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Press Release

The Business of Science®

Release date: 7am 12 June 2012

Oxford Instruments plc

Announcement of Preliminary Results for the year to 31 March 2012

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 2012.

Highlights:

- Excellent progress in the first year of our *14 Cubed* growth plan, in line to reach our objectives
- Revenue up 28.6% to £337.3 million (2011: £262.3 million)
- Adjusted profit before tax* up 60.3% to £42.0 million (2011: £26.2 million)
- Adjusted EPS* up 48.4% to 61.6 pence (2011: 41.5 pence)
- Order intake up 23.5% to £337.8 million (2011: £273.5 million)
- Record performance across all three business sectors, with strong organic growth in all territories
- Three acquisitions made during the year – Omicron Nanotechnology, Omniprobe and Platinum Medical Imaging – all integrating well
- Strengthening new product pipeline, with 44% of revenue from products launched or acquired in the last three years (2011: 34%)
- Proposed final dividend increased by 11.6% to 7.23 pence, giving a total dividend for the year of 10.0 pence (2011: 9.0 pence)

*Adjusted numbers are stated to give a better understanding of the underlying business. Details of adjusting items can be found in Note 2.

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

"We are now two months into the second year of our 14 Cubed plan. Trading to date has been in line with our expectations and our markets remain strong despite continued economic uncertainty, particularly in Europe. A healthy pipeline of new product introductions is in place and we are investing across the business to increase efficiency, strengthen our market positions and drive further profitable growth. We are well positioned to build on the opportunities presented by emerging markets and to take advantage of new applications and technologies as they arise. We continue to look for bolt-on acquisitions to complement our existing businesses.

"A changing market presents interesting opportunities as well as challenges and we are confident that we have the structure, products and talent in place to make further progress in the current year and beyond."

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The Business of Science®

Chairman's Statement

Oxford Instruments delivers shareholder value by providing our customers with the most advanced tools and services. Our customers use these products to advance the frontiers of science, manufacture innovatively and ensure the quality of industrial processes. The diversity of our products and markets, our clear customer focus, our culture of innovation and our commitment to attracting the very best talent in the industry has continued to drive the growth of the business. The Group is now performing more strongly than at any time in its history and was admitted into the FTSE250 index in September 2011.

This strong performance in the first year of our *14 Cubed* three year plan has been built around organic growth, efficiency improvements and a successful acquisition programme. Our healthy product pipeline and exposure to growing markets has yielded good organic revenue growth with further improvement in operating margins. The integration of the three acquisitions we made in the year is proceeding to plan and each is making a positive contribution to our business.

The Group is recommending a final dividend of 7.23 pence, an increase of 11.6% over the prior year bringing the total for the year to 10.0 pence.

The success reflected in these results has been fostered by our culture of inclusivity and our ability to bring together skills and ideas from across the business to drive innovation and the delivery of new products. These results are a credit to all our people. I thank them on behalf of the Board for their hard work and commitment.

We are aware that we are operating in uncertain times. We have the right people in place to maximise the opportunities and tackle the challenges of the coming years. As we enter the second year of our *14 Cubed* plan, it is our intention to continue to deliver value for all our stakeholders with the wholehearted care, passion and commitment for which Oxford Instruments is renowned.

Nigel Keen
Chairman
12 June 2012

Chief Executive's Statement

It is now a year since we announced our *14 Cubed* plan to achieve compound annual growth of 14% and a return on sales of 14% by 2014. Achievement of our strategic objective is driven by three elements; organic growth through innovation, continuous efficiency improvements and targeted acquisitions, all of which have contributed to our growth and margin improvement during the year.

Our order intake was £337.8 million (2011: £273.5 million) and the order book for future delivery now stands at £136.8 million (2011: £115.3 million). Our two principal end market areas, research and industrial, both remain robust. Revenues rose to £337.3 million, an increase of 28.6% of which 15.1% was organic growth. Adjusted profit before tax grew to £42.0 million (2011: £26.2 million) which equates to an adjusted operating profit return on sales of 12.5% (2011: 10.7%). Adjusted earnings per share rose to 61.6 pence (2011: 41.5 pence) and the Group ended the year with a net positive cash balance of £35.1 million (2011: £13.1 million).

The three acquisitions we made in the year are all performing to expectations. Omicron Nanotechnology, acquired in June, has enabled us to extend our offering in the Nanotechnology Tools sector and good progress has been made integrating it into the Group. Omniprobe, also acquired in June, has contributed to the good performance of the NanoAnalysis business and has a strong pipeline of new products due for launch this year. The Platinum Medical Imaging business, acquired in November, has been able to exploit the value of the Oxford Instruments brand to win new customers and improve its business performance.

We continued to benefit from growth across our major geographies with Europe up 37.4%, North America up 30.6% and Asia up 14.5%. Our performance in developed markets benefited from sales of products and services from our new acquisitions which were primarily exposed to these regions. Going forward, we expect further opportunities to emerge in Asia as we expand the reach of these products and services. We anticipate that Asia will be our fastest growing region over the medium to longer term.

Innovation remains at the core of the Group's culture. Our strong performance is underpinned by continued investment in R&D, which increased this year by 29% to £25.8 million (2011: £20.0 million). The percentage of revenue that is made up of products launched or acquired in the last three years is a key indicator of the vitality of our new product development and has increased from 34% in 2011 to 44% in 2012.

