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Press Release

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Oxford Instruments plc
Announcement of Preliminary Results for the year to 31 March 2013

Oxford Instruments plc, a leading provider of high technology tools and systems for industry and research, today announces its Preliminary Results for the year to 31 March 2013.

Highlights:

- Good progress in the second year of our *14 Cubed* growth plan
- Revenue up 4.8% on an organic constant currency basis; total revenues up 4.0% to £350.8 million (2012: £337.3 million)
- Adjusted profit before tax* up 14.8% to £48.2 million (2012: £42.0 million)
- Adjusted operating profit* margin increased to 14.2% (2012: 12.5%)
- Adjusted EPS* up 10.9% to 68.3 pence (2012: 61.6 pence)
- On a constant currency basis, Nanotechnology Tools organic sales up 9.4%
- Industrial markets remained soft
- Strong progress in emerging and fast growing economies
- Asylum Research acquisition integrating well and performing to plan
- Strong new product pipeline supported by increased investment in R&D, up 5.9% to £25.1 million (2012: £23.7 million)
- Net cash from operating activities of £41.5 million (2012: £41.6 million)
- Proposed final dividend increased by 12.8% to 8.15 pence (2012: 7.23 pence), giving a total dividend for the year of 11.2 pence (2012: 10.0 pence)

*Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in Note 1.

Jonathan Flint, Chief Executive of Oxford Instruments plc, said:

"I am pleased to report that the Group has delivered another strong performance in the year. We are now two months into the final year of the three year period covered by the *14 Cubed* objectives. Although the year has started slowly, we are focused on completing our *14 Cubed* plan and delivering further progress in the years to come. Our R&D plan continues to deliver new products to the market which take market share from our competitors. We are building on our strong position in emerging and fast growing economies and we continue to target growth, both organically and through bolt-on acquisitions."

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Number of pages: 28

Chairman's Statement

Oxford Instruments provides customers with high technology tools for use in advancing the frontiers of science, improving and assessing the quality of industrial processes and demonstrating compliance to environmental legislation. We have a broad spectrum of products operating in high growth technology markets, supported by the world-renowned Oxford Instruments brand. This enables us to sell premium products to our customers and recruit the most highly skilled people on a global basis.

The Group continues to make good progress. We have seen organic sales growth supplemented by acquisitions and further improvement in our margins in line with our *14 Cubed* objectives. In today's uncertain environment, customers continue to invest in research at the cutting edge of science and in making their manufacturing processes more efficient through the use of innovative technologies.

Oxford Instruments has a culture of inclusivity which values the role of the individual and rewards commercial success and technical innovation. Our work worldwide has brought together skills and ideas from across the business to deliver this strong set of results. On behalf of the Board, I thank all our staff for their commitment and considerable achievements this year.

During the year, Bernard Taylor stepped down from the Board and we would like to thank him for his contribution to the development of the Group. On 15 January 2013, we announced the appointment of Thomas Geitner as a new Non-Executive Director. Thomas brings extensive international experience in the technology and engineering sectors, having spent over thirty years in businesses operating across the globe. Thomas will assume the chairmanship of the Remuneration Committee at this year's AGM. We are pleased to announce that Jennifer Allerton has today joined the Board as a Non-Executive Director. Jennifer has extensive international business experience, having spent most of her career in large companies operating across the globe, particularly in emerging markets. In addition, Charles Holroyd and Mike Hughes will be stepping down from the Board at our forthcoming AGM. As a result of these changes to the Board, the constitution of the Board will be compliant with provision B.1.2 of the UK Corporate Governance Code.

The Group is recommending a final dividend of 8.15 pence (2012: 7.23 pence), an increase of 12.8% over the prior year, bringing the total for the year to 11.2 pence (2012: 10.0 pence).

As we enter the final year of our three year *14 Cubed* plan, we are focused on delivering shareholder value in line with the *14 Cubed* objectives.

Nigel Keen
Chairman
11 June 2013

Chief Executive's Statement

The Group delivered another strong performance in the year with revenues rising 4.0% to £350.8 million (2012: £337.3 million). Organic revenue growth on a constant currency basis was 4.8%. Adjusted profits before tax grew 14.8% to £48.2 million (2012: £42.0 million). Adjusted operating profit margin increased to 14.2% (2012: 12.5%). Adjusted earnings per share rose to 68.3p (2012: 61.6p) and the Group ended the year with a cash balance of £39.2 million (2012: £35.1 million), after funding the acquisition of Asylum Research (Asylum) in December 2012.

Asylum, based in California, is a leading provider of scanning probe microscopes which are used to capture images and characterise the properties of surfaces and structures down to the atomic scale. Its products are used by academic and industrial customers for a wide range of materials and bioscience applications. Asylum has been combined with our NanoAnalysis business in our Nanotechnology Tools sector. The business is integrating well, performing according to the acquisition assumptions and contributing to the acquisition related part of the *14 Cubed* revenue growth objectives.

The acquisitions made in 2011 are also contributing to growth. Platinum Medical Imaging (Platinum) has performed well, securing a number of multi-year service contracts and the integration of Omniprobe into our NanoAnalysis business is now complete. Omicron NanoTechnology (Omicron) saw poor market conditions in the first half of the year and underperformed against expectations. Performance in the second half improved significantly as management changes took effect. This part of the business now has a strong long term order book.

Sales in Europe grew 9.5% to £126.2 million (2012: £115.3 million) helped by sales to ITER, an international collaboration project to develop carbon free energy. The Group has negligible exposure to expenditure from the Southern European economies. Russia and Sweden delivered particularly strong performances. Sales in North America fell by 4.2% to £91.0 million (2012: £95.0 million). This reflects some weakness in US government-funded research markets, partially offset by a strong performance in Canada. It is not yet clear to what extent this was the result of sequestration of government spend in the US, which may call for a reduction in state-funded research of around 9%. We currently have revenues of approximately $30 million from the US government. Sales in Asia increased by 8.0% to £123.0 million (2012: £113.9 million), representing 35% of total Group revenues (2012: 34%). The performance of our new Indian subsidiary was particularly pleasing, delivering orders growth of 56%, albeit from a low base. The high brightness LED market, which provides a significant growth opportunity in Asia, stabilised during the year after a period of softening demand.

With some regional variations, our research markets continue to be strong. Constant currency sales in our Nanotechnology Tools sector grew by 9.4% organically in the year. We believe that there is structural growth in demand for nanotechnology tools over the medium term. Operating margins in Nanotechnology Tools improved to 12.5% (2012: 11.2%) due to good progress on our Business Improvement Plan in NanoAnalysis and Plasma Technology.

As previously reported, industrial markets continue to be soft with reported sales down 3.1%. On a constant currency organic basis, sales in the Industrial Products Sector grew by 1.4%. This reflects general uncertainty about the economic environment which is causing customers to delay investment in key technology capital goods. During this period of market retrenchment, we have concentrated on further improving business efficiency which has resulted in a 26% increase in profit in the Industrial Products sector, bringing the margin to 13.9% (2012: 10.7%).

Innovation remains at the core of the Group's culture. Our strong performance is made possible by our continued investment in commercially driven R&D. Our R&D cash spend this year was £25.1 million (2012: £23.7 million) an increase of 5.9%. The percentage of revenues generated from products launched in the last 3 years, our Vitality Index, remained healthy at 41%.

