Oxford Instruments plc

Report and Financial Statements 2013

Registered in England and Wales Number 775598

Empowering the future of science and technology

Bringing the nanoworld together

Oxford Instruments is a leading provider of high technology tools and services for research and industry. We operate at the heart of the rapidly expanding nanotechnology industry, aiding those who are advancing its progress and capitalising on existing advancements with our own commercial products.

In this report

Highlights

Revenue (£m)

2012	2013
337 3	**350 8**

£350.8m
+4.0%

Adjusted profit before tax* (£m)

2012	2013
42 0	**48 2**

£48.2m
+14.8%

Adjusted earnings per share* (p)

2012	2013
61 6	**68 3**

68.3p
+10.9%

Dividend per share (p)

2012	2013
7 23	**8 15**

8.15p
+12.8%

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

DNA origami triangles, self-assembled in a single step from over 200 DNA strands
Each is a single five megadalton molecular complex incorporating 15 000 nucleotides ~120nm per edge, 1µm scan Imaged with the Oxford Instruments Asylum Research MFP-3D-BIO™ Atomic Force Microscope Sample courtesy of Paul W K Rothemund, California Institute of Technology

What do we do at Oxford Instruments?

Our vision is to pursue responsible development and a deeper understanding of the world through science and technology.

To achieve this, our business engages with the growing nanoscience industry

As the world develops and populations continue to increase, nanotechnology is seen as a key to continued economic progress and growth

By analysing and manipulating atoms and molecules individually nanotechnology enables previously unheard of improvements in virtually all sectors

The number of atoms on earth is fixed and will never increase If we are to progress we need to get value from each precious unit of materials

We support progress in this rapidly developing area by...

1. Developing quality tools needed by researchers
2. Industrialising certain tools for commercial use
3. Providing knowledgeable support services

Our business is structured around three segments which reflect our expertise and business objectives

Our sectors

1 Nanotechnology Tools

Scaling high technology products for use in the nanoworld

NanoAnalysis
Leading-edge tools that enable materials characterisation and sample manipulation at the nanometre scale

Omicron NanoScience
World s leading supplier of systems for nanocharacterisation and measurement at low temperatures, high magnetic fields and ultra high vacuum

Plasma Technology
Tools and processes for the fabrication of nanostructures

47%

Sector revenue
£166.1m

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2 Industrial Products

Serving the quality control, environmental and compliance testing sectors

Industrial Analysis
High quality instruments for materials identification and thickness gauging analysis with quality control and quality assurance

Industrial Components
High technology components for industry and research

36%

Sector revenue
£125.1m

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3 Service

Supplying service, support, training, refurbishment, consumables and accessories

OiService
Third party servicing and support to operators of Magnetic Resonance Imaging (MRI) and Computerised Tomography (CT) scanners

Supply of refurbished MRI/CT systems X-ray tubes and other consumables for healthcare customers in North America

Full range of spares, consumables and accessories for all product ranges

Service elements of Nanotechnology Tools and Industrial Products sectors

17%

Sector revenue
£60.6m

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Chairman's Statement

We have a broad spectrum of products operating in high growth technology markets, supported by the world-renowned Oxford Instruments brand.

Nigel Keen
Chairman

In summary

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

The Group is recommending a final dividend of 8 15 pence, an increase of 12 8% over the prior year, bringing the total for the year to 11 2 pence

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 30 years in businesses operating across the globe Thomas will assume the chairmanship of the Remuneration Committee at this year s Annual General Meeting (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

What makes our business successful and sustainable?

We meet the needs of rapidly growing markets

The most advanced scientific tools

The most valuable services

differentiating our business with four success drivers

Quality

pages 6-7

Value

pages 8-9

Brand

pages 10-11

Performance

pages 12-13

and securing our future through a targeted strategy

Our *14 Cubed* plan

Described in full on pages 16-17

What drives our success?

A global reputation for **quality** and excellence

A rich heritage of innovation and quality sets us apart

One of the key reasons customers purchase from Oxford Instruments is the consistent quality of our products This is underpinned by continued investment in R&D, which increased this year by 6% to £25 1 million (2012 £23 7 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 This is now 41%

Our development process

We turn smart science into commercially successful products using a rigorous five-stage development process that requires checks for quality, commerciality serviceability and brand at every stage

Achieving quality

Investment in research and development

£25.1m
+6%

2012	2013
23.7	**25.1**

Vitality Index

41%

The market leading X-Max large area detector is used for Energy Dispersive Spectrometry, a technique used to chemically analyse samples no thicker than a human hair inside a Scanning Electron Microscope It is used, for example to find defects in products before manufacturing in the semiconductor, solar panel and hard disk industries, by police forces the world over to analyse gunshot residue particles, and by material scientists to develop and analyse new materials for the automotive and aerospace industries

Voice of the customer

We listen, develop and test our new technology and products in close collaboration with our customers and no R&D projects are initiated without clear direction from our Voice of the Customer research

Passionate and committed workforce

Over 1,900 people across the world share a wholehearted passion for our business Their skills expertise and years of experience are at the core of Oxford Instruments and are the key to our success

What drives our success?

Providing **value** in our products, services and shareholder return

Our approach means that our products always meet our customers' needs

To optimise shareholder value, our products and services must be of the highest standards We want our customers to value our expertise, our care the years of knowledge and partnerships and our constant drive for excellence This manifests itself in our people, our processes and our technology

Acquisitions

Targeted acquisitions that add to the range of products we can offer our customers bring highly skilled people into our workforce Successful integration of our acquisitions adds value for our customers, our employees and for our shareholders

How we measure value

Value Add Index

1.55
+4%

	2012	2013
[Adjusted Operating Profit + Employment costs]/Employment costs	1 49	1 55

Adjusted return on sales

14.2%
+1.7pp

	2012	2013
	12 5	14 2

The X-MET range of hand-held X-ray Fluorescence analysers provide our customers with the right tool for the right application scrap dealers can sort metals, foundries can analyse steels, chemical plants can test alloy pipes brownfield sites can be tested for hazardous materials, and toys for lead in paint Whatever the requirement, a simple pull of the trigger will display the analysis results in just one-two seconds

Focus on efficiency

Innovation is not limited to our technology and we recognise and reward ideas that drive organic growth by improving efficiencies and increasing margin performance through our annual Chairman's Awards for Innovation

Worldwide network

The diversity of our markets and applications supported by our worldwide network of service engineers, distributors and agents has provided a stable and highly valued platform from which to grow the business

What drives our success?