Our People

A high technology business relies on the skills and expertise of its people. We therefore recognise the importance of ensuring a sustainable business going forward through an inclusive strategy of managing, developing and recruiting people who support our company values and contribute to our growth. I am proud to lead such a talented and committed workforce and I thank them for their continued contribution to our success.

Outlook

We are now two months into the second year of our *14 Cubed* plan. Trading to date has been in line with our expectations and our markets remain strong despite continued economic uncertainty, particularly in Europe. A healthy pipeline of new product introductions is in place and we are investing across the business to increase efficiency, strengthen our market positions and drive further profitable growth. We are well positioned to build on the opportunities presented by emerging markets and to take advantage of new applications and technologies as they arise. We continue to look for bolt-on acquisitions to complement our existing businesses.

A changing market presents interesting opportunities as well as challenges and we are confident that we have the structure, products and talent in place to make further progress in the current year and beyond.

Jonathan Flint
Chief Executive
12 June 2012

Operational Review

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

Nanotechnology Tools

£m	**2012**	2011
Revenue	**153.9**	121.8
Operating profit	**17.3**	14.6

The Nanotechnology Tools sector comprises our NanoAnalysis, NanoScience, Plasma Technology and Omicron NanoTechnology businesses. This sector produces our highest technology products and serves research and industrial customers in both the public and private sectors.

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 across academic and industrial applications including semiconductors, renewable energy, mining, metallurgy and forensics. This business has produced a strong performance across all regions, driven by the launch of AZtec, a revolutionary materials characterisation system. The integration of Omniprobe Inc, acquired in June 2011, has enhanced our product range with innovative nano-manipulation tools for sample preparation.

Our **NanoScience** business is the world's leading supplier of cryogenic systems for nano-characterisation and measurement at low temperatures and high magnetic fields. Its technologies are used in applications such as characterisation of new materials and devices at the nanoscale, data protection and storage, fusion energy and high temperature superconductor materials. This business has performed well in the year and is now the world's leading supplier of cryogen-free products. The Triton cryogen-free dilution refrigerator, with an integrated high-field superconducting magnet, has performed strongly, particularly in the Quantum Computing segment. The launch in the year of Mercury, a new electronics system, further strengthened our market position offering intelligent control of cryogenic and magnetic environments.

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 in markets ranging from semiconductor electronics, Micro Electro Mechanical Systems (MEMS), High Brightness LEDs (HBLED) and photovoltaic devices. Order intake levels were maintained and the order book is healthy, despite the anticipated weakening in HBLED capital equipment demand. As previously reported, sales of equipment to make HBLEDs declined due to over capacity in the market but are forecast to pick up towards the end of the current financial year as devices for commercial and domestic lighting become more affordable.

In March 2012 we transferred ownership of TDI, a wholly owned subsidiary which develops hydride vapour phase epitaxy (HVPE) technology for use in the production of High Brightness LEDs, to Ostendo, a privately owned company based in California. This will maximise the value from our technology investment in HVPE.

Our **Omicron NanoTechnology** business supplies analytical solutions for nanotechnology R&D, providing innovative, high performance tools that offer unique multi-technique systems. We are investing in additional R&D, sales and service. There has been a trend in the market towards much larger integrated systems from which Omicron is well placed to benefit. For example, the recent launch of Argus, an innovative electron spectrometer, has enabled our research customers to undertake experiments that were not previously possible with standard detector technology.

Following the acquisitions of Omicron and Omniprobe, good progress has been made with their integration into the Group, growing our Nanotechnology Tools offering and leveraging sales and brand synergies. This has significantly improved our competitive position when bidding for multi-million dollar systems that contain products from more than one of the Nanotechnology Tools businesses, and we have enjoyed particular success in the fast growing BRIC territories where brand plays an important role in the selling process. We monitor the market's perception of our performance through solicitation of regular feedback from our customers. We quantify this in our Net Promoter Score metric which has improved in the year.

Industrial Products

£m	**2012**	2011
Revenue	**129.1**	100.5
Operating profit	**13.8**	6.1

The Industrial Products sector contains our Industrial Analysis, Superconducting Wire, Austin and Magnetic Resonance businesses. This sector supplies analytical systems for quality control, environmental and compliance testing, and components for industry and research.

Our **Industrial Analysis** business supplies high quality instruments for materials identification and thickness gauging analysis essential for quality control. Our customers span global industries from metals, alloy manufacturing, steel foundries and scrap recycling through to automotive, solar, petrochemicals, cement, recycling, and precious metals. Performance for this business was very strong across all sectors. Our Optical Emission Spectroscopy division performed particularly well in Asia and saw orders rise on the back of its recently launched FoundryMaster Xpert tool, specifically designed for the steel industry. We also launched the XMET7500, a hand held analyser, delivering high performance and flexibility for the rapid analysis of the widest variety of materials from metals to soils. Sales have exceeded expectations in all territories. In addition, process improvement in our x-ray tube facility in California has led to significant gains in productivity. In October 2011, we rationalised the industrial product offering by disposing of a non-core product line that we produced for a single customer, to that customer.

