liability of £0.9m. These amounts are based on market estimates of equivalent instruments at the balance sheet date. These interest rate swaps are not designated as cash flow hedges and they are accounted for at fair value through profit or loss. An amount of £0.9m has been charged to the income statement in the period.

Liquidity Risk
Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk by maintaining adequate committed lines of funding from high quality lenders. In January and February 2009, the Group converted its borrowings to sterling in order to protect against the impact that further weakening of sterling might have on its available funding. As at 31 March 2009, all borrowings made under the revolving credit facility were denominated in sterling. The facilities committed to the Group as at 31 March 2009 are set out in note 24.

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

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

Exposure to credit risk
The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at 31 March 2009 was £68.9m (2008: £60.3m).

	2009 **£m**	2008 £m
Available for sale equity securities	**-**	0.6
Trade receivables	**50.1**	47.6
Other receivables	**5.3**	3.6
Cash and cash equivalents	**13.3**	7.9
Forward exchange contracts	**0.2**	0.6
	68.9	60.3

The maximum exposure to credit risk for trade receivables is discussed in note 18.

Other receivables include £2.4m (2008: £1.9m) in respect of VAT and similar taxes which are not past due.

Commodity risk
The Group is exposed to changes in commodity prices, particularly in respect of copper used as a major component in the Group's US operations. It manages this exposure using derivative commodity hedging instruments.

At 31 March 2009, the Group had outstanding commodity hedge contracts with a fair value of £0.7m ($1.1m) that were designated and effective as cash flow hedges of committed and highly probable forecast transactions. Fair value movements of these contracts have been deferred in equity until the hedged transaction takes place. These contracts all mature within one year of the balance sheet date.

A £0.7m loss (2008: £nil) has been deferred in equity as at 31 March 2009 in respect of these contracts. A loss of £0.8m (2008: £nil) has been recycled to current assets (inventory) in respect of contracts designated as cash flow hedges that have matured during the year to 31 March 2009.

At 31 March 2009 the Group had provided a margin call to the provider of the hedge contracts amounting to £0.6m.

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

The Board encourages employees to hold shares in the Company. As well as various share option plans (full details of which are given in note 8), from April 2008 all UK employees were offered the opportunity to take part in a Share Incentive Plan (SIP). Under this plan, employees are able to invest up to £1,500 each tax year in shares in the Company. The Company awards one additional free share (a matching share) for every five shares bought by each employee. It is envisaged that no further options will be offered under the Save as You Earn (SAYE) option scheme.

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

20 FINANCIAL INSTRUMENTS

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

	Carrying amount 2009 £m	**Fair value 2009 £m**	Carrying amount 2008 £m	Fair value 2008 £m
Available for sale equity securities	**-**	**-**	0.6	0.6
Trade receivables	**50.1**	**50.1**	47.6	47.6
Other receivables	**5.3**	**5.3**	3.6	3.6
Cash and cash equivalents	**13.3**	**13.3**	7.9	7.9
Derivative financial instruments:				
Assets				
Foreign currency contracts	**0.2**	**0.2**	0.6	0.6
Liabilities				
Foreign currency contracts	**(11.4)**	**(11.4)**	(3.3)	(3.3)
Interest rate swaps	**(0.9)**	**(0.9)**	-	-
Copper hedging contracts (net of cash guarantee)	**(0.1)**	**(0.1)**	-	-
	(12.4)	**(12.4)**	(3.3)	(3.3)
Secured bank borrowing (note 24)	**(31.9)**	**(29.1)**	(25.0)	(25.0)
Trade and other payables	**(54.3)**	**(54.3)**	(48.6)	(48.6)
Bank overdraft	**(9.7)**	**(9.7)**	(0.7)	(0.7)

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

Available for sale equity securities
See note 15.

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

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

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

Maturity of financial liabilities

31 March 2009

	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due 1 – 5 years £m	Due more than 5 years £m
Bank overdrafts	**9.7**	**9.7**	**9.7**	**-**	**-**
Secured bank borrowing	**31.9**	**34.4**	**0.7**	**33.1**	**0.6**
Trade and other payables	**54.3**	**54.3**	**53.3**	**1.0**	**-**
Foreign exchange contracts	**11.5**	**8.3**	**6.5**	**1.8**	**-**
Interest rate swaps	**0.9**	**1.1**	**0.4**	**0.7**	**-**
	108.3	**107.8**	**70.6**	**36.6**	**0.6**