Before opening our wholly owned subsidiary in India, we conducted extensive research based on how our brand is viewed locally what messages would resonate and what channels are most effectively used This gave us unprecedented insight and information with which to build our strategy for growing our business in India It is now a model we adopt for all emerging markets

The strength of the Oxford Instruments brand is the foundation of our success

The first commercial spin-out from Oxford University in 1959, Oxford Instruments has grown into a global brand recognised for technological excellence, quality and innovation The strength of our brand attracts new and repeat customers collaborations with universities and industry acquisitions, new investors, and importantly, highly skilled and motivated people When customers ask for the 'Oxford", they know they are buying more than a high performance tool or system They are buying the Oxford Instruments brand

Employee brand

We attract highly qualified people from all over the world who recognise that the challenges and opportunities provided by Oxford Instruments will empower them to reach their full potential In return our reputation as an employer of choice is very high

An established **brand** that people trust

The strength of our brand

2013 Employee Survey

73%

Benchmark 40%
Engagement score 73%*

* 73% of employees are rated Champions (those who fully understand and are committed to the business strategy)

Our values

Inclusive
We listen and engage with customers colleagues shareholders and partners for mutual success

Trusted
We build long term relationships based on integrity, trust and respect

Innovative and Progressive
We bring skill, experience and openness to new ideas to address the needs of the 21st Century

Wholehearted
We approach what we do with passion, with care and with pace

A mark of excellence

Voted 2011 Company of the Year and twice received Best Technology Award at the UK PLC Awards Winner of 13 Queens' Awards for Enterprise

In partnership

We believe that our reputation and our ability to develop the highest quality products are strengthened by collaborations with universities, industry, and research institutes We strive to be the bridge between industry and academia, pushing the boundaries of science for the benefit of mankind

What drives our success?

Our product and business **performance** are synonymous with success

We measure our performance at every stage

From Quality ISO systems, to Customer Surveys, to Employee Surveys and internal audits, we are passionate about measuring our performance We know we have to deliver products that perform, people that perform, and a business that performs to a consistently high standard, and most importantly we know that we have to maintain those standards

Monitoring satisfaction

Every service engineer is required to ask his customer for an assessment of his performance We consistently achieve feedback in the top percentage bracket, and where we underperform, we react with speed and determination to resolve any issues

An outstanding performance

Sales

£351m
14% CAGR

Adjusted profit before tax

£48.2m
44% CAGR

Triton® is the world's leading dilution refrigerator, used to create research environments close to Absolute Zero. Temperatures below 10 mK can be achieved without the need for cryogens like liquid helium, which is safer, more cost effective and sustainable. Oxford Instruments Cryofree® technology was a world first and enables scientists to manipulate and analyse matter at the smallest scale. Triton® formed part of the new D-Wave 512-qubit quantum computer bought by NASA and Google for research into advanced machine learning.

People

The performance of all employees is measured against our values through an annual appraisal process and competencies framework. The aim is to ensure that Oxford Instruments is able to attract, develop and retain the mix of diverse talented people we need to continue to grow our business and maintain our position as a leading innovator.

Business performance

The Group is now performing more strongly than at any time in its history and was admitted in to the FTSE 250 index in September 2011.

Chief Executive's Statement

The Group delivered another strong performance in the year with profits rising 14.8% to £48.2 million.

Jonathan Flint
Chief Executive

In summary

Our strong performance is made possible by our continued investment in commercially driven R&D

The percentage of revenues generated from products launched in the last three years, our Vitality Index, remained healthy at 41%

We are building on our strong position in emerging and fast growing economies and we continue to target growth

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 3 pence (2012 61 6 pence) 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 diversity of our products and markets has continued to drive the growth of the business.

The percentage of revenues generated from products launched in the last three years, our Vitality Index, remained healthy at 41%

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 to 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 Details of these can be found on pages 18 to 21

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

Our core markets

Market revenue
43%

Research and academia

Our largest market sector includes research into nanotechnology applications new materials, data protection, pharmaceuticals security, renewable energies, and next generation quantum computing

Market revenue
18%

Life sciences

A growing market sector includes the support and service of MR and CT imaging equipment and the supply of superconducting wire for MRI scanners

Market revenue
12%

Metals/construction

Our customers span global industries from metals, alloy manufacturing, steel foundries and scrap recycling to automotive, aerospace, precious metals and cement

Market revenue
11%

Semiconductors/IT

A market that is growing significantly in Asia and includes semiconductor electronics, Micro Electro Mechanical Systems (MEMS), compound semiconductor materials, thin film and particle analysis

Market revenue
10%

Energy

New forms of energy are attracting significant investment from both government and the private sector We are involved in the search for sustainable energy (ITER) solar technologies, oil and gas exploration and superconductor materials

Market revenue
6%

Environment

As one of the major challenges of the 21st Century, preservation of our environment is a key driver Our markets include tools for high brightness LEDs, detection of hazardous substances in soil, recycling and agriculture and food

Strategic Update

Our strategy to grow the business exploits the Oxford Instruments brand, our superior technology and exposure to diverse markets where demand is growing.

As we enter the third and final year of our *14 Cubed* plan we remain focused on achieving our objectives

Our *14 Cubed* plan reaches its final year
In 2011/12 we introduced the *14 Cubed* plan This plan calls for annual compound revenue growth of 14% and a return on sales of 14% to be achieved by 2014 The *14 Cubed* plan is driven by three elements strong organic growth, continuous efficiency improvements, and targeted acquisitions These will each contribute to our targets for growth and margin improvement

The 14% compound growth rate is planned to be achieved primarily through organic growth We believe that this growth level can be obtained because of the valued position of the Oxford Instruments brand in our high technology markets our exposure to emerging markets and our customer targeted R&D programme

This organic growth will be supplemented by targeted acquisitions and the three made in 2011 together with the Asylum Research acquisition made during the year, are already contributing to our growth The organic and acquisition growth strands of our strategy are supported by an internal efficiency programme which seeks both to increase revenues (by boosting our customer satisfaction levels) and to manage costs

Each of these goals is measured by Key Performance Indicators against which we calibrate our progress, enabling us to monitor momentum at both divisional and Group level on a regular basis

1 Cash conversion is defined as the ratio of cash generated to adjusted operating profit (see Income Statement) Cash generated is calculated as adjusted operating profit plus depreciation on property plant and equipment and amortisation on research and development minus capital expenditure on property plant and equipment and research and development and adjusted for movements in working capital

2 The Net Promoter Score® is a metric which is compiled by asking customers whether they would recommend Oxford Instruments to a friend or colleague Customers give a score between zero and ten Those customers who score nine or ten are promoters those customers who score seven or eight are neutral and customers who score six or less are detractors The Net Promoter Score® is the difference between the numbers of promoters and the number of detractors (both expressed as a percentage of the number of replies received) The score can range between -100 (no customers are promoters) and +100 (all customers are promoters) A positive score indicates that the Company has fewer detractors than promoters The 2011 score was obtained from a survey of our customers at a single point in time During 2012 we initiated a process of surveying customers (on a rolling basis) immediately after the completion of a piece of work and we now use this data as the basis for our published KPI

Key Performance Indicators

The Group uses a range of measures to monitor progress against its strategic plans The Key Performance Indicators are presented below.