Our **Superconducting Wire** business is the world leader in the provision of high performance superconducting wire for industry and research, spanning markets that include MRI healthcare, physics research, life sciences, fusion energy and particle accelerators. The core business providing wire for MRI machines benefited from robust demand from our major OEM customers. Following the major order received in 2010, a further small order for wire for ITER, the multinational carbon free energy programme, was received in 2011 and shipments remain on track.

Our **Austin** business specialises in high vacuum products, helium gas coolers and services for the semiconductor, research, life science and energy industries. It had a good year driven by demand for its products from the solar industry and backed up by its core products and services. A programme of efficiency initiatives has reduced lead-times. The strong performance of this business has driven a move to new premises, planned for 2012.

Our **Magnetic Resonance** business produces bench top Nuclear Magnetic Resonance analysers for a broad range of industries for quality assurance, production optimisation and research applications. They are used for applications in agriculture, food and beverage, textiles, polymers, petrochemicals and oil and gas exploration. This business showed a good performance and has a secure order book going forward. It has good profit margins and sales of the recently launched AffirmoEX, the world’s smallest benchtop

Electron Magnetic Resonance spectrometer for industrial, scientific and educational applications, have exceeded expectations.

Service

£m	**2012**	2011
Revenue	**56.3**	42.5
Operating profit	**11.0**	7.4

This sector comprises our service, support, training, refurbishment, consumables and accessories elements of our business. It consists of our CT and MRI Service business in North America and Asia, and the service elements of Nanotechnology Tools and Industrial Products sectors. The business performed well across all territories, particularly Asia where the adoption of a service contract model is gaining greater acceptance across a growing installed base.

The acquisition of Platinum Medical Imaging in November 2011 has also made a positive contribution to this sector. Platinum offers third party servicing and support to operators of MRI and CT scanners in North America. Structural changes in the US health care market continue to benefit this business. Recognition of the Oxford Instruments brand has increased customer confidence in the Platinum offering and helped to further grow market share in North America.

Financial Review

Trading Performance

The Group uses adjusted figures as key performance measures in addition to those reported under adopted IFRS. Unless otherwise stated, all profit, earnings and operating cash flow figures referred to below are adjusted measures. A reconciliation is given below.

Orders of £337.8 million were £64.3 million ahead of the same period last year, an increase of 23.5%. At the end of the year the order book for future deliveries stood at £136.8 million up from £115.3 million at the end of the previous year.

Revenues in the year grew by 28.6% (£75.0 million) to £337.3 million. Revenues from the acquisitions less disposals in the period were £35.4 million, adverse foreign currency exchange rate movements reduced sales by £0.9 million while increasing copper prices increased sales by £0.8 million (there was no impact on profits as movements in the price of copper are passed on to our customers). As a result, organic revenue growth was 15.1%.

In the Nanotechnology Tools division, sales grew by 26.4% helped by the Omicron and Omniprobe acquisitions that took place in June. Organic growth at 2.1% was impacted by the expected decline in sales of systems to manufacture HBLEDs; excluding these sales, underlying organic growth was 11.0%. Sales of equipment to make HBLEDs declined due to over capacity in the market but it is anticipated that demand will pick up towards the end of the current year.

Sales in the Industrial Products sector grew by 28.5% helped by a full year of ITER shipments, partially offset by the disposal of a product line in October 2011. Excluding these two factors, sales grew by 23.3% as a result of a number of product launches including the XMET7000 series handheld analyser in Industrial Analysis, as well as increased MRI sales and a large new contract for the Austin business.

Service revenues increased by 32.5%, helped by the acquisition of Platinum Medical Imaging in November 2011. Excluding this, organic growth was 16.9% reflecting the focus on selling and marketing service contracts.

Gross margins increased from 42.7% to 44.2% despite the disproportionate growth of the lower margin superconducting wire business. These improved margins were predominantly due to new product introductions and increased efficiencies with our Value Add Index Key Performance Indicator increasing from 1.42 to 1.49. This measure is a reflection of the operating profit generated from each unit of employment costs.

Operating expenses rose by £23.1 million of which £12.5 million related to the acquisitions and £0.7 million to foreign exchange rate movements. Underlying constant currency growth in operating expenses was 11.8%.

Adjusted operating profit increased by £14.0 million to £42.1 million. The majority of this increase was a result of the higher sales volume, with a £2.8 million contribution from the acquisitions.

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:

	2012 £m	2011 £m
Profit before income tax	**36.1**	26.7
Pension scheme curtailment gain	**-**	(4.1)
Shareholder earnout no longer required	**-**	(0.6)
Reversal of acquisition related fair value adjustments to inventory	**1.7**	-
Gain on disposal of product line	**(7.0)**	-
Acquisition related costs	**1.5**	-
Impairment	**-**	0.6
Amortisation of acquired intangibles	**11.2**	4.7
Mark to market gain in respect of derivative financial instruments	**(1.5)**	(1.1)
Adjusted profit before income tax	**42.0**	26.2
Share of taxation	**(8.8)**	(5.7)
Adjusted profit	**33.2**	20.5

Amortisation of acquired intangibles has increased by £6.5 million as a result of the acquisitions made in the year.