31 March 2008

	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due 1 – 5 years £m	Due more than 5 years £m
Bank overdrafts	0.7	0.7	0.7	-	-
Secured bank borrowing	25.0	29.6	1.1	28.0	0.5
Trade and other payables	48.6	48.6	48.6	-	-
Foreign exchange contracts	3.3	2.9	2.9	-	-
	77.6	81.8	53.3	28.0	0.5

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

	Carrying amount 2009 £m	Carrying amount 2008 £m
Variable rate instruments		
Financial assets	**13.3**	7.9
Financial liabilities	**(40.7)**	(25.0)
Fixed rate instruments		
Financial liabilities	**(0.9)**	(0.8)

Bank overdraft
The bank overdrafts are repayable on demand. Bank overdrafts carry interest rates of either 2.75% or 3.45% in the UK and Europe, and 4.04% in Japan.

Sensitivity analysis
The Group has estimated the impact of the change to the fair value of its financial instruments and the translation of currency profits and assets on the Income Statement and on equity for the following:

- one percentage point increase in interest rates
- one percentage point weakening in the value of sterling against all currencies
- one percentage point strengthening in the value of sterling against all currencies
- five percentage point increase in the cost of copper
- five percentage point decrease in the cost of copper

The outputs from the sensitivity analysis are estimates of the impact of market risk assuming that the specified changes occur net of any hedging in place at the year end. Actual results in the future may differ materially from these estimates due to commercial actions taken to mitigate any potential losses from such rate movements, to the interaction of more than one sensitivity occurring and to further developments in global financial markets. As such this table should not be considered as a projection of likely future gains and losses.

	1% increase in interest rates £m	1% weakening in sterling £m	1% strengthening in sterling £m	5% increase in copper prices £m	5% decrease in copper prices £m
At 31 March 2009					
Impact on Income Statement	**(0.2)**	**0.2**	**(0.2)**	**(0.2)**	**0.2**
Impact on equity	**(0.2)**	**0.2**	**(0.2)**	**(0.1)**	**0.1**
At 31 March 2008					
Impact on Income Statement	(0.2)	0.1	(0.1)	(0.1)	0.1
Impact on equity	(0.2)	0.1	(0.1)	(0.1)	0.1

21 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO NET BORROWING

	2009 £m	2008 £m
(Decrease)/increase in cash and cash equivalents	**(2.8)**	4.2
Effect of foreign exchange rate changes on cash and cash equivalents	**(0.8)**	0.2
	(3.6)	4.4
Cash outflow from decrease in debt	**2.6**	1.0
Cash inflow from increase in debt	**-**	(24.2)
Borrowings acquired on acquisition	**-**	(0.8)
Effect of foreign exchange rate changes on borrowings	**(9.5)**	-
Movement in net borrowings in the year	**(10.5)**	(19.6)
Net (borrowing)/cash at start of the year	**(17.8)**	1.8
Net borrowing at the end of the year	**(28.3)**	(17.8)
Analysed as:		
Cash and cash equivalents (per Balance Sheet)	**13.3**	7.9
Bank overdrafts	**(9.7)**	(0.7)
Cash and cash equivalents (per Statement of cash flows)	**3.6**	7.2
Borrowings	**(31.9)**	(25.0)
Net borrowing at the end of the year	**(28.3)**	(17.8)

22 RECONCILATION OF MOVEMENT IN CAPITAL AND RESERVES

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

	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Total recognised income for the year	**-**	**-**	**(0.4)**	**5.6**	**(2.1)**	**3.1**
Credit in respect of employee service costs settled by award of share options	**-**	**-**	**-**	**-**	**0.3**	**0.3**
Proceeds from shares issued	**-**	**0.1**	**-**	**-**	**-**	**0.1**
Dividends paid	**-**	**-**	**-**	**-**	**(4.1)**	**(4.1)**
Opening equity shareholders' funds at 1st April 2008	**2.5**	**21.2**	**0.1**	**2.3**	**36.4**	**62.5**
Closing equity shareholders' funds at 31st March 2009	**2.5**	**21.3**	**(0.3)**	**7.9**	**30.5**	**61.9**

Other reserves comprise the capital redemption reserve which represents the nominal value of shares repurchased and then cancelled during the year ended 31 March 1999, and the hedging reserve in respect of the effective portion of changes in value of commodity contracts.

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

The Group holds 569,394 (2008: 585,265) of its own shares in an employee benefit trust. The cost of these shares is included within retained earnings.