Announcement of Preliminary Results for the year to 31 March 2013

We are now in the final year of our *14 Cubed* plan which sets a target for achieving an average compound annual sales growth rate of 14% in the years 2011-2014 and a return on sales of 14% by 2014. We remain focused on meeting our three year objectives supported by the strength and diversity of the business and our exposure to growing markets.

We operate in three sectors: Nanotechnology Tools, Industrial Products, and Service.

Nanotechnology Tools

£m	**2013**	2012
Revenue	**166.1**	153.9
Profit	**20.8**	17.3
Margin	**12.5%**	11.2%

The Nanotechnology Tools sector produces our highest technology products and serves research and industrial customers in both the public and private sectors. It comprises our NanoAnalysis business which includes Omniprobe and Asylum, Plasma Technology and Omicron NanoScience. During 2013, we merged our NanoScience and Omicron businesses to create one organisation focused on serving the science and applied research community where both businesses shared many customers. We are now able to offer those customers significantly enhanced opportunities for collaboration, enabling technologies and innovative new products by harnessing the capabilities of two highly skilled and experienced teams and two well-established brands.

The Nanotechnology Tools sector plays a key role in the Group's strategy for growth. In 2012 we held a number of seminars around the world jointly hosted by all the businesses in this sector. A two-day conference in Bangalore, India with the theme of "Bringing the NanoWorld Together" was particularly successful in attracting new customers and plans are in place to repeat the format in other territories. A Sector Head for Nanotechnology Tools has been recruited and joined us in June 2013.

Our **NanoAnalysis** business produces leading-edge tools that enable materials characterisation and sample manipulation at the nanometre scale. Its products are used on electron microscopes and ion-beam systems in academic institutions and industrial applications including semiconductors, renewable energy, mining, metallurgy and forensics. Sales of the new X-Max^n range of large area detectors have exceeded expectations as our customers continue to find new applications for this market leading product. For example, Russian scientists from the NanoTech centre at the Ural Federal University used the X-Max system to confirm that fragments of rock found around an ice hole in Chebarkul Lake were from the meteorite that fell to earth in February this year. This business continues to deliver a strong performance across all regions. In 2012 we opened a new sales office in South Korea to develop new opportunities in this fast growing market. The integration of Asylum is going well and the business is performing to expectations.

Our **Omicron NanoScience** business is the market and technology leader for analytical measurement techniques in high vacuum, low temperature and high magnetic fields, supplying the fundamental and applied research communities. Its technologies are used in a broad range of application-specific solutions in advanced materials, advanced computing, sustainable energy, life science and security. The Omicron part of this business, acquired in June 2011, delivered a disappointing trading performance in the first half of the year. However, during the second half, this business was profitable and the order book has strengthened. The merger of Omicron and NanoScience allows us to introduce wide-reaching efficiency measures and focus on building on our core competencies and multi-technology platforms. In May 2013, we announced that our Triton® dilution refrigerator was part of a quantum computer purchased by a research collaboration of NASA and Google. Quantum computing is one of the fastest growing nanotechnology research areas and the potential for ultra fast super computers is attracting investment from around the world.

Our **Plasma Technology** business provides leading-edge tools and processes for the fabrication of nanostructures. Our systems provide process solutions for nanometre layer growth of compound semiconductor material, etching of nanometre sized features and the controlled growth of nanostructures, Micro Electro Mechanical Systems (MEMS), High Brightness LEDs (HBLED) and photovoltaic devices. Sales of the Estrelas range of systems launched this year exceeded expectations. Estrelas is used in key research areas including nanotechnology and nanofabrication, micro and nano-electronic devices and photovoltaic devices. The business delivered a steady performance despite the HBLED market remaining flat, supported by growth in emerging markets, particularly Russia, Egypt and India. An efficiency programme was initiated in 2013 to improve margins and deliver further growth.

Industrial Products

£m	**2013**	2012
Revenue	**125.1**	129.1
Profit	**17.4**	13.8
Margin	**13.9%**	10.7%

This sector supplies analytical systems for quality control, environmental and compliance testing, and components for industry and research. The Industrial Products sector contains our Industrial Analysis and Industrial Components businesses. The Industrial Analysis business comprises three Groups; X-ray Fluorescence (XRF), Optical Emission Spectroscopy (OES) and Magnetic Resonance (NMR). Industrial Components comprises our Superconducting Wire, Austin Scientific and X-Ray Technology businesses.

Our **Industrial Analysis** business supplies high quality instruments for materials identification, quality assurance, elemental analysis, thickness gauging and, essential quality control applications. Our customers span global industries including metals, steel, scrap recycling, agriculture, automotive, textiles, petrochemicals and construction. For example, our X-Strata XRF instrument is used by banks to provide real time evaluation of customers' precious metals which are commonly used as collateral in some parts of the world. Sales in the emerging markets grew, particularly in Turkey, India and South Korea. This was offset by a downturn in demand from steel markets in Europe and China, and a decline in the printed circuit board industry in Asia. During the year, three new analysers were introduced to our XRF hand held range of products offering ultra fast metals analysis, an optional integrated camera and a dedicated scrap metal sorter. This means we now offer a product range which gives our customers a choice of analysers for their analytical requirements.

Our **Superconducting Wire** business is the world leader in the provision of high performance superconducting wire for industry and research. Markets include MRI scanners, physics research, proton therapy and fusion energy. This business delivered a good performance in the year, supported by record growth in China. The final delivery of the ITER order was made and the demand from OEM customers for MRI superconductors remained strong. Work to expand our wire factory was completed, bringing additional production efficiencies for 2013/14.

Our **Austin Scientific** business specialises in high vacuum products, helium gas coolers and services for the semiconductor, research, life science and energy industries. Deliveries on a large contract for semiconductor process equipment were successfully completed during the year as expected. Trading levels were consequently reduced but our move to a new modern facility has delivered efficiency savings.

Our **X-Ray Technology** business designs and manufactures X-ray sources for industry, research and medical applications. Formerly part of the Industrial Analysis business, it now sits within the Industrial Components division. This business delivered a good performance driven by organic growth and new applications in medical markets. One of our X-ray sources is part of the chemistry and mineralogy instrumentation on NASA's Mars *Curiosity* rover, analysing rocks and soil to provide clues about the planet's climate and geology.

Service

£m	**2013**	2012
Revenue	**60.6**	56.3
Profit	**11.5**	11.0
Margin	**19.0%**	19.5%

This sector comprises our service, support, training, refurbishment, consumables and accessories elements of our business. It consists of two elements: the servicing of CT and MRI medical scanners in North America and Asia and the service elements of the Nanotechnology Tools and Industrial Products sectors. The sector performed well across all territories driven by successful initiatives such as a worldwide system training course for Plasma Technology customers and on-line service training. The range of preferred service options varies across our global customer base. In the US, 49% of customers opt for multiyear service contracts. In Europe and Asia, take up of service contracts is slower and these territories offer significant opportunity for further growth.