Financial income and expenditure
Within financial income and expenditure, net interest on debt reduced by £0.4 million to £0.8 million as cash levels rose, the majority of the remainder reflects fees related to our revolving credit facility. The expected return on pension scheme assets exceeded the interest charge on pension scheme liabilities by £0.7 million, a swing of £1.4 million over the prior year. Due to the increased pension liabilities and the very low gilt yields at 31 March 2012, net pension interest will be a charge to the Income Statement in the current 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, the Group has decided that the additional costs of meeting the extensive documentation requirements of IAS 39 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 2).

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 Group before adjusting items was broadly unchanged at 21% (2011: 22%).

The Group has significant tax losses in the UK available to offset against future taxable profits. In the year ended March 2011, due to the improved performance of the Group's UK business units, 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, £4.6 million reversed in the year ended March 2012 and for consistency we have excluded it from the calculation of adjusted earnings per share (see note 2).

Earnings
After a tax charge of £11.3 million, a swing of £16.8 million from the prior year primarily due to the deferred tax discussed above, the reported net profit for the financial year was £24.8 million (2011: £32.2 million). With a weighted average number of shares of 54.0 million (2011: 49.3 million), the basic earnings per share were 46.0 pence (2011: 65.3 pence).

Adjusted profit before tax (note 2), which we believe gives a better indication of the underlying performance of the business, grew by £15.8 million to £42.0 million which equates to an adjusted earnings per share of 61.6 pence (2011: 41.5 pence), an increase of 48.4%.

Dividends
In the prior year 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 7.23 pence per share (2011: 6.48 pence), payable on 25 October 2012 to shareholders who are on the register on 28 September 2012, gives a total dividend for the year of 10.0 pence per share (2011: 9.0 pence). Dividend cover for the underlying business before adjusting items was 6.2 times (2011: 4.6 times).

Investment in research and development (R&D)
The amount charged to the Income Statement in relation to R&D was £25.8 million or 7.6% of sales (2011: £20.0 million, 7.6%).

During the year we changed our income statement classification in respect of custom engineering specials. A custom engineering special is a product designed to a specific customer order. We now report the design costs of such products within research and development which we consider to be more comparable.

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

	2012 £ million	2011 £ million
Research and development expense charged to the consolidated statement of income.	**25.8**	20.0
Less: depreciation of R&D related fixed assets	**(1.6)**	(0.6)
Add: amounts capitalised as fixed assets	**1.3**	2.3
Less: amortisation of R&D costs capitalised as intangibles	**(5.2)**	(5.4)
Add: amounts capitalised as intangible assets	**2.4**	3.0
Total cash spent on research and development during the year	**22.7**	19.3

The net book value of capitalised R&D at the end of the financial year was £11.7 million (2011: £15.0 million).

Balance sheet

Net assets rose from £93.5 million to £127.1 million primarily as a result of the equity issue made in the year and the increase in the retained profit.

Net working capital (excluding derivative financial instruments and tax payable/receivable) reduced by £1.0 million in the year to £14.9 million, despite £2.8 million of the £10.2 million deposit that was received in 2009 for the ITER contract unwinding.

Inventory turns remained constant at 3.2 while debtor days increased from 48 days to 53 days.

Acquisitions and Disposals

On 13 June 2011 the Group made two acquisitions: Omicron NanoTechnology GmbH for £28.3 million and Omniprobe Inc. for £12.3 million. These were funded using the Group's resources. On 17 June, the Group raised £37.5 million through an equity issue to ensure that there were sufficient internal resources to complete the *14 Cubed* plan.

On 20 October 2011 the Group disposed of a product line for consideration of £8.1 million, £7.1 million of which was paid on completion, with a further £1.0 million receivable on the first anniversary of completion.

On 3 November 2011 the Group acquired Platinum Medical Imaging LLC for an initial consideration of US$18 million with a contingent element of up to US$37 million payable over three years dependent on performance over that period.

On 22 March 2012 the Group transferred its ownership of TDI, a wholly owned subsidiary which develops Hydride Vapour Phase Epitaxy (HVPE) technology for use in the production of HBLEDs, to Ostendo, a privately owned company based in California. The Group received 0.65 million shares of Ostendo common stock plus $0.65 million in cash of which $0.15 million will be paid in September 2012. The Group will also receive a royalty if certain HVPE reactor sales are realised.

Pensions

The Group has defined benefit pension schemes in the UK and the US. Both have been closed to new entrants since 2001 and closed to future accrual from July 2010. The total IAS19 deficit, before tax, on these pension schemes rose in the year by £23.5 million to £35.2 million with a corresponding deferred tax asset of £8.7 million.

Assets of the schemes at 31 March 2012 were £180.2 million (2011: £173.1 million), while liabilities increased from £184.8 million to £215.4 million principally as a result of the fall in the corporate bond yield used to discount future cash flows from 5.6% to 4.9%.

The latest triennial actuarial valuation of the UK scheme was carried out as at 31 March 2009 and resulted in an actuarial deficit of £39.5 million. A long-term plan for recovering the deficit over 14 years was agreed between the Company and the Pension Trustee, which involved a payment of £3.1 million for the year to March 2010, £5.3 million for the year to March 2011, £4.5 million for the year to March 2012 and will comprise a payment of £4.9 million for the year to March 2013. For the subsequent 10 years the 2013 payment of £4.9 million will be inflated by 2.85% per annum. Work is currently underway to produce an actuarial valuation as at 31 March 2012. The results of this valuation may alter the future payments to the scheme.