23 CALLED UP SHARE CAPITAL

Issued and fully paid ordinary shares:

	2009 **Number of shares**	2008 Number of shares
At the beginning of the year	**49,377,236**	49,197,896
Issued for cash	**32,115**	179,340
At the end of the year	**49,409,351**	49,377,236

	2009 Number of shares	**2009 £m**	2008 Number of shares	2008 £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	**49,409,351**	**2.5**	49,377,236	2.5

	Number of shares	Aggregate nominal value	Consideration per share
New issues of ordinary shares of 5p each during the year			
Exercise of Savings Related Share Options	14,915	£746	£1.27 - £1.75
Exercise of Executive Share Options	17,200	£860	£1.83 - £2.19

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

24 BORROWINGS

Borrowings with a book and fair value of £31.0m (2008: £24.2m) are supported by a £50m (2008: £50.0m) revolving credit facility made available to Oxford Instruments plc. It is repayable in July 2012 and carries a floating interest rate of LIBOR plus 0.65% on the first £14m and LIBOR plus 0.90% on the remainder. It is secured on certain of the Group's freehold properties with a carrying value of £10.7m (2008: £10.6m) and certain intellectual property of the Group. All necessary conditions precedent and covenants were met at 31 March 2009. It reprices on 27 April 2009. Thereafter repricing occurs after 1, 3 or 6 months at the Group's option. The undrawn amount of the facilities at 31 March 2009 was £19.0m (2008: £25.8m).

Borrowings with a book and fair value of £0.9m (2008: £0.8m) relate to a mortgage made available to WAS Worldwide Analytical Systems AG in respect of a property in Uedem, Germany of which £0.1m is repayable within one year. The borrowing is denominated in Euro and carries a fixed rate of 4.6% until 2011. It is repayable in instalments of £0.1m per year until 2011 and in instalments of £50k per year until 2021.

25 RETIREMENT BENEFIT OBLIGATIONS

The Group operates defined benefit plans in the UK and US; both offer pensions in retirement and death in service benefit to members. Pension benefits are related to members' final salary at retirement and their length of service. Both schemes have been closed to new members since 2001.

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 2009 £m	**USA 2009 £m**	**Total 2009 £m**	UK 2008 £m	USA 2008 £m	Total 2008 £m
Present value of funded obligations	**131.1**	**8.3**	**139.4**	154.0	7.0	161.0
Fair value of plan assets	**(119.8)**	**(5.2)**	**(125.0)**	(134.8)	(5.0)	(139.8)
Recognised liability for defined benefit obligations	**11.3**	**3.1**	**14.4**	19.2	2.0	21.2

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

	UK 2009 £m	**USA 2009 £m**	**Total 2009 £m**	UK 2008 £m	USA 2008 £m	Total 2008 £m
Benefit obligation at the beginning of the year	**154.0**	**7.0**	**161.0**	159.4	6.5	165.9
Interest on obligation	**9.8**	**0.5**	**10.3**	8.6	0.4	9.0
Current service cost	**2.4**	**0.5**	**2.9**	2.5	0.4	2.9
Contributions paid by plan participants	**0.1**	**-**	**0.1**	0.5	-	0.5
Benefits paid	**(3.5)**	**(0.3)**	**(3.8)**	(2.5)	(0.3)	(2.8)
Actuarial (gain)/loss on obligation	**(31.7)**	**(1.9)**	**(33.6)**	(14.5)	0.1	(14.4)
Exchange rate adjustment	**-**	**2.5**	**2.5**	-	(0.1)	(0.1)
Benefit obligation at the end of the year	**131.1**	**8.3**	**139.4**	154.0	7.0	161.0

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

	UK 2009 £m	**USA 2009 £m**	**Total 2009 £m**	UK 2008 £m	USA 2008 £m	Total 2008 £m
Fair value of plan assets at the beginning of the year	**134.8**	**5.0**	**139.8**	130.7	4.4	135.1
Expected return on plan assets	**9.1**	**0.5**	**9.6**	9.0	0.3	9.3
Contributions by employers	**4.2**	**0.6**	**4.8**	4.3	0.7	5.0
Contributions paid by plan participants	**0.1**	**-**	**0.1**	0.5	-	0.5
Benefits paid	**(3.5)**	**(0.3)**	**(3.8)**	(2.5)	(0.3)	(2.8)
Actuarial (loss)/gain on assets	**(24.9)**	**(2.3)**	**(27.2)**	(7.2)	(0.1)	(7.3)
Exchange rate adjustment	**-**	**1.7**	**1.7**	-	-	-
Fair value of plan assets at the end of the year	**119.8**	**5.2**	**125.0**	134.8	5.0	139.8

Expense recognised in the income statement

	2009 £m	2008 £m
Current service cost	**2.9**	2.9
Interest on obligation	**10.3**	9.0
Expected return on plan assets	**(9.6)**	(9.3)
Total – defined benefit	**3.6**	2.6
Contributions to defined contribution schemes	**1.8**	1.5
	5.4	4.1

The actual loss on plan assets was £17.6m (2008: £2.0m gain).