Our CT & MRI business delivered a strong performance helped by cost containment pressure arising from the Affordable Health Care Act. This legislation is being described as the most significant overhaul of the US healthcare system since Medicare and Medicaid and is aimed at increasing the rate of health insurance coverage whilst at the same time reducing the overall costs of healthcare. These factors favour our cost effective business model for servicing diagnostic imaging medical instrumentation.

Emerging markets are beginning to offer opportunities for growth. Our recently acquired regulatory approval to provide refurbished MRI equipment to companies in South Korea provides a particular opportunity for growth in the current year.

People

Oxford Instruments relies on the skills and expertise of its people worldwide. We recognise the importance of ensuring a sustainable business through a strategy of managing, developing and recruiting people who support our company values and contribute to our growth. We seek to ensure increased diversity amongst our workforce to utilise fully the talent pool available to us. I am proud to lead such an innovative and talented workforce and I thank them for their continued contribution to our success.

Outlook

We are now two months into the final year of the three year period covered by the *14 Cubed* objectives. Although the year has started slowly, we are focused on completing our *14 Cubed* plan and delivering further progress in the years to come. Our R&D plan continues to deliver new products to the market which take market share from our competitors. We are building on our strong position in emerging and fast growing economies and we continue to target growth, both organically and through bolt-on acquisitions.

Jonathan Flint
Chief Executive
11 June 2013

Financial Review

Trading Performance

Orders in the period were £334.0 million (2012: £337.8 million). Including inter-segment trade, the split between segments was: Nanotechnology Tools £166.6 million, up 5.1%; Industrial Products £102.2 million, down 17.2%; and Service £66.9 million, up 14.8%. At the end of the year the Group order book for future deliveries stood at £130.8 million (2012: £136.8 million).The order book was reduced in the year by £15.6 million of sales made to the ITER project which had been booked as orders in 2009/10.

Revenues in the year grew by 4.0% to £350.8 million. The net increase in revenues due to acquisitions and disposals was £5.0 million compared with the prior period while adverse foreign currency exchange rate movements reduced sales by £6.0 million. Constant currency organic revenue growth was 4.8%.

In Nanotechnology Tools, revenues grew 7.9% aided by the acquisition of Asylum in December 2012. While we saw strong growth in both our NanoAnalysis and Plasma Technology businesses, revenues in the newly combined Omicron Nanoscience business were flat. Constant currency organic growth was 9.4%.

Following an excellent growth year in 2011/12, revenues in Industrial Products fell back by 3.1%. On a constant currency organic basis, we saw growth of 1.4% with the fall in sales in our Austin Scientific business being compensated for by growth in superconducting wire sales for MRI applications.

Service revenues increased by 7.6%, due to the Platinum business we acquired in November 2011. Excluding this, constant currency organic revenues were flat with growth in the service revenues within Nanotechnology Tools and Industrial Products being offset by a small reduction in revenues from our non-Platinum MRI service business in North America.

Adjusted gross margins increased from 44.2% to 44.7%. These improved margins were predominantly due to new product introductions and increased efficiencies with our Value Add Index Key Performance Indicator increasing from 1.49 to 1.55. This measure is a reflection of the adjusted operating profit generated from each unit of employment costs.

Adjusted operating expenses rose by £3.7 million reflecting a £4.7 million spend in newly acquired businesses and a £1.3 million benefit from foreign exchange rate movements. On an underlying constant currency growth basis, adjusted operating expenses increased by £0.3 million.

Adjusted operating profit increased by 18.1% to £49.7 million with the adjusted operating profit margin rising from 12.5% to 14.2%.

Adjusting Items

The Directors believe that adjusted profit before tax gives a clearer indication of the underlying performance of the business. A reconciliation of reported profit before tax to adjusted profit before tax is given below:

	2013 £m	2012 £m
Profit before income tax	**29.6**	36.1
Reversal of acquisition related fair value adjustments to inventory	**0.5**	1.7
Gain on disposal of product line	**-**	(7.0)
Acquisition related costs	**2.1**	1.5
Amortisation and impairment of acquired intangibles	**13.8**	11.2
Unwind of discount in respect of deferred consideration	**0.2**	-
Mark to market loss/(gain) in respect of derivative financial instruments	**2.0**	(1.5)
Adjusted profit before income tax	**48.2**	42.0
Share of taxation	**(9.9)**	(8.8)
Adjusted profit for the year	**38.3**	33.2

Financial income and expenditure

Within financial income and expenditure, the cost of interest on loans and overdrafts and the commitment fee for our revolving credit facility, offset by deposit interest, amounted to £0.6 million (2012: £0.8 million). The interest charge on pension scheme liabilities exceeded the expected return on pension scheme assets by £0.9 million, a movement of £1.6 million over the prior year. Due to the increased pension liabilities at 31 March 2013, combined with the changes in the IAS19 accounting standard, the net pension charge to the Income Statement in 2013/14 is expected to increase to £2.5 million of which £2.2 million will be reported in financial expenditure and £0.3 million in administration and shared service costs.

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, the Group has decided that the additional costs of meeting the extensive documentation requirements of IAS 39 to apply hedge accounting to these 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).

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 Group before adjusting items was unchanged at 21%.

The Group has brought forward tax losses in the UK to offset against future taxable profits. In the year ended March 2011, due to the improved performance of the Group's UK businesses, we recognised a deferred tax asset of £11.3 million and a corresponding credit to the Income Statement. We believe that this was exceptional both in nature and quantum and therefore excluded it from our calculation of adjusted earnings per share. Of this asset value, £3.3 million reversed in the year ended March 2013 and to be consistent we have excluded it from the calculation of adjusted earnings per share (see Note 1). In the 2013/14 financial year we expect tax rates to be similar to 2012/13 as we exhaust these brought forward tax losses. In 2014/15 rates will therefore rise and we currently expect them to be in the region of 24%-28%.

Earnings

After a tax charge of £7.6 million (2012: £11.3 million), the reported net profit for the financial year was £22.0 million (2012: £24.8 million). With a weighted average number of shares of 56.2 million (2012: 54.0 million), the basic earnings per share were 39.2 pence (2012: 46.0 pence).

Adjusted profit before tax (Note 1) grew by £6.2 million to £48.2 million which equates to adjusted earnings per share of 68.3 pence (2012: 61.6 pence), an increase of 10.9%.

Dividends

In 2011 the Group moved to a progressive dividend policy, whereby we would seek to raise dividends as adjusted earnings per share rise, although not necessarily by the same proportion, depending on the Directors' perceived need for cash to expand the business both organically and through acquisition. For the year just ended the proposed final dividend of 8.15 pence per share (2012: 7.23 pence), payable on 24 October 2013 to shareholders who are on the register on 27 September 2013, gives a total dividend for the year of 11.2 pence per share (2012: 10.0 pence). Dividend cover for the underlying business before adjusting items was 6.1 times (2012: 6.2 times).

Investment in research and development (R&D)

Total cash spend on R&D in the year was £25.1 million or 7.2% of sales (2012: £23.7 million, 7.0%).