Cash

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 39% to £52.1 million. The working capital movement in the year reduced by £2.4 million, building on the reductions in the previous two years. Trading working capital, which we define as inventory plus trade debtors less trade creditors and advances received as a percentage of sales, was 15.4% (2011: 16.3%).

Cash generated from operations was £50.5 million, an increase of £11.3 million on the prior year. The ratio of operating cash to operating profit was 110.5% (2011: 126.7%).

Net cash at the year-end was £35.1 million (2011: £13.1 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 £14.5 million.

Employees

The average number of people employed during the year was 1,834, an increase of 336 over the prior year. Of this increase, 262 were employees who joined the Group from acquired companies. Average sales per employee increased by 5% to £183,900.

Share price

The closing mid-market price of the ordinary shares at the end of the financial year was £12.15, compared with £7.03 at the beginning of the year. The highest and lowest prices recorded in the financial year were £12.62 and £7.03 respectively.

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 considered 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 facility which expires in December 2014. 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.

Kevin Boyd
Group Finance Director
12 June 2012

Consolidated Statement of Income year ended 31 March 2012

	Notes	Year to 31 March 2012 Before adjusting items* £m	Year to 31 March 2012 Adjusting items* £m	Year to 31 March 2012 Total £m	Year to 31 March 2011 Before adjusting items* as re-stated ** £m	Year to 31 March 2011 Adjusting items* £m	Year to 31 March 2011 Total as re-stated** £m
Revenue	3	**337.3**	**-**	**337.3**	262.3	-	262.3
Cost of sales		**(188.3)**	**(1.7)**	**(190.0)**	(150.4)	-	(150.4)
Gross profit		**149.0**	**(1.7)**	**147.3**	111.9	-	111.9
Research and development	4	**(25.8)**	**-**	**(25.8)**	(20.0)	-	(20.0)
Selling and marketing		**(48.7)**	**-**	**(48.7)**	(39.9)	-	(39.9)
Administration and shared services		**(32.1)**	**(12.7)**	**(44.8)**	(23.3)	(5.3)	(28.6)
Other operating income		**-**	**7.0**	**7.0**		4.7	4.7
Foreign exchange		**(0.3)**	**-**	**(0.3)**	(0.6)	-	(0.6)
Operating profit		**42.1**	**(7.4)**	**34.7**	28.1	(0.6)	27.5
Expected return on pension scheme assets		**10.9**	**-**	**10.9**	9.9	-	9.9
Other financial income		**0.2**	**1.5**	**1.7**	-	1.1	1.1
Financial income		**11.1**	**1.5**	**12.6**	9.9	1.1	11.0
Interest charge on pension scheme liabilities		**(10.2)**	**-**	**(10.2)**	(10.6)	-	(10.6)
Other financial expenditure		**(1.0)**	**-**	**(1.0)**	(1.2)	-	(1.2)
Financial expenditure		**(11.2)**	**-**	**(11.2)**	(11.8)	-	(11.8)
Profit before income tax		**42.0**	**(5.9)**	**36.1**	26.2	0.5	26.7
Income tax (expense)/credit	6	**(8.8)**	**(2.5)**	**(11.3)**	(5.7)	11.2	5.5
Profit for the period attributable to equity shareholders of the parent		**33.2**	**(8.4)**	**24.8**	20.5	11.7	32.2
		Pence		**pence**	pence		Pence
Earnings per share							
Basic earnings per share	7	**61.6**		**46.0**	41.5		65.3
Diluted earnings per share	7	**60.3**		**45.0**	40.4		63.6
Dividends per share							
Dividends paid	8			**9.0**			8.4
Dividends proposed	8			**10.0**			9.0

*Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in Note 2.
**See note 1 for details of restatement of comparative information.

Condensed Consolidated Statement of Comprehensive Income year ended 31 March 2012

	Notes	2012 £m	2011 As restated* £m
Profit for the year		**24.8**	32.2
Other comprehensive (expense)/income			
Foreign exchange translation differences		**(2.6)**	(0.9)
Actuarial (loss)/gain in respect of post retirement benefits		**(28.6)**	14.4
(Loss)/gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled		**(0.4)**	0.3
Tax on items recognised directly in other comprehensive income	6	**7.2**	(4.6)
Total other comprehensive (expense)/income		**(24.4)**	9.2
Total comprehensive income for the year attributable to equity shareholders of the parent		**0.4**	41.4

*See note 1 for details of restatement of comparative information.

Condensed 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**
Total comprehensive income/(expense) attributable to equity shareholders of the parent						
- Profit	**-**	**-**	**-**	**-**	**24.8**	**24.8**
- Other comprehensive income	**-**	**-**	**(0.3)**	**(2.6)**	**(21.5)**	**(24.4)**
	-	**-**	**(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 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**
Balance at 1 April 2010	2.5	21.6	0.2	4.1	23.8	52.2
Total comprehensive income/(expense) attributable to equity shareholders of the parent						
- Profit	-	-	-	-	32.2	32.2
- Other comprehensive income (as restated*)	-	-	0.2	(0.9)	9.9	9.2
	-	-	0.2	(0.9)	42.1	41.4
Transactions recorded directly in equity:						
- Credit in respect of employee service costs settled by award of share options	-	-	-	-	0.4	0.4
- Tax credit recognised in respect of share options (as restated*)	-	-	-	-	2.7	2.7
- Proceeds from shares issued	-	0.9	-	-	-	0.9
- Dividends paid	-	-	-	-	(4.1)	(4.1)
Total contributions by and distributions to equity shareholders	-	0.9	-	-	(1.0)	(0.1)
Balance at 31 March 2011	2.5	22.5	0.4	3.2	64.9	93.5

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 173,794 (2011: 433,794) of its own shares in an employee benefit trust. The cost of these shares is included within retained earnings.