The Group expects to contribute approximately £4.7m to defined benefit plans in the next financial year.

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

	2009 £m	2008 £m
Cost of sales	**1.5**	1.6
Selling and marketing costs	**0.9**	0.8
Administration and shared services	**1.2**	0.9
Research and development	**1.1**	1.1
Financial income	**(9.6)**	(9.3)
Financial expenditure	**10.3**	9.0
	5.4	4.1

25 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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

	2009 £m	2008 £m
Actuarial gain	**6.4**	7.1

Cumulative actuarial gains and losses reported in the Group Statement of Recognised Income and Expense since 1 April 2004, the transition date to IFRS, are £19.2m (2008: £12.8m).

History of experience gains and losses are as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of benefit obligations	**139.4**	161.0	165.9	180.8	145.1
Fair value of plan assets	**(125.0)**	(139.8)	(135.1)	(127.4)	(101.8)
Recognised liability for defined benefit obligations	**14.4**	21.2	30.8	53.4	43.3
Difference between the expected and actual return:					
Amount £m	**(27.2)**	(7.3)	(2.0)	15.2	1.9
% of scheme assets	**(22%)**	(5%)	(1%)	12%	1%
Experience gains/(losses) on scheme liabilities:					
Amount £m	**33.6**	14.4	24.1	(25.5)	(8.0)
% of the present value of the scheme liabilities	**(24%)**	(9%)	(15%)	14%	5.5%

Defined benefit scheme - United Kingdom
A full actuarial valuation of the UK plan was carried out as at 31 March 2006. A new valuation will be prepared as at 31 March 2009. For reporting purpose the 2006 valuation has been updated to 31 March 2009 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	As at 31 March 2009 %	As at 31 March 2008 %
Discount rate	**6.9**	6.4
Rate of salary increase	**3.4**	4.4
Rate of increase to pensions in payment (pre 1997)	**2.6**	2.8
Rate of increase to pensions in payment (post 1997)	**2.9**	3.4
Rate of inflation	**2.9**	3.4
Mortality – pre and post-retirement – males and females	**PA92 – year of birth: medium cohort**	PA92 – year of birth: medium cohort

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

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

	2009	2008
Pre-retirement – males	**22.9**	22.9
Pre-retirement – females	**25.7**	25.7
Post-retirement – males	**22.0**	22.0
Post-retirement – females	**24.9**	24.9

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

25 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The assets in the plan and the expected rates of return were:

	Long-term rate of return expected at 31 March 2009 %	**Value at 31 March 2009 £m**	Long-term rate of return expected at 31 March 2008 %	Value at 31 March 2008 £m
Equities	**8.0**	**43.6**	8.0	58.7
Corporate bonds	**6.9**	**28.4**	6.4	26.1
Gilts	**4.2**	**30.0**	4.5	29.2
Cash and other assets	**4.2**	**12.0**	5.3	5.7
Absolute return fund	**7.0**	**5.8**	7.3	15.1
		119.8		134.8

Defined benefit scheme - United States

A full actuarial valuation of the US plan was carried out as at 1 January 2005 which for reporting purposes has been updated to 31 December 2008 by a qualified independent actuary. Results at 31 March 2009 have been taken to be the same as those at 31 December 2008. The major assumptions used by the actuary were (in nominal terms):

	As at 31 March 2009 %	As at 31 March 2008 %
Discount rate	**6.25**	5.50
Rate of salary increase	**3.00**	4.00
Rate of increase to pensions in payment	**0.00**	0.00
Rate of inflation	**3.00**	3.00
Mortality – pre and post-retirement	**2008 IRS prescribed mortality – optimal combined table for small plans, male and female**	RP-2000 combined mortality table, male and female projected to 2005 with scale AA

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

The assets in the plan and the expected rates of return were:

	Long term rate of return expected at 31 March 2009 %	**Value at 31 March 2009 £m**	Long term rate of return expected at 31 March 2008 %	Value at 31 March 2008 £m
Equities	**9.2**	**2.5**	9.2	2.7
Bonds	**6.1**	**2.1**	6.1	1.9
Property and other	**8.3**	**0.6**	8.2	0.4
		5.2		5.0

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 2009 the Company paid contributions to the scheme on a variable scale up to a maximum of 5% for members who contributed at a rate of at least 3%. Employees make contributions at a rate of their choice. The Group also operates a 401k defined distribution plan in the USA.