A reconciliation between the amounts charged to the Income Statement and the cash spent is given below:

	2013 £ m	2012 £ m
Research and development expense charged to the consolidated statement of income.	24.3	25.8
Less: depreciation of R&D related fixed assets	(0.7)	(0.2)
Add: amounts capitalised as fixed assets	0.8	0.9
Less: amortisation of R&D costs capitalised as intangibles	(3.9)	(5.2)
Add: amounts capitalised as intangible assets	4.6	2.4
Total cash spent on research and development during the year	25.1	23.7

The net book value of capitalised development costs at the end of the financial year was £12.3 million (2012: £11.7 million).

Balance sheet

Net assets rose from £127.1 million to £137.7 million in the year.

Net working capital (excluding derivative financial instruments, contingent consideration and tax payable/receivable) increased by £2.9 million in the year to £18.8 million.

Inventory turns increased by 0.1 to 3.3 while debtor days reduced from 53 days to 51 days.

Acquisitions and Disposals
On 17 December 2012 the Group acquired Asylum Research Corporation for an initial consideration of $32 million. The acquisition was funded from the Group's own cash resources.

Pensions
The Group has defined benefit pension schemes in the UK and the USA. Both have been closed to new entrants since 2001 and closed to future accrual from July 2010. The total deficit, before tax, under IAS19 on these pension schemes rose in the year by £12.7 million to £47.9 million with a corresponding deferred tax asset of £11.4 million.

Assets of the schemes at 31 March 2013 were £198.0 million (2012: £180.2 million), while liabilities increased from £215.4 million to £245.9 million principally as a result of the fall in the corporate bond yield used to discount future cash flows from 4.9% to 4.5%.

The latest triennial actuarial valuation of the UK scheme was carried out as at 31 March 2012 and resulted in an actuarial deficit of £48.8 million. A long-term plan for recovering the deficit over 8 years has been agreed between the Company and the Pension Trustee. Under the deficit recovery plan, payments will increase for the three years to March 2015 by the greater of 10 percent or the percentage increase in dividend per share. Thereafter, the payment will increase by 3.05% per annum. The payment in 2012/13, the first year of the new plan, was £5.0 million.

Cash
Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 11.7% to £58.2 million. Working capital increased by £2.9 million. Trading working capital, which we define as inventory plus trade debtors less trade creditors and customer deposits as a percentage of sales, was 16.6% (2012: 15.4%).

Cash generated from operations was £50.4 million, a reduction of £0.1 million on the prior year. The ratio of operating cash to operating profit, which is one of our Key Performance Indicators, was 84.7% (2012: 110.5%).

Net cash at the year-end was £39.2 million (2012: £35.1 million). The Group maintains a committed Revolving Credit Facility with a club of three banks. The facility, which extends to December 2014, is for £50 million and is extendable to £70 million by mutual consent. In addition, the Group has overdraft and other facilities totalling £14.1 million. In March 2013 the Group agreed a committed facility with the European Investment Bank to fund R&D in Europe. The facility which can be drawn down at any time before December 2013 is for £25 million and can be either fixed or floating rate with a duration of up to seven years.

Employees
The average number of people employed during the year was 1,927, an increase of 93 over the prior year. As a result of the acquisition of Asylum, 74 employees joined the Group.

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 diverse nature of the Group combined with its current financial strength provides a solid foundation for a sustainable business. The Directors have reviewed the Group's forecasts and flexed them to incorporate a number of potential scenarios relating to changes in trading performance. The Directors believe that the Group will be able to operate within its existing debt facilities. 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.

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.

Forward-Looking Statements
This document contains certain forward-looking statements. The forward-looking statements reflect the knowledge and information available to the Company during the preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future thereby involving a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.

Kevin Boyd
Group Finance Director
11 June 2013

Consolidated Statement of Income year ended 31 March 2013

	Notes	Year to 31 March 2013 Adjusted* £m	Year to 31 March 2013 Adjusting items* £m	Year to 31 March 2013 Total £m	Year to 31 March 2012 Adjusted* £m	Year to 31 March 2012 Adjusting items* £m	Year to 31 March 2012 Total £m
Revenue	2	**350.8**	**-**	**350.8**	337.3	-	337.3
Cost of sales		**(194.0)**	**(0.5)**	**(194.5)**	(188.3)	(1.7)	(190.0)
Gross profit		**156.8**	**(0.5)**	**156.3**	149.0	(1.7)	147.3
Research and development	3	**(24.3)**	**-**	**(24.3)**	(25.8)	-	(25.8)
Selling and marketing		**(51.1)**	**-**	**(51.1)**	(48.7)	-	(48.7)
Administration and shared services		**(34.9)**	**(15.9)**	**(50.8)**	(32.1)	(12.7)	(44.8)
Other operating income		**-**	**-**	**-**	-	7.0	7.0
Foreign exchange		**3.2**	**-**	**3.2**	(0.3)	-	(0.3)
Operating profit		**49.7**	**(16.4)**	**33.3**	42.1	(7.4)	34.7
Expected return on pension scheme assets		**9.5**	**-**	**9.5**	10.9	-	10.9
Other financial income		**0.3**	**-**	**0.3**	0.2	1.5	1.7
Financial income		**9.8**	**-**	**9.8**	11.1	1.5	12.6
Interest charge on pension scheme liabilities		**(10.4)**	**-**	**(10.4)**	(10.2)	-	(10.2)
Other financial expenditure		**(0.9)**	**(2.2)**	**(3.1)**	(1.0)	-	(1.0)
Financial expenditure		**(11.3)**	**(2.2)**	**(13.5)**	(11.2)	-	(11.2)
Profit before income tax		**48.2**	**(18.6)**	**29.6**	42.0	(5.9)	36.1
Income tax (expense)/credit	5	**(9.9)**	**2.3**	**(7.6)**	(8.8)	(2.5)	(11.3)
Profit for the year attributable to equity shareholders of the parent		**38.3**	**(16.3)**	**22.0**	33.2	(8.4)	24.8
		pence		**pence**	pence		Pence
Earnings per share							
Basic earnings per share	6	**68.3**		**39.2**	61.6		46.0
Diluted earnings per share	6	**67.5**		**38.8**	60.3		45.0
Dividends per share							
Dividends paid	7			**10.0**			9.0
Dividends proposed	7			**11.2**			10.0

*Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in Note 1.

Consolidated Statement of Comprehensive Income year ended 31 March 2013

	2013 **£m**	2012 £m
Profit for the year	**22.0**	24.8
Other comprehensive income/(expense)		
Foreign exchange translation differences	**3.4**	(2.6)
Actuarial loss in respect of post retirement benefits	**(16.9)**	(28.6)
Loss on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	**-**	(0.4)
Tax on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	**-**	0.1
Tax on items recognised directly in equity	**3.7**	7.1
Total other comprehensive income	**(9.8)**	(24.4)
Total comprehensive income for the year attributable to equity shareholders of the parent	**12.2**	0.4

Consolidated Statement of Financial Position year ended 31 March 2013

	2013 £m	2012 £m
Assets		
Non-current assets		
Property, plant and equipment	**32.9**	28.2
Intangible assets	**91.9**	78.1
Deferred tax assets	**25.0**	19.3
	149.8	125.6
Current assets		
Inventories	**58.1**	59.3
Trade and other receivables	**71.8**	61.0
Current income tax recoverable	**0.4**	1.3
Derivative financial instruments	**2.2**	2.4
Cash and cash equivalents	**39.2**	35.1
	171.7	159.1
Total assets	**321.5**	284.7