*See note 1 for details of restatement of comparative information.

Condensed Consolidated Statement of Financial Position year ended 31 March 2012

	2012 £m	2011 £m
Assets		
Non-current assets		
Property, plant and equipment	**28.2**	23.6
Intangible assets	**78.1**	41.6
Deferred tax assets	**19.3**	17.4
	125.6	82.6
Current assets		
Inventories	**59.3**	46.6
Trade and other receivables	**61.0**	52.5
Current income tax recoverable	**1.3**	1.3
Derivative financial instruments	**2.4**	1.0
Cash and cash equivalents	**35.1**	24.5
	159.1	125.9
Total assets	**284.7**	208.5
Equity		
Capital and reserves attributable to the Company's equity shareholders		
Share capital	**2.8**	2.5
Share premium	**60.2**	22.5
Other reserves	**0.1**	0.4
Translation reserve	**0.6**	3.2
Retained earnings	**63.4**	64.9
	127.1	93.5
Liabilities		
Non-current liabilities		
Bank loans	**-**	10.5
Other payables	**2.8**	0.1
Retirement benefit obligations	**35.2**	11.7
Deferred tax liabilities	**7.0**	4.1
	45.0	26.4
Current liabilities		
Bank loans	**-**	0.1
Bank overdrafts	**-**	0.8
Trade and other payables	**96.4**	76.5
Current income tax payables	**6.0**	3.4
Derivative financial instruments	**1.2**	1.1
Provisions	**9.0**	6.7
	112.6	88.6
Total liabilities	**157.6**	115.0
Total liabilities and equity	**284.7**	208.5

The financial statements were approved by the Board of Directors on 12 June 2012 and signed on its behalf by:

Jonathan Flint
Director

Kevin Boyd
Director

Condensed Consolidated Statement of Cash Flows year ended 31 March 2012

	2012 £m	2011 £m
Profit for the year	**24.8**	32.2
Adjustments for:		
Income tax expense/(credit)	**11.3**	(5.5)
Net financial (income)/expense	**(1.4)**	0.8
Other operating income	**(7.0)**	(4.7)
Impairment	**-**	0.6
Acquisition related fair value adjustments to inventory	**1.7**	-
Acquisition related costs	**1.5**	-
Amortisation of acquired intangibles	**11.2**	4.7
Depreciation of property, plant and equipment	**4.8**	4.0
Amortisation and impairment of capitalised development costs	**5.2**	5.4
Adjusted earnings before interest, tax, depreciation and amortisation	**52.1**	37.5
Loss on disposal of plant, property and equipment	**0.5**	-
Cost of equity settled employee share schemes	**1.0**	0.4
Acquisition related costs paid	**(1.0)**	-
Cash payments to the pension scheme more than the charge to operating profit	**(4.5)**	(5.6)
Operating cash flows before movements in working capital	**48.1**	32.3
Increase in inventories	**(0.2)**	(8.2)
(Increase)/Decrease in receivables	**(1.7)**	7.4
Increase in payables and provisions	**5.7**	8.8
Decrease in customer deposits	**(1.4)**	(1.1)
Cash generated from operations	**50.5**	39.2
Interest paid	**(1.1)**	(0.8)
Income taxes paid	**(7.8)**	(3.1)
Net cash from operating activities	**41.6**	35.3
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**0.1**	0.1
Proceeds from sale of product line and subsidiary	**7.3**	-
Acquisition of subsidiaries, net of cash acquired	**(51.6)**	(0.1)
Acquisition of property, plant and equipment	**(5.6)**	(5.8)
Capitalised development expenditure	**(2.4)**	(3.0)
Net cash used in investing activities	**(52.2)**	(8.8)
Cash flows from financing activities		
Proceeds from issue of share capital	**38.0**	0.9
Repayment of borrowings	**(13.1)**	(19.1)
Increase in borrowings	**2.5**	10.0
Dividends paid	**(4.8)**	(4.1)
Net cash from financing activities	**22.6**	(12.3)
Net increase in cash and cash equivalents	**12.0**	14.2
Cash and cash equivalents at beginning of the year	**23.7**	9.3
Effect of exchange rate fluctuations on cash held	**(0.6)**	0.2
Cash and cash equivalents at end of the year	**35.1**	23.7

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

Increase in cash and cash equivalents	12.0	14.2
Effect of foreign exchange rate changes on cash and cash equivalents	(0.6)	0.2
	11.4	14.4
Cash outflow from decrease in debt	13.1	19.1
Cash inflow from increase in debt	(2.5)	(10.0)
Movement in net cash in the year	22.0	23.5
Net cash/(borrowing) at start of the year	13.1	(10.4)
Net cash at the end of the year	**35.1**	**13.1**

1 BASIS OF PRESENTATION OF ACCOUNTS

This preliminary statement has been prepared under the same accounting policies as those used to prepare the 2011 Annual Report and Accounts except as noted below.