26 TRADE AND OTHER PAYABLES

	2009 £m	2008 As restated £m
Trade payables	**28.8**	24.9
Social security and other taxes	**1.0**	1.7
Accrued expenses	**18.1**	16.3
Other creditors (including deferred consideration)	**6.4**	5.7
	54.3	48.6
Amounts due after more than one year – other creditors	**(1.0)**	(2.4)
	53.3	46.2

Deferred consideration relates to amounts payable in respect of acquisitions made during the current and prior years. In the prior year £5.5m has been reclassified from accruals to trade payables to reflect the way these amounts are reported in the current year.

27 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Warranties £m	Restructuring £m	Other £m	Total £m
Balance at 1 April 2008	3.2	-	0.9	4.1
Provisions made during the year	2.4	3.0	0.1	5.5
Provisions used during the year	(1.5)	(0.1)	-	(1.6)
Provisions released during the year	(1.2)	-	-	(1.2)
Effect of movements in foreign exchange	0.3	0.1	0.1	0.5
Balance at 31 March 2009	**3.2**	**3.0**	**1.1**	**7.3**

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. Restructuring provisions relate to the rationalisation of activities across the Group (see note 5) and represent the Directors' best estimate of the cost to complete the restructuring. These costs are expected to be settled within the next 6 months. Other provisions relate to obligations in respect of onerous leases and obligations to employees in Japan on termination of their employment.

28 OPERATING LEASES

Leases

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

	2009 £m	2008 £m
Less than one year	**0.1**	1.1
Between one and five years	**5.7**	1.6
More than five years	**-**	3.6
	5.8	6.3

During the year ended 31 March 2009 £2.3m was recognised as an expense in the Consolidated Income Statement in respect of operating leases (2008: £1.7m).

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

29 CAPITAL COMMITMENTS

During the year ended 31 March 2009, the Group entered into contracts to purchase property, plant and equipment for £0.1m (2008: £0.1m). These commitments are expected to be settled in the following financial year.

30 CONTINGENCIES

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.

31 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 34 to 39. There were no other significant transactions with key management personnel in either the current or preceding year other than the following.

During the year the Company made purchases of £0.1m (2008: £0.1m) from Imperialise Limited of which Nigel Keen is a Director. The liability due to Imperialise Ltd at the year end was nil (2008: nil).

32 GROUP ENTITIES

	Equity owned by the company %	Country of incorporation	Principal activity
Oxford Instruments Analytical Holdings Ltd	100	England	Holding
Oxford Instruments Holdings Europe Ltd	100	England	Holding
Oxford Instruments Overseas Holdings Ltd	100	England	Holding
Oxford Instruments Overseas Holdings 2008 Ltd	*100	England	Holding
Oxford Instruments Superconductivity Holdings Ltd	100	England	Holding
Oxford Instruments Overseas Marketing Ltd	*100	England	Marketing
Oxford Instruments Analytical Ltd	*100	England	Trading
Oxford Instruments Molecular Biotools Ltd	*100	England	Trading
Oxford Instruments Plasma Technology Ltd	*100	England	Trading
Oxford Instruments Superconductivity Ltd (trading as Oxford Instruments NanoScience)	*100	England	Trading
Oxford Instruments America Inc	*100	USA	Distribution
Oxford Instruments OST Holdings LLC	*100	USA	Holding
Oxford Instruments (Tennessee) Inc	*100	USA	Holding
Oxford Instruments Holdings Inc	*100	USA	Holding
Oxford Instruments Holdings 2008 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	*100	Finland	Trading
Oxford Instruments SAS	*100	France	Distribution
Oxford Instruments GmbH	*100	Germany	Distribution
Oxford Instruments Measurement Systems GmbH	*100	Germany	Distribution
Vericold Technologies GmbH	*100	Germany	Manufacturing
Worldwide Analytical Systems AG	*100	Germany	Manufacturing
Oxford Instruments KK	*100	Japan	Distribution
Oxford Instruments Pte Ltd	*100	Singapore	Marketing

A full list of the Group companies as at 31 March 2009 is available for inspection at the Company's registered office.

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

33 SUBSEQUENT EVENTS

The interim dividend of 2.4p per share (total cost £1.1m) was paid after the balance sheet date. In addition on 9 June 2009 the Director's proposed a final dividend of 6.0p per ordinary share (total cost £3.0m). The total amount of £4.1m has not been provided for and there are no income tax consequences.