Priority	Measurement	Performance 2011	Performance 2012	Performance 2013
1 **Delivering for shareholders** To deliver shareholder return through growth in turnover and margin	**Revenue growth (%)** Tracks our performance on our growth strategy	24 0	28 6	**4 0**
	Net return on sales (%) Tracks our performance on our profitability strategy	10 7	12 5	**14 2**
2 **Liberating cash**	**Cash conversion from profit' (%)** Monitors our use of fixed assets, working capital and R&D	126 7	110 5	**84 7**
3 **Inventing the future**	**Proportion of revenue coming from products launched or acquired in the previous three years (%)** Measures the effectiveness of our R&D programmes	34	44	**41**
4 **Realising the brand**	**Net Promoter Score•2** Measures customer feedback	9	64	**62**
5 **Adding personal value**	**'Value Add' – (Adjusted Operating Profit + Employment Costs)/Employment Costs** Measures efficiency	1 42	1 49	**1 55**

◄ Please see footnotes opposite

Operational Review

Nanotechnology Tools

The Nanotechnology Tools sector produces our highest technology products and plays a key role in the Group's strategy for growth.

Revenue
£m

2012	2013
153 9	166 1

£166.1m
+7 9%

Profit
£m

2012	2013
17 3	20 8

£20.8m
+20.2%

Margin
%

2012	2013
11 2	12 5

12.5%
+1 3pp

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

Nurturing talent
We have a very successful apprenticeship scheme that supports school leavers through college and with practical experience Many apprentices go on to pursue successful careers with Oxford Instruments

Operational Review continued

Industrial Products

We now offer a product range which gives our customers a choice of analysers for their analytical requirements.

Revenue
£m

129 1 125 1 £125.1m
-3.0%

2012 **2013**

Profit
£m

13 8 17 4 £17.4m
+26.0%

2012 **2013**

Margin
%

10 7 13 9 13.9%
+3.2pp

2012 **2013**

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

The sector performed well across all territories driven by successful initiatives such as a worldwide system training course and online service training.

Revenue
£m

56 3 60 6 £60.6m
+7.6%

2012 **2013**

Profit
£m

11 0 11 5 £11.5m
+4.5%

2012 **2013**

Margin
%

19 5 19 0 19%
-0 5pp

2012 **2013**

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 online service training The range of preferred service options varies across our global customer base In the US 49% of customers opt for multi-year service contracts In Europe and Asia, take up of service contracts is slower and these territories offer significant opportunity for further growth

Our CT and 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

Expert service and support
Our network of service offices and engineers extends across the globe Here, an engineer is testing an Oxford Instruments Austin Helium Compressor before shipping back to the customer

Financial Review

The diverse nature of the Group combined with its current financial strength provides a solid foundation for a sustainable business.

Kevin Boyd
Group Finance Director

Revenue

£350.8m
+4%

Adjusted return on sales

14.2%
+1 7pp

Net cash

£39.2m

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%

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 IAS 19 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

Adjusted gross margin

44.7%
+0 5pp

Adjusted operating profit

£49.7m
+18.1%

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%

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 Review continued

The Directors have reviewed the Group's forecasts and believe that the Group is well placed to manage its business risks successfully.

Adjusted earnings per share

68.3p
+11%

Research and Development cash spend

£25.1m
+6%

Net assets

£137.7m
+8%

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)

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 US Both have been closed to new entrants since 2001 and closed to future accrual from July 2010 The total deficit, before tax, under IAS 19 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 eight 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

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
R&D 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 R&D 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)

Principal Risks and Risk Management

The Group monitors a number of risks material to its progress.

	Description	Risk	Possible impact
Operational risks	**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
	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
	Acquisitions Part of the growth of Oxford Instruments is planned to come from acquisitions which provide the Group with complementary technologies	Appropriate acquisition targets will 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
	People A number of the Group's employees are business critical	The employee leaves the Group	• Lower profitability and financial returns
Financial risks	**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
	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
	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
	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

Associated strategic priorities key

- ■ Liberating cash
- ● Inventing the future
- ▲ Realising the brand
- ▶ Adding personal value
- ◆ Delivering shareholder value

Mitigating activities	Associated priorities
• 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	▲ Using "Voice of the Customer" to drive rapid new product development ■ Support and develop our employees to maximise their value add
• 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	■ Developing a competitive global supply base that supports our growth ▲ Developing a strong brand in existing and developing markets
• 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	▲ Developing a strong brand in existing and developing markets ● Using "Voice of the Customer' to drive rapid new product development ▶ Supporting and developing our employees
• 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	▶ Supporting and developing our employees ● Providing career challenges
• 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	▲ Developing a strong brand in existing and developing markets ◆ Focus on balanced and attractive global markets
• 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	◆ Focus on balanced and attractive global markets ■ 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	◆ Focus on balanced and attractive global markets ■ Developing a competitive global supply base that supports our growth
• 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	● Developing products that offer the best technical solution ▲ Ensuring that end customers appreciate the benefits of Oxford Instruments technology

Corporate and Social Responsibility

Our vision is to pursue responsible development and deeper understanding of the world through science and technology.

CSR at Oxford Instruments

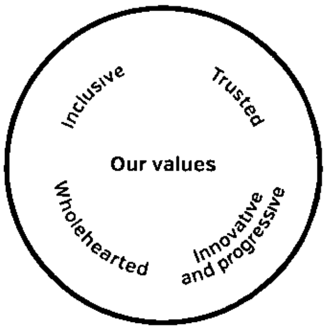
Our CSR strategy is focused on the following key themes

- Business ethics
- Customer focus and service
- Diversity and inclusion
- Employees
- Health and safety
- Supplier and partner engagement
- Sustainability

The Oxford Instruments brand and Company values are at the heart of the Group's approach to Corporate Social Responsibility (CSR) These are

We listen and engage with customers, colleagues, shareholders and partners for mutual success

We approach what we do with passion, with care and with pace



We build long term relationships based on integrity, trust and respect

We bring skill, experience and openness to new ideas to address the needs of the 21st Century

We believe people make the difference	We meet our customers' needs through advanced technology and service	We use innovation to turn smart science into world class products	We have experience to rely on and integrity to trust

The performance of all employees is measured against our values through an annual appraisal process and competencies framework

Business ethics
The Board is committed to maintaining the ethical standards the Oxford Instruments brand is known for and expect the same commitment from our partners employees customers, suppliers and representatives We work ethically, openly, responsibly and inclusively We strive for maximum transparency do not tolerate any form of bribery, corruption or fraud and do not make political donations We have in place a Business Conduct and Ethics Code which all employees are made aware of at the time of joining the Company and through subsequent exposure on the Company intranet and corporate website

Our Code is supported by a range of policies which are regularly monitored by the Board and updated and added to whenever necessary Each policy gives detailed information on how to manage sensitive issues once an assessment of risk has been identified

- Anti-corruption and bribery
- Business malpractice
- Communications (including social media and internet policy)
- Diversity and inclusion
- Environment
- Health and safety
- Human rights
- Insider dealing
- QA requirements for suppliers

Customer focus and service
The Group believes that customer relationships are built on mutual trust, respect and integrity, and that this principle should govern all aspects of the business Our customer is at the heart of everything we do and has led to an improved and more professional approach to supporting them on a continuing basis after the original sale

The continued focus on the Voice of the Customer in any new product introduction or current product development ensures that the customer needs are at the core of our business The success of new products introduced in 2012/13 supports this focus 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 continues at 41%