The Group has made three restatements in the period. Firstly, the tax credit of £2.7m arising in respect of share options in the prior year was, in error, reported in the Consolidated Statement of Comprehensive Income. This has been corrected and the credit has now been reported in the Consolidated Statement of Changes in Equity. Secondly, the Group has reclassified certain engineering costs incurred in relation to one-off special customer orders. Such costs are now treated as research and development costs rather than as costs of sales and is considered to be a treatment consistent with the Group's industry peers. The effect on the Consolidated Income Statement for the prior year was to reduce cost of sales by £2.4 million and increase research and development costs by the same amount. The effect on the Consolidated Statement of Income for the current year has been to reduce cost of sales by £3.1 million and increase research and development costs by £3.1 million. Thirdly, due to strong growth in its physical product sales, the Directors decided during the period that it was no longer appropriate to regard the Austin Scientific business as a service business. Consequently, it is now included within the Industrial Products segment and the comparatives have been restated accordingly. In line with the other businesses, its service revenues will continue to be reported in the Service segment. The effect of the restatement in the prior year was to increase the revenue and profit of the Industrial Products segment by £2.9m and £0.2m respectively with corresponding reductions in the Service segment. The amounts of the revenue and profit in the current year are £11.0m and £2.4m respectively. No adjustment has any effect on earnings per share or on any balance sheet previously presented. Accordingly, a revised opening balance sheet at 1 April 2010 is not disclosed.

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

Year end rates

	2012	2011
US Dollar	**1.60**	1.60
Euro	**1.20**	1.13
Yen	**131**	133

Average translation rates 2012

	US Dollar	Euro	Yen
Quarter 1 2012	**1.63**	**1.13**	**132**
Quarter 2 2012	**1.60**	**1.14**	**125**
Quarter 3 2012	**1.57**	**1.17**	**121**
Quarter 4 2012	**1.58**	**1.19**	**125**

Average translation rates 2011

	US Dollar	Euro	Yen
Quarter 1 2011	1.50	1.17	138
Quarter 2 2011	1.55	1.20	133
Quarter 3 2011	1.57	1.17	130
Quarter 4 2011	1.58	1.16	131

2 NON-GAAP MEASURES

The Directors present the following non-GAAP measure as they believe it gives a better indication of the underlying performance of the business.

RECONCILIATION BETWEEN PROFIT BEFORE INCOME TAX AND ADJUSTED PROFIT

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Profit before income tax	**36.1**	26.7
Pension scheme curtailment gain	**-**	(4.1)
Shareholder earnout no longer required	**-**	(0.6)
Reversal of acquisition related fair value adjustments to inventory	**1.7**	-
Gain on disposal of product line	**(7.0)**	-
Acquisition related costs	**1.5**	-
Impairment	**-**	0.6
Amortisation of acquired intangibles	**11.2**	4.7
Mark to market gain in respect of derivative financial instruments	**(1.5)**	(1.1)
Adjusted profit before income tax	**42.0**	26.2
Share of taxation	**(8.8)**	(5.7)
Adjusted profit	**33.2**	20.5

Further to the acquisitions of Omicron Nanotechnology and Omniprobe announced in June 2011 (see Note 5), the Board decided to modify the definition of adjusted profit before tax to exclude the reversal of acquisition related fair value adjustments to inventory to provide an adjusted profit 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.

On 20 October 2011 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.

On 21 March 2012 the Group 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 $0.7m in cash of which $0.2m will be paid six months after the closing date. The Group considers the fair value of the shares to be nil. The profit on disposal was nil. During the prior year, the Group recognised other operating income of £0.6m in relation to a shareholder earnout provided at the time of the acquisition of TDI and which was no longer required.

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 the prior year 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 £4.6m has reversed and consequently been excluded from the tax attributable to adjusted profit before tax.

During the prior year, the Group's defined benefit pension schemes in the UK and US were closed to future accrual. This gave rise to a curtailment gain under IAS 19 as the majority of active members' accrued benefits are no longer linked to future salary growth.

During the prior year, the Group recognised an impairment charge of £0.6m against costs capitalised in relation to the planned site move of the Plasma Technology business in the UK. This move will now not take place in the form originally planned.

3 SEGMENT INFORMATION

The Group has nine 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 an 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 allocated to operating segments in reporting to the Group's Board of Directors.

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**

Year to 31 March 2011 (as restated*)

	Nanotechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	121.4	98.5	42.4	262.3
Inter-segment revenue	0.4	2.0	0.1	
Total segment revenue	121.8	100.5	42.5	
Segment operating profit	14.6	6.1	7.4	28.1

*See note 1 for details of restatement of comparative information.