Equity		
Capital and reserves attributable to the Company's equity shareholders		
Share capital	**2.8**	2.8
Share premium	**60.6**	60.2
Other reserves	**0.1**	0.1
Translation reserve	**4.0**	0.6
Retained earnings	**70.2**	63.4
	137.7	127.1
Liabilities		
Non-current liabilities		
Other payables	**11.1**	2.8
Retirement benefit obligations	**47.9**	35.2
Deferred tax liabilities	**6.2**	7.0
	65.2	45.0
Current liabilities		
Trade and other payables	**101.4**	96.4
Current income tax payables	**4.3**	6.0
Derivative financial instruments	**2.6**	1.2
Provisions	**10.3**	9.0
	118.6	112.6
Total liabilities	**183.8**	157.6
Total liabilities and equity	**321.5**	284.7

The financial statements were approved by the Board of Directors on 11 June 2013 and signed on its behalf by:

Jonathan Flint
Director

Kevin Boyd
Director

Consolidated Statement of Changes in Equity year ended 31 March 2013

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2012	**2.8**	**60.2**	**0.1**	**0.6**	**63.4**	**127.1**
Profit for the year	**-**	**-**	**-**	**-**	**22.0**	**22.0**
Other comprehensive income: -Foreign exchange translation differences	**-**	**-**	**-**	**3.4**	**-**	**3.4**
-Actuarial loss in respect of post retirement benefits	**-**	**-**	**-**	**-**	**(16.9)**	**(16.9)**
-Loss on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	**-**	**-**	**-**	**-**	**-**	**-**
-Tax on items recognised directly in other comprehensive income	**-**	**-**	**-**	**-**	**3.7**	**3.7**
Total comprehensive income/(expense) attributable to equity shareholders of the parent	**-**	**-**	**-**	**3.4**	**8.8**	**12.2**
Transactions recorded directly in equity: **- Credit in respect of employee service costs settled by award of share options**	**-**	**-**	**-**	**-**	**1.4**	**1.4**
- Tax credit/(charge) in respect of share options	**-**	**-**	**-**	**-**	**2.2**	**2.2**
- Proceeds from shares issued	**-**	**0.4**	**-**	**-**	**-**	**0.4**
- Dividends paid	**-**	**-**	**-**	**-**	**(5.6)**	**(5.6)**
Total contributions by and distributions to equity shareholders	**-**	**0.4**	**-**	**-**	**(2.0)**	**(1.6)**
Balance at 31 March 2013	**2.8**	**60.6**	**0.1**	**4.0**	**70.2**	**137.7**

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 183,145 (2012: 173,794) of its own shares in an employee benefit trust. The cost of these shares is included within retained earnings.

Consolidated Statement of Changes in Equity year ended 31 March 2012

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2011	2.5	22.5	0.4	3.2	64.9	93.5
Profit for the year	-	-	-	-	24.8	24.8
Other comprehensive income:						
-Foreign exchange translation differences	-	-	-	(2.6)	-	(2.6)
-Actuarial loss in respect of post retirement benefits	-	-	-	-	(28.6)	(28.6)
-Loss on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	-	-	(0.3)	-	(0.1)	(0.4)
-Tax on items recognised directly in other comprehensive income	-	-	-	-	7.2	7.2
Total comprehensive income/(expense) attributable to equity shareholders of the parent	-	-	(0.3)	(2.6)	3.3	0.4
Transactions recorded directly in equity: - Credit in respect of employee service costs settled by award of share options	-	-	-	-	1.0	1.0
- Tax credit/(charge) in respect of share options	-	-	-	-	(1.0)	(1.0)
- Proceeds from shares issued	0.3	37.7	-	-	-	38.0
- Dividends paid	-	-	-	-	(4.8)	(4.8)
Total contributions by and distributions to equity shareholders	0.3	37.7	-	-	(4.8)	33.2
Balance at 31 March 2012	2.8	60.2	0.1	0.6	63.4	127.1

Consolidated Statement of Cash Flows year ended 31 March 2013

	2013 £m	2012 £m
Profit for the year	**22.0**	24.8
Adjustments for:		
Income tax expense	**7.6**	11.3
Net financial expense/(income)	**3.7**	(1.4)
Other operating income	**-**	(7.0)
Acquisition related fair value adjustments to inventory	**0.5**	1.7
Acquisition related costs	**2.1**	1.5
Amortisation and impairment of acquired intangibles	**13.8**	11.2
Depreciation of property, plant and equipment	**4.6**	4.8
Amortisation and impairment of capitalised development costs	**3.9**	5.2
Adjusted earnings before interest, tax, depreciation and amortisation	**58.2**	52.1
Loss on disposal of plant, property and equipment	**0.2**	0.5
Cost of equity settled employee share schemes	**1.4**	1.0
Acquisition related costs paid	**(1.2)**	(1.0)
Cash payments to the pension scheme more than the charge to operating profit	**(5.3)**	(4.5)
Operating cash flows before movements in working capital	**53.3**	48.1
Decrease/(Increase) in inventories	**4.7**	(0.2)
Increase in receivables	**(9.4)**	(1.7)
Increase in payables and provisions	**2.8**	5.7
Decrease in customer deposits	**(1.0)**	(1.4)
Cash generated from operations	**50.4**	50.5
Interest paid	**(0.5)**	(1.1)
Income taxes paid	**(8.4)**	(7.8)
Net cash from operating activities	**41.5**	41.6
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**-**	0.1
Proceeds from sale of product line and subsidiary	**1.0**	7.3
Acquisition of subsidiaries, net of cash acquired	**(20.1)**	(51.6)
Acquisition of property, plant and equipment	**(8.6)**	(5.6)
Capitalised development expenditure	**(4.6)**	(2.4)
Net cash used in investing activities	**(32.3)**	(52.2)
Cash flows from financing activities		
Proceeds from issue of share capital	**0.4**	38.0
Repayment of borrowings	**-**	(13.1)
Increase in borrowings	**-**	2.5
Dividends paid	**(5.6)**	(4.8)
Net cash from financing activities	**(5.2)**	22.6
Net increase in cash and cash equivalents	**4.0**	12.0
Cash and cash equivalents at beginning of the year	**35.1**	23.7
Effect of exchange rate fluctuations on cash held	**0.1**	(0.6)
Cash and cash equivalents at end of the year	**39.2**	35.1

Reconciliation of changes in cash and cash equivalents to movement in net cash

Increase in cash and cash equivalents	**4.0**	12.0
Effect of foreign exchange rate changes on cash and cash equivalents	**0.1**	(0.6)
	4.1	11.4
Cash outflow from decrease in debt	**-**	13.1
Cash inflow from increase in debt	**-**	(2.5)
Movement in net cash in the year	**4.1**	22.0
Net cash at start of the year	**35.1**	13.1
Net cash at the end of the year	**39.2**	**35.1**

1 NON-GAAP MEASURES

The Directors present the following non-GAAP measures as they consider that they give a better indication of the underlying performance of the business.