Diversity and inclusion
Our business should reflect our diverse customers and markets and the environment in which we operate Our value of Inclusiveness reflects our commitment to developing this diversity

The Board recognises that our employees are fundamental to our success As a high technology business, we have a highly skilled workforce and it is they who deliver our strategic objectives The Group s aim is to ensure there are equal opportunities for all employees and that we create an inclusive culture where differences are valued and people are given the environment in which they can do their best work Decisions regarding recruitment, selection access to training and promotion are based on merit

We believe that decision making is more effective when people from a range of perspectives and backgrounds are involved Therefore encouraging diversity is important to us We believe that diversity at Board level, within management and amongst staff is important to allow our business to grow and maintain our position as a leading innovator

Over the past 12 months we have made significant progress with our Diversity and Inclusion (D&I) agenda This includes

- appointment of a Diversity Champion, Dawn Brooks Group Service Director, who is a member of the Management Board,
- delivery of D&I awareness and engagement sessions for the plc Board and Directors to ensure a shared understanding of our ambitions in regard to developing our diverse global talent pool,
- development of policies that prevent bias in relation to recruitment and promotion including actively discussing diversity during succession planning,
- D&I were measured for the first time in our employee survey This has given us a baseline' from which we can build upon
- work with local universities and professional bodies to help raise awareness of women in science, and
- embedding diversity and cross cultural awareness in our Group wide development programmes

We have also taken steps to respond to the recommendations set out in the Davies Report and the related changes in the Corporate Governance Code as published by the FRC

Employees
Employee engagement
In 2012 we conducted our third global employee survey, with an overall response rate of 72% The survey focuses on five key areas for measuring employee engagement Day-to-Day Working Conditions, Training and Development, My Manager My Business and Oxford Instruments Overall We were able to benchmark the Oxford Instruments Group against a control group, consisting of 230 organisations, representing 185,600 respondents

We have made progress since our first survey in 2009 A Key Performance Indicator (KPI) is the fraction of our staff rated as Champions This reflects staff understanding of our strategy and their commitment to achieving it The number of Champions has increased from 45% (in 2009) to 73% This exceeds both our internal Business Improvement Plan target and the external benchmark of 40% The overall Group results show strong, positive responses in the following areas

a communication of strategy,

b the leadership of the management board,

c confidence in senior management,

d clarity of objectives,

e sense that jobs are important and worthwhile and

f desire for career progression

Our results are a reflection of the strong levels of motivation and commitment we see across the Group Our next survey is planned for September 2014

Internal communication
Oxford Instruments business strategy is communicated throughout the Group and is set out on our intranet for all employees to refer to This area of the intranet also shows progress against this plan and the business KPIs All employees receive regular updates on the performance of their own business together with the performance of the Group at regular briefing meetings Whenever appropriate, video announcements or interviews with key senior managers that offer more detail on our performance are posted on the intranet Periodically the Chief Executive writes a blog which summarises, at a top level, meetings with investors and analysts, and business strategy sessions This helps to create understanding of interests and concerns from an investor perspective

We invite feedback and suggestions from staff at every point of communication

Learning and development
Building the knowledge and skills of our people is critical to the future of our business so this year we appointed a Group Learning and Development Manager to deliver leadership and management programmes and strengthen the talent pipeline to ensure robust succession planning throughout the Company The global graduate programme introduced this year allows participants to gain broad experience, developing their management skills and working on a business critical project

Corporate and Social Responsibility continued

Reportable accidents
per 1,000 employees

2.5
-34%

Overall energy consumption
£million revenue

66.16MWh
+6.2%

Employees continued

Learning and development continued

We pride ourselves in offering employment to apprentices at the beginning of their career and internships to people considering a career in the engineering and technology sector By investing in our people we aim to create loyalty, high employee engagement and high performing teams and we will continue to make sure that our people have the skills and knowledge to contribute to the continuing success of the Company

Incentives

The Group believes it is important that our highly skilled and educated workforce receive a share in the success of the business In addition to the regular management and sales commission schemes, we operate a Gain Share payment for all employees not in receipt of an existing management bonus This plan is linked to achievement of our strategy and aligns employees' interest with that of our shareholders

In addition, we offer employees extra benefits such as discounts on certain local activities, merchandise, insurance, and health and dental cover

The annual Chairman s Awards for Innovation recognise and reward innovation in its broadest sense The continued increase in the standard and number of entries to these awards is evidence of the engagement of our employees in this successful programme

Health and safety

The Group is committed to providing the highest standards of safety in the workplace for our employees and to the continual improvement of our health and safety performance

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

The Board reviews the H&S performance of the Group s operations at each meeting All Group businesses regularly report progress on H&S issues to the Group Health Safety and Environment Manager who is responsible for keeping Charles Holroyd, and consequently the Board, informed of serious issues The Group Health, Safety and Environment Manager is responsible for auditing each manufacturing site annually All office sites will be audited every two years and will complete a self assessment audit in the intervening years

Reportable accidents defined by the UK standard of over seven days' absence, continued to reduce falling from 3 8 per 1,000 employees in 2011/12 to 2 5 per 1 000 employees in 2012/13

Employees are kept informed of current H&S issues through information provided by their local H&S representative and their local H&S committees Members of the local committees include staff from all areas of the business who meet on a regular basis

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

Supplier and partner engagement

The Group works hard to establish trust, respect and mutually beneficial relations with its business partners including suppliers banks and collaborative associates

Incentives

Now in its eighth year, our annual Chairman's Awards for Innovation recognise and reward outstanding achievements across the Group (photo shows 2013 finalists)

We will maintain a wholehearted commitment to our shareholders, customers, employees, partners, and local communities to conduct our business in an ethical and sustainable manner

Key CSR achievements 2012/13

- Appointment of a Diversity Champion, Dawn Brooks, Group Service Director, who is a member of the Management Board
- Diversity and inclusion were measured for the first time in our employee survey
- We have taken steps to respond to the recommendations set out in the Davies Report and the related changes in the Corporate Governance Code
- We conducted our third global employee survey, with an overall response rate of 72%
- Reportable accidents continued to reduce falling from 3 8 per 1,000 employees in 2011/12 to 2 5 per 1,000 employees in 2012/13

There is a Group supplier management process in place which promotes a common supply chain strategy split by commodity driving the business towards fewer high level suppliers Regular inspections and audits are conducted and strategic reviews are in place for key suppliers In accordance with ISO 9001 and ISO 14001, only quality approved organisations are used

Sustainability

Environment/energy
The Group complies with all European directives aimed at benefiting the environment Such directives include the Waste Electrical and Electronic Equipment (WEEE) Directive, the Restriction on use of Hazardous Substances (RoHS) Directive, the Registration, Evaluation Authorisation and Restriction of chemicals (REACh) Directive and the Energy use of Products (EuP) Directive

Products
Many of the Group's products and services provide solutions which help address the global issues of environmental control and protection and energy conservation For example our hand-held XRF analysers are used in the analysis of hazardous substances in soil and our microanalysis systems are used in the detection of asbestos fibres We are continually looking for new applications for existing technologies to support the growing need to protect the world and the people who live in it