Reconciliation of reportable segment profit

	2012 £m	2011 £m
Profit for reportable segments	**42.1**	28.1
Other operating income	**7.0**	4.7
Reorganisation costs and impairment	**-**	(0.6)
Acquisition related costs	**(1.5)**	-
Reversal of acquisition related fair value adjustments to inventory	**(1.7)**	-
Amortisation of acquired intangibles	**(11.2)**	(4.7)
Financial income	**12.6**	11.0
Financial expenditure	**(11.2)**	(11.8)

Profit before income tax	**36.1**	26.7

4 RESEARCH AND DEVELOPMENT

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

			2012
	Nanotechnology Tools £m	**Industrial Products £m**	**Total £m**
Research and development expense charged to the consolidated statement of income	**16.8**	**9.0**	**25.8**
Less: depreciation of R&D related fixed assets	**(0.6)**	**(1.0)**	**(1.6)**
Add: amounts capitalised as fixed assets	**0.6**	**0.7**	**1.3**
Less: amortisation of R&D costs previously capitalised as intangibles	**(2.8)**	**(2.4)**	**(5.2)**
Add: amounts capitalised as intangible assets	**1.7**	**0.7**	**2.4**
Total cash spent on research and development during the year	**15.7**	**7.0**	**22.7**

			2011 As restated *
	Nanotechnology Tools £m	Industrial Products £m	Total £m
Research and development expense charged to the consolidated statement of income	12.1	7.9	20.0
Less: depreciation of R&D related fixed assets	(0.5)	(0.1)	(0.6)
Add: amounts capitalised as fixed assets	2.2	0.1	2.3
Less: amortisation of R&D costs previously capitalised as intangibles	(2.6)	(2.8)	(5.4)
Add: amounts capitalised as intangible assets	1.9	1.1	3.0
Total cash spent on research and development during the year	13.1	6.2	19.3

*See note 1 for details of restatement of comparative information.

5 ACQUISITIONS

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)
Deferred consideration			(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.

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 each year 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 provisional fair value of the assets and liabilities acquired is given in the table below. Provisional values have been used to allow a new accounting team time to review and finalise the fair value adjustments. The business has been acquired for the purpose of integrating into the Service segment.

	Book value £m	Provisional adjustments £m	Provisional 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
Deferred 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.

These acquisitions 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 would have been revenue of £351.2m and operating profit of £33.6m.

6 INCOME TAX EXPENSE

Recognised in the Consolidated Statement of Income

	2012 £m	2011 £m
Current tax expense		
Current year	**10.4**	6.1
Adjustment in respect of prior years	**-**	(0.5)
	10.4	5.6
Deferred tax expense		
Origination and reversal of temporary differences	**1.4**	0.9
Recognition of deferred tax not previously recognised	**(0.2)**	(11.9)
Adjustment in respect of prior years	**(0.3)**	(0.1)
	0.9	(11.1)
Total tax expense/(credit)	**11.3**	(5.5)
Reconciliation of effective tax rate		
Profit before income tax	**36.1**	26.7
Income tax using the UK corporation tax rate of 26% (2011:28%)	**9.4**	7.5
Effect of:		
Tax rates other than the UK standard rate	**2.4**	0.4
Change in rate at which deferred tax recognised	**0.3**	(0.2)
Non-taxable income and expenses	**0.2**	0.2
Tax incentives not recognised in the Consolidated Statement of Income	**(0.5)**	(0.7)
Recognition of deferred tax not previously recognised	**(0.2)**	(11.9)
Effect of previous tax losses now utilised	**-**	(0.2)
Adjustment in respect of prior years	**(0.3)**	(0.6)
Total tax expense/(credit)	**11.3**	(5.5)
Taxation expense/(credit) recognised in other comprehensive income		
Current tax – relating to employee benefits	**-**	(1.5)
Deferred tax - relating to employee benefits	**(7.1)**	6.0
Deferred tax – relating to cash flow hedges	**(0.1)**	0.1
	(7.2)	4.6
Taxation expense/(credit) recognised directly in equity		
Deferred tax – relating to share options	**1.0**	(2.7)

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 31 March 2012 has been calculated based on the rate of 24% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax asset accordingly.

7 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:

	2012 Shares Million	2011 Shares Million
Weighted average number of shares outstanding	**54.2**	49.7
Less shares held by Employee Share Ownership Trust	**(0.2)**	(0.4)
Weighted average number of shares used in calculation of earnings per share	**54.0**	49.3

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

	2012 Shares million	2011 Shares million
Weighted average number of ordinary shares per basic earnings per share calculations	**54.0**	49.3
Effect of shares under option	**1.1**	1.4
Weighted average number of ordinary shares per diluted earnings per share calculations	**55.1**	50.7

8 DIVIDENDS PER SHARE

The following dividends per share were paid by the Group:

	2012 pence	2011 pence
Previous year interim dividend	**2.52**	2.40
Previous year final dividend	**6.48**	6.00
	9.00	8.40

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

	2012 Pence	2011 pence
Interim dividend	**2.772**	2.52
Final dividend	**7.228**	6.48
	10.000	9.00

The interim dividend was not provided for at the year end and was paid on 10 April 2012. The final proposed dividend of 7.228 pence per share (2011: 6.48 pence) was not provided at the year end and will be paid on 25 October 2012 subject to authorisation by the shareholders at the forthcoming Annual General Meeting.

9 REPORT AND ACCOUNTS

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2012 or 2011. Statutory accounts for 2011 have been delivered to the registrar of companies, and those for 2012 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.

10 THE ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday, 11 September 2012 at 2.30 pm at Group Head Office, Tubney Woods, Abingdon, Oxfordshire, OX13 5QX.