RECONCILIATION BETWEEN PROFIT BEFORE INCOME TAX AND ADJUSTED PROFIT

	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Profit before income tax	**29.6**	36.1
Reversal of acquisition related fair value adjustments to inventory	**0.5**	1.7
Gain on disposal of product line	**-**	(7.0)
Acquisition related costs	**2.1**	1.5
Amortisation and impairment of acquired intangibles	**13.8**	11.2
Unwind of discount in respect of deferred consideration	**0.2**	-
Mark to market loss/(gain) in respect of derivative financial instruments	**2.0**	(1.5)
Adjusted profit before income tax	**48.2**	42.0
Share of taxation	**(9.9)**	(8.8)
Adjusted profit for the year	**38.3**	33.2

The reversal of acquisition related fair value adjustments to inventory are excluded from adjusted profit to provide a measure that will include results from acquired businesses on a consistent basis over time to assist comparison of performance. Acquisition related costs comprise professional fees incurred in relation to mergers and acquisitions activity and any consideration which, under IFRS3 (revised), falls to be treated as a post acquisition employment expense.

In common with a number of other companies adjusted profit excludes the non-cash amortisation and impairment of acquired intangible assets.

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. To the extent that instruments are hedges of future transactions, 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.

In calculating the share of tax attributable to adjusted profit before tax in 2011 a one-off recognition of deferred tax assets relating to the Group's UK businesses of £11.3m was excluded. At that time the Group announced its intention to exclude the reversal of this deferred tax from the calculation of the share of tax attributable to adjusted profit before tax in the years in which it reverses. In the current period deferred tax of £3.3 million (2012: £4.6 million) has reversed and consequently been excluded from the tax attributable to adjusted profit before tax.

During the prior year the Group:

- disposed of a product line for a consideration of £8.1m. £1.0m of the consideration was deferred for one year. The product line was part of the Industrial Products segment. The profit on disposal was £7.0m.
- transferred its ownership of Technologies and Devices Inc (TDI) to Ostendo, a privately owned company based in California. The Group has received 650,000 shares of Ostendo common stock plus $0.9m in cash. The Group considers the fair value of the shares to be nil. The profit on disposal was nil.

2 SEGMENT INFORMATION

The Group has six operating segments. These operating segments have been combined into three aggregated operating segments to the extent that they have similar economic characteristics, with relevance to products and services, type and class of customer, methods of sale and distribution and the regulatory environment in which they operate. Each of these three aggregated operating segments is a reportable segment.

The Group's internal management structure and financial reporting systems differentiate the three aggregated operating segments on the basis of the economic characteristics discussed below.

- The Nanotechnology Tools segment contains a group of businesses supplying similar products, characterised by a high degree of customisation and high unit prices. These are the Group's highest technology products serving research customers in both the public and private sectors.
- The Industrial Products segment contains a group of businesses supplying high technology products and components manufactured in medium volume for industrial customers.
- The Service segment contains the Group's service business as well as service revenues from other parts of the Group.

Reportable segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. Inter-segment pricing is determined on arm's length basis. The operating results of each are regularly reviewed by the Chief Operating Decision Maker, which is deemed to be the Board of Directors. Discrete financial information is available for each segment and used by the Board of Directors for decisions on resource allocation and to assess performance. No asset information is presented below as this information is not presented in reporting to the Group's Board of Directors.

Year to 31 March 2013

	Nanotechnology Tools £m	**Industrial Products £m**	**Service £m**	**Total £m**
External revenue	**165.8**	**124.5**	**60.5**	**350.8**
Inter-segment revenue	**0.3**	**0.6**	**0.1**	
Total segment revenue	**166.1**	**125.1**	**60.6**	
Segment operating profit	**20.8**	**17.4**	**11.5**	**49.7**

Year to 31 March 2012

	Nanotechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	153.3	128.0	56.0	337.3
Inter-segment revenue	0.6	1.1	0.3	
Total segment revenue	153.9	129.1	56.3	
Segment operating profit	17.3	13.8	11.0	42.1

Reconciliation of reportable segment profit

	2013 £m	2012 £m
Profit for reportable segments	**49.7**	42.1
Other operating income	**-**	7.0
Acquisition related costs	**(2.1)**	(1.5)
Reversal of acquisition related fair value adjustments to inventory	**(0.5)**	(1.7)
Amortisation and impairment of acquired intangibles	**(13.8)**	(11.2)
Financial income	**9.8**	12.6
Financial expenditure	**(13.5)**	(11.2)
Profit before income tax	**29.6**	36.1

3 RESEARCH AND DEVELOPMENT

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

	2013			2012		
	Nanotechnology Tools	**Industrial Products**	**Total**	Nanotechnology Tools	Industrial Products	Total
	£m	**£m**	**£m**	£m	£m	£m
Research and development expense charged to the consolidated statement of income	**17.0**	**7.3**	**24.3**	16.8	9.0	25.8
Less: depreciation of R&D related fixed assets	**(0.2)**	**(0.5)**	**(0.7)**	(0.1)	(0.1)	(0.2)
Add: amounts capitalised as fixed assets	**0.1**	**0.7**	**0.8**	0.7	0.2	0.9
Less: amortisation of R&D costs previously capitalised as intangibles	**(2.9)**	**(1.0)**	**(3.9)**	(2.8)	(2.4)	(5.2)
Add: amounts capitalised as intangible assets	**2.7**	**1.9**	**4.6**	1.7	0.7	2.4
Total cash spent on research and development during the year	**16.7**	**8.4**	**25.1**	16.3	7.4	23.7

The Group has identified that certain depreciation and capital expenditures were double counted in the calculation of cash spent on research and development in the prior year. This has been corrected in the above table resulting in an increase of cash spent on research and development by £1.0 million in the year to 31 March 2012. This has had no impact on the primary Financial Statements.

4 ACQUISITIONS

Asylum Research Corporation

On 19 December 2012 the group acquired the trade and certain assets of Asylum Research Corporation for an initial cash consideration of £19.8m. Further contingent consideration of between £2.0m and £31.6m is payable based on post acquisition business performance. At 31 March 2013 £6.5m is provided in the accounts in respect of this contingent consideration being the fair value of the contingent consideration payable. Asylum Research is a leading manufacturer of atomic force and scanning probe microscopes and is headquartered in Santa Barbara USA with subsidiaries in the UK, Germany and Taiwan.

The provisional book and fair value of the assets and liabilities acquired is given in the table below. Fair value adjustments have been made to better align the accounting policies of the acquired business with the Group accounting policies. The business has been acquired for the purpose of integrating into the Nanotechnology Tools segment where it is believed that synergies can be obtained particularly in respect of routes to market.

	Provisional book value £m	**Provisional adjustments £m**	**Provisional fair value £m**
Intangible fixed assets	-	14.4	14.4
Tangible fixed assets	0.4	(0.1)	0.3
Inventories	2.4	(0.3)	2.1
Trade and other receivables	1.7	-	1.7
Trade and other payables	(2.3)	(0.2)	(2.5)
Deferred tax	-	0.3	0.3
Net assets acquired	2.2	14.1	16.3
Goodwill			9.3
Total consideration			25.6
Contingent consideration at acquisition			(5.8)
Net cash outflow relating to the acquisition			19.8

The goodwill arising is tax deductible in full and is considered to represent the value of the acquired workforce and synergistic benefits expected to arise from the acquisition.