Energy in the workplace
Every site has an Energy Champion who is responsible for implementing plans to reduce its carbon footprint Each site reports its monthly energy consumption and reduction activities During the 2012/13 financial year the mix of revenues favoured the sites that consumed most power Despite most sites reducing their own energy usage, the overall energy consumption increased slightly from 62 3MWh/£million revenue during 2011/12 to 66 16MWh/£million revenue in 2012/13

Recycling in the workplace
All major sites have a responsibility to recycle waste materials including cardboard, paper, wood and metals Employees are encouraged to recycle paper, packaging, bottles and cans

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

There is a Sustainability area of the intranet which regularly updates all employees on the progress we make on all aspects of sustainability

Communities
The Group is an active support of local, national and international science communities both on a corporate level, a business group level and an individual level It also sponsors a number of international and national awards and events including the prestigious Sir Martin Wood Prize through the Millennium Science Forum in Japan

Business groups and employees are supported in any activities that promote good relations with the local communities by contributing to, and supporting, local charities and community activities The focus is on supporting science in business, and encouraging innovation and the promotion of science in schools and universities Local social clubs run annual fundraising activities for a chosen charity and the Group supports these efforts with an additional donation

Summary
In 2013 and beyond we will maintain the focus on CSR in the strategic decision making process and business performance We will continue to meet our customer needs through advanced technology and premium service and we will maintain a wholehearted commitment to our shareholders, customers, employees, partners and local communities to conduct our business in an ethical and sustainable manner

Jonathan Flint
Chief Executive
11 June 2013

Board of Directors

The Board is collectively responsible for promoting the success of Oxford Instruments.

A full discussion of the roles and management of the Board is on pages 36–42

Nigel Keen
Non-Executive Chairman

Appointed to the Board
February 1999

Committee membership
Remuneration Chairman
Nomination Chairman

Background
Holds an engineering degree from Cambridge University and has been involved in the formation and development of high technology businesses for more than 30 years. He is a fellow of the Institute of Chartered Accountants and the Institution of Engineering and Technology.

External appointments
Chairman of
Laird PLC
Bioquell PLC
Deltex Medical Group plc
Non-Executive Director of
ISIS Innovation Ltd

Jonathan Flint CBE
Chief Executive

Appointed to the Board
April 2005

Committee membership
None

Background
Holds a BSc in Physics from Imperial College and an MBA from Southampton University. He is a fellow of the Institute of Physics, the Royal Academy of Engineering and the Institution of Engineering and Technology. He was awarded the CBE in the 2012 New Year's Honours for services to science and business.

Previous experience
Senior management positions within
Vislink plc
BAE Systems
GEC Marconi
Matra-Space Systems

External appointments
Non-Executive Director of
Cobham plc

Kevin Boyd
Group Finance Director

Appointed to the Board
August 2006

Committee membership
None

Background
Holds a BEng in Electronic and Information Engineering and is a Chartered Engineer, Chartered Accountant and a Fellow of the Institute of Chartered Accountants and the Institution of Engineering and Technology.

Previous experience
Group Finance Director of
Radstone Technology plc
Finance Director of
Siroyan Ltd
Senior finance positions within
the TI Group (now Smiths Group plc)

External appointments
Non-Executive Director of
Guidance Ltd
Member of
London Stock Exchange's Primary Markets Group

Charles Holroyd
Group Business Development Director

Appointed to the Board
November 2005
(with the Group since 1999)

Committee membership
None

Background
He is responsible for Group business development. He holds a BSc in Electrical and Electronics Engineering from Bristol University and an MBA from INSEAD. He is a Chartered Engineer and a Fellow of the Institution of Engineering and Technology.

Previous experience
Senior management positions within
United Industries plc
B Elliott plc
Spirent plc
(previously Bowthorpe plc)
Chloride Group plc

Board balance

- Chairman 1
- Executive 3
- Non-Executive 4

Professor Sir Mike Brady
Deputy Chairman and Independent Non-Executive Director

Appointed to the Board
August 1995

Committee membership
Nomination

Background
He is Professor in the Department of Oncology and Biology at the University of Oxford a Fellow of the Royal Society, of the Royal Academy of Engineering and of the Academy of Medical Sciences and a Commissioner of the Royal Commission for the Exhibition of 1851

Previous experience
BP Professor of Information Engineering at
Oxford University

External appointments
Founding Director (and Chairman) of
Guidance Ltd
Mirada Medical Ltd
Matakina Ltd (a New Zealand based company)

Chairman of
Acuitas Medical Ltd
colwiz Ltd
Perspectum Diagnostics Ltd
IRISS Medical Ltd

Professor Mike Hughes OBE
Senior Independent Non-Executive Director

Appointed to the Board
November 2004

Committee membership
Audit
Remuneration
Nomination

Background
Previous experience
Technical Director and Managing Director of
GEC Measurements Ltd

Deputy Managing Director of
GEC Alsthom Power Transmission and Distribution Ltd

CEO of
Midlands Electricity

Executive Vice President of
GPU Inc International Operations Group

External appointments
Chairman of
EA Technology Ltd

Non-Executive Director of
South Staffordshire Water Ltd

Jock Lennox
Independent Non-Executive Director

Appointed to the Board
April 2009

Committee membership
Audit Chairman
Remuneration
Nomination

Background
Previous experience
Senior Audit Partner at
Ernst & Young

External appointments
Chairman of
the Tall Ships Youth Trust

Non-Executive Director of
Dixons Retail plc
Enquest PLC
Hill & Smith Holdings PLC
A&J Mucklow Group plc

Thomas Geitner
Independent Non-Executive Director

Appointed to the Board
January 2013

Committee membership
Audit
Remuneration
Nomination

Background
Extensive international experience in the technology and engineering sectors having spent over 30 years in businesses operating across the globe

Previous experience
Executive Director of
Henkel AG & Co KGaA

Executive Director of
Vodafone Group plc
RWE-Group AG

Non-Executive Director at
BBC Worldwide Ltd

External appointments
Chairman of
Bibliotheca RFID Library Systems AG Switzerland

Report of the Directors

The Directors present their Report and the Financial Statements of Oxford Instruments plc for the year ended 31 March 2013

Principal activity and business reviews
The Company is the ultimate holding company of a group of subsidiary undertakings ('the Group') engaged in the research, development manufacture and sale of high technology tools and systems The Company is required to set out in this report a true and fair view of the business of the Group during the financial year ended 31 March 2013 the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group The information which fulfils these requirements includes a business and financial review on pages 14 to 25 and corporate and social responsibilities on pages 28 to 31 which are incorporated in this report by reference The business, the strategy, the research and development activities and likely future prospects of the Group are reviewed in the Chairman's Statement on page 4, the Chief Executive's Statement on pages 14 to 15 the Operational Review on pages 18 to 21 and the Financial Review on pages 22 to 25