34 EXCHANGE RATES

The principal exchange rates to sterling used were:

Year end rates

	2009	2008
US Dollar	**1.43**	1.99
Euro	**1.08**	1.25
Yen	**142**	198

Average translation rates 2009

	US Dollar	Euro	Yen
Quarter 1 2009	**1.98**	**1.27**	**206**
Quarter 2 2009	**1.89**	**1.26**	**203**
Quarter 3 2009	**1.60**	**1.20**	**157**
Quarter 4 2009	**1.44**	**1.09**	**136**

Average translation rates 2008

	US Dollar	Euro	Yen
Quarter 1 to Quarter 4 2008	2.01	1.42	228

Parent Company Balance Sheet *as at 31 March 2009*

	Notes	2009 £m	2008 £m
Fixed assets			
Tangible assets	c	**0.9**	1.2
Investments in subsidiary undertakings	d	**61.3**	51.6
Other investments	d	**-**	0.6
		62.2	53.4
Current assets			
Debtors	e	**101.7**	85.4
Cash at bank and in hand		**9.6**	19.4
		111.3	104.8
Creditors: amounts falling due within one year			
Bank loans and overdrafts		**(3.2)**	(1.8)
Other creditors	f	**(14.4)**	(12.5)
		(17.6)	(14.3)
Net current assets		**93.7**	90.5
Total assets less current liabilities		**155.9**	143.9
Creditors: amounts falling due after more than one year			
Bank loans	g	**(31.0)**	(24.2)
Provisions for liabilities and charges	h	**(0.3)**	(0.3)
Net assets		**124.6**	119.4
Share capital	j	**2.5**	2.5
Share premium account	j	**21.3**	21.2
Other reserves	j	**7.7**	7.7
Profit and loss account	j	**93.1**	88.0
Equity shareholders' funds		**124.6**	119.4

The financial statements were approved by the Board of Directors on 9 June 2009 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 k for the additional disclosures required by FRS 17.

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

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

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

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

Own shares held by Employee Benefit Trust (EBT)
Transactions of the Group-sponsored EBT are included in the Group financial statements. In particular, the trust's purchase of shares in the company are debited directly to equity.

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

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

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

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

b) Profit for the year
The Company's profit for the financial year was £8.9m (2008: £4.3m).

The auditor's remuneration comprised £104,000 (2008: £96,000) for statutory audit.

The average number of people employed by the Company (including Directors) during the year was 44 (2008: 39). All of these individuals were involved in administration.

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

	2009	2008
	£m	£m
Wages and salaries	**3.0**	3.2
Social security costs	**0.3**	0.3
Other pension costs	**0.2**	0.2
	3.5	3.7

The share based payment expense was £nil (2008: £nil).

Full details of the emoluments paid to Directors can be found in the Directors' Remuneration Report on pages 34 to 39.

c) Tangible fixed assets

	Motor vehicles £m	Computer equipment £m	Total £m
Cost			
Balance at 1 April 2008	0.1	3.2	3.3
Additions	0.1	0.1	0.2
Balance at 31 March 2009	**0.2**	**3.3**	**3.5**
Depreciation			
Balance at 1 April 2008	-	2.1	2.1
Charge for year	0.1	0.4	0.5
Balance at 31 March 2009	**0.1**	**2.5**	**2.6**
Net book value			
At 31 March 2008	0.1	1.1	1.2
At 31 March 2009	**0.1**	**0.8**	**0.9**

d) Investments

	Investments in subsidiary undertakings £m	Other investments £m	Total £m
Cost or valuation			
Balance at 1 April 2008	67.3	0.6	67.9
Additions	9.7	-	9.7
Disposals	-	(0.3)	(0.3)
Balance at 31 March 2009	**77.0**	**0.3**	**77.3**
Amortisation			
Balance at 1 April 2008	15.7	-	15.7
Impairment	-	0.3	0.3
Balance at 31 March 2009	**15.7**	**0.3**	**16.0**
Net book value at 31 March 2008	51.6	0.6	52.2
Net book value at 31 March 2009	**61.3**	**-**	**61.3**

Other investments at 31 March 2009 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	9.3%

The addition to subsidiary investments of £9.7m (2008: £0.2m) relates to the investment in Oxford Instruments Holdings Europe Limited and to the awarding of share options to employees of subsidiary companies. Details of the subsidiary investments are given in note 32.

On 4 April 2008 the Company sold its holding in Oxford Diffraction Limited for a gross cash consideration of £3.7m. An additional cash amount of up to £1.1m may be received over the next three years conditional on the performance of Oxford Diffraction Limited. The profit on disposal on the initial consideration was £3.4m.