The fair values shown are provisional and may be amended if information not currently available comes to light. Provisional values have been used to allow the finance team to finalise the fair value adjustments.

This acquisition contributed revenue of £3.2m and a reported operating loss of £0.1m to the Group's result for the period. Had the acquisitions taken place on 1 April 2012 the equivalent Group numbers would have been revenue of £358.6m and a reported operating profit of £32.1m.

4 ACQUISITIONS CONT'D

Omicron NanoTechnology GmbH

On 13 June 2011 the Group acquired 100% of the share capital of Omicron NanoTechnology GmbH for cash consideration totalling £29.7m. Omicron NanoTechnology GmbH specialises in the manufacture of very high-end microscopes for nanotechnology research and is headquartered in Taunusstein, Germany. It has a manufacturing facility in East Grinstead, UK and sales offices in the US, France and Japan. The book and fair value of the assets and liabilities acquired is given in the table below. The business has been acquired for the purpose of integrating into the Nanotechnology Tools segment.

	Book value £m	Adjustments £m	Fair value £m
Intangible fixed assets	-	27.8	27.8
Tangible fixed assets	6.2	(1.7)	4.5
Inventories	14.1	(1.3)	12.8
Trade and other receivables	5.1	-	5.1
Trade and other payables	(4.7)	(0.2)	(4.9)
Customer deposits	(10.5)	(0.1)	(10.6)
Deferred tax liabilities	-	(6.8)	(6.8)
Cash	1.4	-	1.4
Net assets acquired	11.6	17.7	29.3
Goodwill			0.4
Total consideration			29.7
Cash acquired			(1.4)
Net cash outflow relating to the acquisition			28.3

The goodwill arising is not tax deductible and is considered to represent the value of the acquired workforce.

Omniprobe, Inc.

On 13 June 2011 the Group acquired 100% of the share capital of Omniprobe, Inc. for cash consideration totalling £13.1m of which £0.5m is deferred for 2 years. Omniprobe, Inc. designs and manufactures nano-manipulators for use within scanning electron microscopes and is headquartered in Dallas, USA. The book and fair value of the assets and liabilities acquired is given in the table below. The business has been acquired for the purpose of integrating into the Nanotechnology Tools segment.

	Book value £m	Adjustments £m	Fair value £m
Intangible fixed assets	0.2	11.3	11.5
Tangible fixed assets	0.6	(0.5)	0.1
Inventories	0.5	-	0.5
Trade and other receivables	0.6	-	0.6
Trade and other payables	(0.3)	(0.3)	(0.6)
Cash	0.3	-	0.3
Net assets acquired	1.9	10.5	12.4
Goodwill			0.7
Total consideration			13.1
Cash acquired			(0.3)
Contingent consideration at acquisition			(0.5)
Net cash outflow relating to the acquisition			12.3

The goodwill arising is tax deductible in full and is considered to represent the value of the acquired workforce and the value of patents which it has not been possible to separately identify.

4 ACQUISITIONS CONT'D

Platinum Medical Imaging LLC
On 3 November 2011 the Group acquired 100% of the share capital of Platinum Medical Imaging LLC for an initial cash consideration of £10.8m.

Further contingent consideration is payable up until the third anniversary of the acquisition dependent on post acquisition earnings. The amount of this consideration could be between zero and £19.4m. The fair value of the amount likely to be paid is £2.6m and is based on management forecasts of future profitability.

Platinum Medical Imaging LLC is an established US company providing high quality parts and services for MRI (Magnetic Resonance Imaging) and CT (Computed Tomography) medical imaging instruments. It operates from sites in Florida and California from which the business sells parts, carries out service and maintenance and performs system rebuilds.

The book and fair value of the assets and liabilities acquired is given in the table below. The business has been acquired for the purpose of integrating into the Service segment.

	Book value £m	Adjustments £m	Fair value £m
Intangible fixed assets	-	12.5	12.5
Tangible fixed assets	0.5	(0.2)	0.3
Inventories	0.9	0.8	1.7
Trade and other receivables	0.6	(0.3)	0.3
Trade and other payables	(0.4)	(0.4)	(0.8)
Customer deposits	(0.4)	(0.3)	(0.7)
Deferred tax	-	(0.2)	(0.2)
Overdraft	(0.1)	-	(0.1)
Net assets acquired	1.1	11.9	13.0
Goodwill			0.4
Total consideration			13.4
Overdraft acquired			0.1
Contingent consideration			(2.6)
Net cash outflow relating to the acquisition			10.9

The goodwill arising is tax deductible in full and is considered to represent the value of the acquired work force and expected synergies arising from the integration with the Group's existing service business.

The book value of receivables given in the tables above represents the gross contractual amounts receivable. The fair value adjustment to receivables represents the best estimate at the acquisition date of the cash flows not expected to be collected.

During the prior year the acquisitions of Omicron Nanotechnology GmbH, Omniprobe Inc and Platinum Medical Imaging Inc, contributed revenue of £27.8m, £4.5m and £3.8m respectively and operating losses of £4.6m, £0.8m and £0.7m to the Group's result for the period. Had the acquisitions taken place on 1 April 2011 the equivalent Group numbers for 2011/12 would have been revenue of £351.2m and operating profit of £33.6m.

5 INCOME TAX EXPENSE

Recognised in the Consolidated Statement of Income

	2013 £m	2012 £m
Current tax expense		
Current year	**8.8**	10.4
Adjustment in respect of prior years	**(1.0)**	-
	7.8	10.4
Deferred tax expense		
Origination and reversal of temporary differences	**(0.2)**	1.4
Recognition of deferred tax not previously recognised	**(0.2)**	(0.2)
Adjustment in respect of prior years	**0.2**	(0.3)
	(0.2)	0.9
Total tax expense	**7.6**	11.3
Reconciliation of effective tax rate		
Profit before income tax	**29.6**	36.1
Income tax using the UK corporation tax rate of 24% (2012: 26%)	**7.1**	9.4
Effect of:		
Tax rates other than the UK standard rate	**1.9**	2.4
Change in rate at which deferred tax recognised	**(0.3)**	0.3
Non-taxable income and expenses	**0.7**	0.2
Tax incentives not recognised in the Consolidated Statement of Income	**(1.2)**	(0.5)
Recognition of deferred tax not previously recognised	**(0.2)**	(0.2)
Movement in unrecognised deferred tax	**0.4**	-
Adjustment in respect of prior years	**(0.8)**	(0.3)
Total tax expense	**7.6**	11.3
Taxation credit recognised in other comprehensive income		
Current tax - relating to employee benefits	**-**	-
Deferred tax - relating to employee benefits	**(3.7)**	(7.1)
Deferred tax - relating to cash flow hedges	**-**	(0.1)
	(3.7)	(7.2)
Taxation (credit)/expense recognised directly in equity		
Deferred tax – relating to share options	**(2.2)**	1.0

On 20 March 2013 the Chancellor announced that the UK corporation tax rate will reduce to 20% by 1 April 2015.

A reduction in the rate from 25% to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012 and a further reduction to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012.

It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax assets and liabilities accordingly.