Results and dividends
The results for the year are shown in the Consolidated Statement of Income on page 64 The Directors recommend a final dividend of 8 15p per ordinary share, which together with the interim dividend of 3 05p per ordinary share makes a total of 11 2p per ordinary share for the year (2012 10 0p) Subject to shareholder approval, the final dividend will be paid on 24 October 2013 to shareholders registered at close of business on 27 September 2013

Risks and uncertainties
The Board exercises proper and appropriate corporate governance for the Group It ensures that there are effective systems of internal controls in place to manage shareholders' interests and the Group's assets, including the assessment and the management of the risks to which the businesses are exposed, and to monitor and manage the compliance with all the legal requirements that affect the Group s worldwide business activities However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss

The Executive Directors report to the Board on changes in the business and in the external environment which may affect the risks which the Group faces The Executive Directors also provide the Board with monthly financial information Key Performance Indicators are reviewed quarterly

There are a number of risks and uncertainties which may have a material effect on the Oxford Instruments Group These are described in Principal Risks on page 26

Directors
Biographies of all the Directors at the date of this report, including the Non-Executive Directors, appear on pages 32 to 33 During the year, Bernard Taylor retired as a Non-Executive Director on 11 September 2012 and Thomas Geitner and Jennifer Allerton were appointed as Non-Executive Directors on 15 January 2013 and 10 June 2013 respectively

Directors' conflicts of interest
With effect from 1 October 2008, the Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts of interest, where appropriate Only directors with no interest in the matter under consideration may participate in the relevant decision and in doing so they must act in a way which they consider in good faith will be most likely to promote the Company s success A conflicts policy has been drawn up and a register of conflicts and potential conflicts is maintained

Insurance cover and Directors' indemnities
For a number of years the Group has purchased insurance to cover its Directors and Officers against their costs in defending themselves in legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings To the extent permitted by UK law, the Group indemnifies its Directors and Officers

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

Share capital
The Company only has one class of share capital which comprises ordinary shares of 5p each All shares forming part of the ordinary share capital have the same rights and carry one vote each There are no unusual restrictions on the transfer of a share The full rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Directors are set out in the Company s

Directors' interests

The beneficial interests of the Directors[1] in the Company's share capital, all in fully paid up shares at 31 March 2013, are shown below Details of share options for the Executive Directors are shown in the Directors Remuneration Report on pages 43 to 52

	2013 Shares	2012 Shares
Kevin Boyd	**78,761**	66,747
Mike Brady	**2,500**	2,500
Jonathan Flint	**194,236**	159,105
Thomas Geitner	**–**	–
Charles Holroyd	**78,763**	64,686
Mike Hughes	**13,598**	13,598
Nigel Keen	**126,580**	126,580
Jock Lennox	**3,500**	3,500

1 Jennifer Allerton joined the Board on 10 June 2013

No Director was beneficially interested in the shares of any subsidiary company at any time during the year In the year to 31 March 2013 no Director had a material interest in any contract of significance with the Company or any of its subsidiaries other than as described in the Directors' Remuneration Report on page 43 Since the year end, there have been no changes to the above shareholdings apart from for Jonathan Flint, Kevin Boyd and Charles Holroyd who participate in the Company's Share Incentive Plan and since the year end have each increased their shareholding by 22 shares

Articles of Association, a copy of which is available on the Company's website These can also be obtained from Companies House or by writing to the Company Secretary

During the year to 31 March 2013 the issued share capital was increased by 1 3% with the issue of 750,107 ordinary shares (2012 5,991,810) following the exercise of options under the Company's share option schemes At 31 March 2013, the issued share capital of the Company was therefore 56,916,830 ordinary shares of 5p each In connection with the Company's equity incentive plans, a separately administered trust held 183,145 ordinary shares at 31 March 2013 (representing 0 3% of the total issued share capital of the Company) No shares were acquired by the Company during the year (2012 9,351) Details of the share capital and options outstanding as at 31 March 2013 are set out in Note 19 of the Financial Statements

At this year's Annual General Meeting, the Directors propose to a) renew the authority granted to them at last year's AGM to allot ordinary shares up to an aggregate nominal value of one-third of the Company s issued share capital and, where full pre-emption rights are applied, up to an aggregate nominal value of two-thirds of the Company s issued share capital b) allot ordinary shares up to an aggregate nominal value of 5% of the Company's issued share capital without first offering them to existing shareholders, and (c) to buy back up to 10% of the Company s issued share capital Shareholders will be requested to renew these authorities at the AGM and details of these resolutions are set out in the notice of the meeting

Payment of suppliers
The Group does not follow a standard payment practice but agrees terms and conditions for its business transactions with each of its suppliers Payment is then made in accordance with these terms At 31 March 2013 trade creditors of the Company and the Group's UK subsidiaries were equivalent to 31 days (2012 31) and 70 days' (2012 75) of purchases respectively, based on the amounts invoiced by suppliers during the year and the amounts owed to trade creditors at the end of the year

Charitable donations
During the year, the Group made charitable donations of £3,145 (2012 £1,845) There have been no political donations during the year

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

Disclosure of information to auditors
Pursuant to Section 418(2) Companies Act 2006 the Directors who held office at the date of approval of this Directors Report confirm that so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware, and each Director has taken all the steps that he might reasonably have been expected to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company s Auditors are aware of that information

Annual General Meeting
The Notice of the Annual General Meeting to be held on 10 September 2013 is set out in a letter to shareholders together with explanatory notes relating to the resolutions

In light of organisational changes within KPMG the Directors have agreed that KPMG Audit Plc, a wholly owned subsidiary of KPMG LLP, step down as Auditor at the forthcoming Annual General Meeting and that a resolution to appoint KPMG LLP as Auditor and to authorise the Directors to set their remuneration will be proposed at the Annual General Meeting

Change of control arrangements
There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover, such as banking agreements and company share plans None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole although, on a change of control, the Company's committed credit facilities may be cancelled by lenders by giving not less than three days notice It is also possible that Pension Plan funding arrangements would need to be changed following a change of control if that resulted in a weakening of the employer covenant

Corporate governance
The Board reviews its work on corporate governance in the Corporate Governance Review on pages 36 to 42

Diversity and inclusion
The Board recognises that its employees are fundamental to the Group's success The Group's aim is to ensure there are equal opportunities for all employees and that there is an inclusive culture where differences are valued and people are given the environment in which they can do their best work The CSR Report on pages 28 to 31 further describes how diversity and inclusion is managed within Oxford Instruments

By Order of the Board

Susan Johnson-Brett
Company Secretary
11 June 2013

Substantial shareholdings

The following are beneficial interests of 3% or more (where the holding is direct) or of 5% or more (where the holding is indirect) of which the Directors have been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the Company's issued ordinary share capital the only class of voting capital, at 4 June 2013

	Direct/ indirect	Shares 000	% of total
BlackRock	Indirect	8,642,475*	15 2
Ameriprise Financial	Indirect/direct	4,983,663	8 8
Sir MF and Lady KA Wood	Direct	3,105,530	5 5
The Capital Group Companies	Indirect	2,949,262	5 2
Kames Capital	Indirect/direct	2,821,014	5 0
Legal & General	Direct	1,741,585	3 1