During the year the Company recognised an impairment charge of £0.5m against the cost of its investment in and loans to ARKeX Limited.

e) Debtors

	2009 £m	2008 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**100.6**	84.1
Other debtors	**0.9**	0.8
Prepayments and accrued income	**0.2**	0.1
	101.7	85.0
Amounts falling due after one year:		
Deferred tax	**-**	0.4
	101.7	85.4

f) Creditors: amounts falling due within one year

	2009 £m	2008 £m
Trade creditors	**0.3**	0.3
Amounts owed to subsidiary undertakings	**12.4**	10.5
Tax, social security and sales related taxes	**0.7**	0.7
Accruals and deferred income	**0.7**	0.6
Other creditors	**0.3**	0.4
	14.4	12.5

g) Creditors: amounts falling due after one year
Details of the bank loans are included in note 24.

h) Provisions for liabilities and charges

	Vacant lease provision £m
At beginning and end of the year	**0.3**

i) Deferred Tax

	Deferred tax asset £m
Balance at 1 April 2008	**0.4**
Movement in the year	**(0.4)**
Balance at 31 March 2009	**-**

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

		Recognised		Unrecognised
	2009 £m	2008 £m	**2009 £m**	2008 £m
Excess of depreciation over corresponding capital allowances	**-**	0.4	**0.8**	0.2
Carried forward tax losses	**-**	-	**-**	0.2
Other timing differences	**-**	-	**0.1**	-
	-	0.4	**0.9**	0.4

The Company recognises deferred tax assets only to the extent that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

j) Reserves

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
Balance at 1 April 2008	2.5	21.2	0.1	7.6	88.0	119.4
Retained profit for the year	-	-	-	-	8.9	8.9
Premium on issued shares	-	0.1	-	-	-	0.1
Share options awarded to employees of subsidiaries	-	-	-	-	0.3	0.3
Dividends paid	-	-	-	-	(4.1)	(4.1)
Balance at 31 March 2009	**2.5**	**21.3**	**0.1**	**7.6**	**93.1**	**124.6**

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

The Oxford Instruments Pension Scheme was closed to new members from 1 April 2001. Since this date new employees have been invited to join the Oxford Instruments Stakeholder Plan, a defined contribution scheme. The company makes contributions to this scheme.

The Directors do not believe it possible to allocate the assets and liabilities of the scheme to individual group members on a consistent and reasonable basis. Accordingly, under FRS 17 the Company is exempt from recognising its share of the net pension deficit and accounts for the scheme as though it were a defined contribution scheme. Details of the scheme and most recent actuarial valuation can be found in note 25. The contributions paid by the Company to the Oxford Instruments Pension Scheme were £0.2m (2008: £0.2m)

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

m) Commitments

	2009 £m	2008 £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 2009 (2008: £nil).

n) Subsequent events
See note 33 for details of dividends paid or declared after the balance sheet date.