The deferred tax assets and liabilities at 31 March 2013 have been calculated on the rate of 23% which was substantively enacted at the balance sheet date.

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period as shown in the Consolidated Statement of Income divided by the weighted average number of ordinary shares outstanding during the year, excluding shares held by the Employee Share Ownership Trust, as follows:

	2013 Shares million	2012 Shares million
Weighted average number of shares outstanding	**56.4**	54.2
Less shares held by Employee Share Ownership Trust	**(0.2)**	(0.2)
Weighted average number of shares used in calculation of earnings per share	**56.2**	54.0

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

	2013 Shares million	2012 Shares million
Weighted average number of ordinary shares per basic earnings per share calculations	**56.2**	54.0
Effect of shares under option	**0.6**	1.1
Weighted average number of ordinary shares per diluted earnings per share calculations	**56.8**	55.1

7 DIVIDENDS PER SHARE

The following dividends per share were paid by the Group:

	2013 pence	2012 pence
Previous year interim dividend	**2.772**	2.52
Previous year final dividend	**7.228**	6.48
	10.000	9.00

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

	2013 pence	2012 pence
Interim dividend	**3.05**	2.772
Final dividend	**8.15**	7.228
	11.20	10.000

The interim dividend was not provided for at the year end and was paid on 8 April 2013. The payment of the interim dividend remains discretionary until it is paid. The final proposed dividend of 8.15 pence per share (2012: 7.228 pence) was not provided at the year end and will be paid on 24 October 2013 subject to authorisation by the shareholders at the forthcoming Annual General Meeting.

8 BASIS OF PREPARATION

This preliminary statement has been prepared under the same accounting policies as those used to prepare the 2012 Report and Financial Statements.

The principal exchange rates used to translate the Group's overseas results were as follows:

Year end rates

	2013	2012
US Dollar	**1.52**	1.60
Euro	**1.18**	1.20
Yen	**143**	131

Average translation rates 2013

	US Dollar	Euro	Yen
Quarter 1	**1.58**	**1.23**	**127**
Quarter 2	**1.59**	**1.26**	**125**
Quarter 3	**1.61**	**1.24**	**132**
Quarter 4	**1.56**	**1.19**	**142**

Average translation rates 2012

	US Dollar	Euro	Yen
Quarter 1	1.63	1.13	132
Quarter 2	1.60	1.14	125
Quarter 3	1.57	1.17	121
Quarter 4	1.58	1.19	125

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2013 or 2012. Statutory accounts for 2012 have been delivered to the registrar of companies, and those for 2013 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Company is registered in England Number 775598.

9 THE ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday, 10 September 2013 at 2.30 pm at Group Head Office, Tubney Woods, Abingdon, Oxfordshire, OX13 5QX.

PRINCIPAL RISKS

Specific Risk	Context	Risk	Possible Impact	Associated strategic priorities	Mitigation
Technical Risk	The Group provides high technology equipment and systems to its customers.	Failure of the advanced technologies applied by the Group to produce commercial products, capable of being manufactured and sold profitably.	Lower profitability and financial returns. Negative impact on the Group's reputation.	'Realising the Brand' - Using 'Voice of the Customer' to drive rapid new product development. 'Liberate Cash' - Support and develop our employees to maximise their value add.	The Group has moved away from large scale, single customer development programmes towards more commercially orientated products. The New Product Introduction programme that any new R&D projects must pass through provides a framework within which the commercial viability of projects are scrutinised and assessed.
Economic Environment	The recent global recession and prevailing economic downturn have resulted in cuts to both government and private sector spending.	Demand for the Group's products may be lower than anticipated.	Lower profitability and financial returns.	'Realising the Brand' - Developing a strong brand in existing and developing markets. 'Delivering Shareholder Value' - Focus on balanced and attractive global markets.	The Group has a broad spread of customers, applications and geographical markets. The Group is expanding in the so called BRIC nations, whose markets have been more resilient during the economic downturn.
Acquisitions	Part of the growth of Oxford Instruments is planned to come from acquisitions which provide the Group with complementary technologies.	Appropriate acquisition targets may not be available in the necessary timescale. Alternatively, once acquired, targets may fail to provide the planned value.	Lower profitability and financial returns. Management focus taken away from the core business in order to manage integration issues.	'Realising the Brand' - Developing a strong brand in existing and developing markets. 'Investing in the Future' - Using ' Voice of the Customer' to drive rapid new product development. 'Adding Personal Value' – Supporting and developing our employees.	Extensive financial and technical due diligence is undertaken by the Group during any acquisition programmes. Each transaction has a comprehensive post acquisition integration plan which is reviewed at the highest level.
Foreign exchange volatility	A significant proportion of the Group's profit is made in foreign currencies.	The Group's profit levels are exposed to fluctuations in exchange rates.	Lower profitability and financial returns	'Delivering Shareholder Value' - Focus on balanced and attractive global markets. 'Liberating Cash' – Developing a competitive global supply base that supports our growth.	The Group seeks to mitigate the exposure to transactional risk by the use of natural hedges wherever possible. The remaining transactional foreign exchange risk in any year is mitigated through the use of forward and non-premium based option exchange contracts.
Outsourcing	The Group's strategic plan includes the outsourcing of a significantly higher proportion of the costs of its products to benefit from economies of scale and natural currency hedges.	Failures in the supply chain impacting sales.	Disruption to customers. Negative impact on the Group's reputation.	'Liberating Cash' – Developing a competitive global supply base that supports our growth. 'Realising the Brand' - Developing a strong brand in existing and developing markets.	Relationships with outsourcing businesses are monitored closely and any potential issues are acted upon swiftly to avoid disruption. Where practical dual sources are used for key components and services.

Pensions	The Group's calculated pension deficit is sensitive to changes in the actuarial assumptions.	Movements in the actuarial assumptions may have an appreciable effect on the reported pension deficit.	Additional cash required by the Group to fund the deficit. Reduction in net assets.	'Delivering Shareholder Value' - Focus on balanced and attractive global markets. 'Liberating Cash' – Developing a competitive global supply base that supports our growth.	The Group has closed its defined benefit pension schemes in the UK and US to future accrual. The Group has a funding plan in place to reduce the pension deficit over the short to medium term.
People	A number of the Group's employees are business critical.	The employee leaves the Group.	Lower profitability and financial returns.	'Adding Personal Value' – Supporting and developing our employees. 'Investing in the Future' - Using ' – providing career challenges.	The Group undertakes a regular employee survey and implements and reviews resulting action plans. A comprehensive succession planning process is in place, together with a talent network which identifies and manages contacts with people who could provide external succession for critical current and future roles. A management development programme provides exposure to key skills needed for growth. Regular individual performance reviews take place.
Routes to market	In some instances the Group's products are components of higher level systems and thus the Group does not control its route to market.	The systems integrator switches supplier denying the Group's route to market.	Lower profitability and financial returns.	'Investing in the Future' – Developing products that offer the best technical solution. 'Realising the Brand' – Ensuring that end customers appreciate the benefits of Oxford Instruments technology.	Use of the stage gate process and 'Voice of the Customer' to make sure that the Group's products are the best in the market. Co-marketing with system integrators to promote the merits of the Group's products to end customers.