* Of which 879 463 shares (1 5%) are held in Contracts for Difference which are disclosable under the Disclosure and Transparency Rules

Corporate Governance

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

The Board endorses the main and supporting principles and the provisions set out in the UK Corporate Governance Code ('the Governance Code) except as detailed below

The Board s policies and procedures are documented in the Board Reference File that sets out the roles and delegated authorities applying to the Directors, the Board and the Board Committees The Board Reference File is reviewed annually by the Board as part of the annual governance review undertaken by the Chairman

Board constitution
In late 2010, prior to Oxford Instruments' promotion to the FTSE 250, the Nomination Committee reviewed its Board Development programme and put in place a multi-year plan to allow for an orderly refreshing of its Non-Executive Directors over this extended period This programme is under annual review The Board Development programme ensures that the constitution of the Board is compliant with the Governance Code following the Company's admission to the FTSE 250

In line with the programme, Bernard Taylor stepped down from the Board at last year s AGM and Thomas Geitner has joined the Board as an Independent Non-Executive Director in January 2013 In June 2013 Jennifer Allerton was appointed to the Board as an Independent Non-Executive Director and, at this year s AGM Mike Hughes will not seek re-election as a Non-Executive Director having served for nine years

Since 2010, the Company has been through a strong period of growth and the executive team has reorganised the business into a divisional structure At this year s annual review, in light of the Group's new divisional structure the Nomination Committee recommended that the Executive representation on the Board be the Chief Executive and the Group Finance Director Accordingly, Charles Holroyd has agreed to step down from the Board at the forthcoming AGM

Resolutions for the election of Directors will be put to shareholders at the Company's forthcoming AGM which, when passed, will deliver a Board which meets the requirements of Provision B 1 2 of the Governance Code

Compliance
The Board considers that, throughout the period under review, the Group has complied with the provisions recommended in Section 1 of the Governance Code, other than in respect of

- Provision D 2 1 with the appointment of Nigel Keen as Chairman of the Remuneration Committee However as more fully explained below, Thomas Geitner will take over as Remuneration Committee Chairman at the close of the Company's forthcoming AGM, and
- Provision B 1 2 as during the year less than half the Board, excluding the Chairman, comprised independent Non-Executive Directors As explained above, following the recent changes the constitution of the Board is now compliant

Preservation of value
The basis on which the Group generates and preserves value over the longer term and the strategy for delivering the objectives of the Group are to be found in the Chairman s Statement, Chief Executive s Statement and Operational Review

Board of Directors and management structure
Board of Directors
The Board currently comprises the Chairman, five Non-Executive Directors and three Executive Directors The Directors' biographies and details of length of service are shown on pages 32 to 33 All the Directors have written letters of appointment that have been approved by the Board and which are available for inspection at the Company's Annual General Meeting

The Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role The division of responsibilities between the role of Chairman and the Chief Executive has been set out in writing and agreed by the Board

The Board has delegated Group responsibility for the management of health, safety and the environment to Charles Holroyd and he reports to the Board on these matters at each meeting

Management Board
The Board delegates management of the business to the Chief Executive To assist in this, the Chief Executive has created a Management Board that consists of the Executive Directors, the Group Operations Director the Group Technical Director and the Group Human Resources & Brand Director and the Divisional MDs

The Management Board meets monthly either physically or by video or telephone conference and focuses on Group wide performance and risk management and strategy

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

The details of the way the Board operates including a schedule of matters reserved to the Board for decision, are set out in the Board Reference File

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

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

The Board meets on a regular basis, at least nine times a year, and otherwise as required Of the nine regular meetings, typically six are held at Group locations, and the remaining three are held by telephone conference

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

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

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

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

Board balance and independence
The Governance Code requires the Board should be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and that there is a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making The composition of the Board and the combination of diverse backgrounds and expertise of the Non-Executive Directors meet these principles

Nigel Keen, Chairman, has been a member of the Board since February 1999 He has a degree in engineering from Cambridge University, is a Fellow of the Institute of Chartered Accountants and of the Institute of Engineering and Technology and has been involved in the formation and development of high technology businesses for more than 30 years He fulfilled the independence criteria at the time of his appointment as set out in the Governance Code He is Chairman of the Nomination Committee and is also currently Chairman of the Remuneration Committee as the Board considered that whilst the Company was a SmallCap company it was appropriate and necessary for the Chairman of the Board to also be Chairman of the Remuneration Committee The Board has recruited a new Non-Executive Director, Thomas Geitner who has the appropriate mix of skills to take over the Chair of the Remuneration Committee immediately after the forthcoming AGM Nigel Keen also serves as Chairman of Oxford Instruments Pension Trustee Limited, the Trustee of the Company's UK defined benefit pension scheme The Board of the Company and the Board of the Trustee to the Pension Scheme have each independently considered whether it is appropriate to have the Chairman of the Company as Chairman to the Board of the Trustee of the Pension Scheme, notwithstanding the potential conflicts of interest inherent in the same person holding both these positions, and they each have unanimously confirmed that they believe that it is in the interest of all parties for this to continue

Mike Brady, Deputy Chairman and Non-Executive Director has been a member of the Board since June 1995 He is Professor of Oncological Imaging in the Department of Oncology at the University of Oxford, having retired as BP Professor of Information Engineering, and is one of the UK's leading engineers He brings a depth of technical expertise to Board discussions His technical expertise as the only Non-Executive Director from a scientific profession and the value of that expertise to Board discussions, the breadth of his professional and business interests unrelated to the Group and the composition of the Board generally leads the Board to conclude that it is appropriate that he should continue in office Although the Board continues to value Mike's input and does not regard this input as being less valuable as a result of his tenure as a Director of the Company, the Board has, in the light of guidance by the Governance Code determined that he should not be considered independent Mike is a member of the Nomination Committee

Jennifer Allerton was appointed to the Board as an Independent Non-Executive Director on 11 June 2013 Jennifer is a graduate of Imperial College London and has a masters degree in physics from the University of Manitoba and is a chartered engineer She has extensive international business experience, having spent over 30 years in large companies operating across the globe, particularly in emerging markets She has held senior positions that include Chief Information Officer at F Hoffmann-La Roche in Switzerland and Technology Director at Barclaycard Her international experience will strengthen the skills and expertise of the Board Jennifer is a member of the Audit Remuneration and Nomination Committees

Thomas Geitner was appointed to the Board as an Independent Non-Executive Director on 15 January 2013 Thomas has extensive international experience in the technology and engineering sectors, having spent more than 30 years in businesses operating across the globe He was most recently President of the Adhesives Division of Henkel AG&Co KGaA He was on the board of BBC Worldwide the BBC s main commercial subsidiary, as a Non-Executive Director between 2007 and 2010 Previously, he was the CEO New Businesses & Innovation and main board director of Vodafone Prior to Vodafone Thomas led a number of engineering businesses including at RWE Group where he was responsible for telecommunications He is a graduate of the Technische Universität Munchen and holds an INSEAD MBA Thomas is a member of the Audit, Remuneration and Nomination Committees and is to be appointed Chairman of the Remuneration Committee after the AGM