Historical Financial Summary

	2005 £m	2006 £m	2007 £m	2008 £m	**2009** **£m**
Income statement					
Revenue	135.8	147.4	161.6	176.5	**206.5**
Trading profit	7.4	4.4	8.3	10.6	**13.1**
Reorganisation costs and impairment	(6.0)	(4.7)	(5.2)	0.7	**(6.8)**
Amortisation of acquired intangibles	(1.3)	(0.2)	(1.1)	(2.9)	**(4.3)**
Operating profit/(loss)	0.1	(0.5)	2.0	8.4	**2.0**
Net financing costs	-	(0.4)	(0.7)	(3.4)	**(11.3)**
Profit/(loss) before taxation	0.1	(0.9)	1.3	5.0	**(9.3)**
Income tax (expense)/income	(1.7)	(2.5)	(2.8)	(2.3)	**2.6**
(Loss)/profit after taxation but before profit on discontinued operations	(1.6)	(3.4)	(1.5)	2.7	**(6.7)**
Profit from discontinued operations, net of tax	7.2	-	-	-	**-**
Profit/(loss) for the year	5.6	(3.4)	(1.5)	2.7	**(6.7)**
Adjusted profit before tax *	7.4	4.0	7.5	9.5	**11.1**
Balance sheet					
Property, plant and equipment	23.0	23.4	21.5	22.4	**23.5**
Intangible assets	12.5	15.6	18.1	44.0	**54.9**
Available for sale equity securities	1.6	1.0	0.6	0.6	**-**
Deferred and current tax	14.1	18.1	10.3	1.5	**2.5**
Inventories	23.9	27.1	25.6	34.9	**39.9**
Trade and other receivables	46.5	45.4	45.6	54.1	**57.6**
Held for sale assets	5.4	5.0	7.0	-	**-**
Trade and other payables	(44.3)	(39.0)	(40.4)	(48.6)	**(54.3)**
Net assets excluding net cash	82.7	96.6	88.3	108.9	**124.1**
Cash and cash equivalents	28.6	12.7	2.8	7.2	**3.6**
Bank borrowings	(2.1)	(2.9)	(1.0)	(25.0)	**(31.9)**
Net cash	26.5	9.8	1.8	(17.8)	**(28.3)**
Provisions and other items	(7.9)	(6.6)	(3.5)	(7.4)	**(19.5)**
Retirement benefit obligations	(43.3)	(53.4)	(30.8)	(21.2)	**(14.4)**
Net assets employed/capital and reserves attributable to the company's equity holders	58.0	46.4	55.8	62.5	**61.9**
Cash flow					
Net cash from operating activities	5.9	(8.0)	5.2	(0.1)	**14.4**
Net cash from investing activities	15.3	(7.0)	(9.7)	(15.1)	**(10.6)**
Net cash from financing activities	(14.7)	(1.2)	(5.1)	19.4	**(6.6)**
Net increase/(decrease) in cash equivalents	6.5	(16.2)	(9.6)	4.2	**(2.8)**
	pence	pence	pence	pence	**pence**
Per ordinary share					
Earnings – continuing	(3.0)	(7.2)	(3.2)	5.6	**(13.9)**
Adjusted earnings *	13.9	3.9	9.6	11.7	**14.8**
Dividends – excluding special dividend	8.4	8.4	8.4	8.4	**8.4**
Dividends – special	25.0	-	-	-	**-**
Employees					
Average number of employees**	1,325	1,412	1,388	1,501	**1,531**

* Before other operating income, amortisation of acquired intangibles, reorganisation costs and impairment and mark to market gains or losses in respect of certain derivatives. ** Employee numbers in 2005 and 2006 exclude temporary employees.

Shareholder Information

Financial calendar

4 March 2009	Ordinary shares quoted ex-dividend
6 March 2009	Record date for interim dividend
12 March 2009	DRIP date (Dividend Reinvestment Plan)
31 March 2009	Financial year end
6 April 2009	Payment of interim dividend
9 June 2009	Announcement of preliminary results
9 June 2009	Announcement of final dividend
Late July	Publication of Annual Report
15 September 2009	Annual General Meeting
30 September 2009	Ordinary shares quoted ex-dividend
2 October 2009	Record date for final dividend
5 October 2009	DRIP Date
29 October 2009	Payment of final dividend
March 2010	Ordinary shares quoted ex-dividend
March 2010	DRIP date (Dividend Reinvestment Plan)
March 2010	Record date for interim dividend
March 2010	Financial year end

Administrative enquiries concerning shareholdings
Administrative enquiries concerning shareholdings in Oxford Instruments plc, such as the loss of a share certificate, dividend payments, or a change of address should be directed, in the first instance, to the Registrar, Capita Registrars.
Capita Registrars
Northern House, Woodsome Park, Fenay Bridge,
Huddersfield, West Yorkshire HD8 0GA
Tel 0871 664 0331

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

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

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

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.com
Website www.oxford-instruments.com

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

Website – www.oxford-instruments.com
Oxford Instruments has an extensive website which gives details of all its products and services, contact information, vacancies and latest news announcements. An interactive investor relations section gives information on recent trading reports, share price data and forthcoming events.

Shareholder Communications
Unless you have elected to continue to receive shareholder communications by post, you will be notified by post or, where you have given us an email address for electronic notification, by email that shareholder communications are available for viewing on the Company's website at www.oxford-instruments.com/investors. The Company reserves the right to distribute any communication in hard copy if it deems this necessary.

Share Dealing Services

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

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

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

To deal on-line or by telephone all you need is your surname, Investor Code (IVC*) reference number, full postcode and your date of birth. Your Investor Code can be found on a recent share certificate, statement or tax voucher. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

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

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

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

Analysis of shareholders as at 31 March 2009

Size of shareholding	Number of holders	% of total	Total holding	% of total
Up to 5,000 shares	2,574	90.63	1,645,318	3.33
5,001 to 50,000 shares	177	6.23	2,828,018	5.72
50,001 to 200,000 shares	44	1.55	4,774,831	9.66
Over 200,000 shares	45	1.58	40,161,184	81.28
Total	2,840	100.00	49,409,351	100.00

Oxford Instruments Directory

Oxford Instruments plc

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