Mike Hughes Senior Independent Non-Executive Director, has been a member of the Board since November 2004 He is currently the Chairman of EA Technology Ltd and a Non-Executive director of South Staffordshire Water Ltd Previously he held senior management positions within GEC before becoming CEO of Midlands Electricity plc and then Executive Vice President of GPU Inc International Operations Group Mike is a member of the Audit, Remuneration and Nomination Committees Mike will be retiring from the Board at the Company's forthcoming AGM

Corporate Governance continued

Board balance and independence continued
Jock Lennox was appointed to the Board as an Independent Non-Executive Director on 1 April 2009 Prior to that he was a Senior Audit Partner at Ernst & Young where he gained extensive experience advising clients in a variety of industries on financial reporting, financing, transactions and international expansion The Board believes that Jock s skills, experience and knowledge enhance and maintain an effective Board and provide a well qualified Chairman of the Audit Committee Jock is Chairman of the Audit Committee and is a member of the Remuneration and Nomination Committees Jock has agreed to take over as Senior Independent Director at the close of the AGM

Further information on each of the Non-Executive Directors is to be found in the Directors' biographies on pages 32 to 33 Jennifer Allerton s biography can be found on the Oxford Instruments website, www oxford-instruments com/investors

Independence of Non-Executive Directors
In the opinion of the Board Mike Hughes Jock Lennox Thomas Geitner and Jennifer Allerton are independent Mike Brady is no longer considered independent in accordance with the guidelines set out in the Governance Code The Board considers that they are each independent in character and judgement and do not have relationships which are likely to affect their judgement This opinion is based on current participation and performance on both the Board and Board Committees including consideration of the length of service at Oxford Instruments plc

Term of appointment of Non-Executive Directors
Each Non-Executive Director was appointed for an initial term of one year In line with provision B 7 1 of the Governance Code the Board has determined that all Directors of the Board are to be subject to annual re-election by shareholders and accordingly the appropriate resolutions will be put to shareholders at the Company s forthcoming AGM

Board development and evaluation
Board development
On appointment, Directors undertake an induction process which is designed to develop knowledge and understanding of the Group's businesses through visits to various Group operating sites, discussion of relevant technology, as well as product demonstrations, briefings from management and familiarisation with investor perceptions of the Group This induction is supported by briefing papers prepared by the Company Secretary Major shareholders are provided with an opportunity to meet new Non-Executive Directors

The operating business units senior management teams present to the Board on a regular basis Non-Executive Directors are encouraged to meet individual members of the senior management team and have done so during the year under review

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

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

Board evaluation
In light of the provisions of Section B 6 2 of the Governance Code which expects that an externally facilitated evaluation of the Board be carried out at least triennially, John Stopford, an emeritus professor of the London Business School carried out a "light touch" external evaluation of the governance review process in 2011 He found that the process described below effectively reviews the mechanics of the operation of the Board and he found the written statement on governance each Director completes a very helpful input His observation was that the Board was functional and effective

For the year ended 31 March 2013 the Board has completed its annual effectiveness evaluation exercise, including a specific review of the effectiveness of its principal Committees and members This was an internal exercise under the control of the Chairman using a detailed questionnaire completed by all Directors in relation to the key areas of Board accountability and the arrangements in place to enable effective focus on these areas Topics covered included Group strategy, performance, delegation and accountability success, development and reward Board and Committee composition, Board

Attendance at meetings

No one other than the Committee Chairman and members is entitled to be present at a meeting of the Nomination, Audit or Remuneration Committee, but others may attend by invitation of the Committee No Director votes on matters where he has a conflict of interest Further details of the individual Committees' activities are described on the next page

The following table sets out the frequency of, and attendance at Board and principal Board Committee meetings for the year to 31 March 2013[4]

	Main Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	10	6	5	4
Nigel Keen	10	6[1]	5	4
Jonathan Flint	10	6[1]	1[1]	2[1]
Kevin Boyd	10	6[1]	–	–
Charles Holroyd	10	6[1]	–	–
Mike Brady	10	6[1]	5[1]	4
Mike Hughes	8	5	4	4
Jock Lennox	10	6	5	4
Thomas Geitner[2]	2	1	1	–
Bernard Taylor[3]	4	3	3	3

Notes
1 Attended by invitation
2 Appointed on 15 January 2013
3 Resigned on 11 September 2012
4 Jennifer Allerton was appointed to the Board after 31 March 2013

induction and training, internal control and risk management In addition each Director has prepared a written statement concerning governance of the Company and has discussed the statement with the Chairman at the individual one-to-one interviews which the Chairman holds with each Director The Chief Executive is also involved in the process by giving his input on the way the Board helps him in his role The output from these evaluations allows the Chairman to review objectively the overall balance and effectiveness of the Board The Non-Executive Directors meet annually to appraise the Chairman s performance

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

Membership of Board Committees which is set out on pages 32 to 33 is determined by the Board and is reviewed regularly The written terms of reference of the Board Committees are reviewed annually by each Committee and the Board and are available on the Company's website at www oxford-instruments com/investors and from the Company on request They will be on display at the Annual General Meeting

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

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

During the year, the Board and the Nomination Committee have reviewed the composition of the Board The length of service of its Non-Executive Directors the promotion of the Company into the FTSE 250 and the changing requirements of the Governance Code for FTSE 350 companies, together with further reflection on diversity within the Company, have led it to conclude that changes to the membership of the Board and its Committees need further consideration A sub-committee has been established whose terms of reference are with the help of executive search consultants MWM Consulting and Korn/Ferry, to evaluate the balance of skills, knowledge and experience on the Board and to identify appropriate candidates for Non-Executive Director positions on the Board Accordingly, using information it has gathered, taking into account diversity within the Board and bearing in mind the desire to find a successor to the current Chairman of the Remuneration Committee, descriptions of the role and desired capabilities for candidates were drawn up to help in the search of new Non-Executive Directors The Committee developed shortlists of qualifying candidates Candidates met with the Chairman and the Deputy Chairman and a final selection of potential appointees met several Directors individually Following these meetings the Nomination Committee considered each Director s feedback and made a final recommendation to the Board concerning any further appointment

Following this process the Committee has during the year recommended the appointment of Thomas Geitner to the Board as an Independent Non-Executive Director and future Chairman of the Remuneration Committee His appointment to the Board commenced 15 January 2013 with his appointment as Chairman of the Remuneration Committee to start at the close of this year's AGM Since the year end Jennifer Allerton was appointed on 11 June 2013 as an Independent Non-Executive Director

The Nomination Committee recommends to the Board whether a Non-Executive Director s appointment should be renewed each year, taking into account the performance of the individual

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

Remuneration Committee
The Remuneration Committee comprises all the Independent Non-Executive Directors and the Chairman of the Board The Chairman of the Board, Nigel Keen who fulfilled the independence criteria at the time of his appointment as set out in the Governance Code, is Chairman of the Remuneration Committee because the Board considers that in a SmallCap company it is essential that the Chairman be involved in setting remuneration policy The Company entered the FTSE 250 in September 2011 and the Board recognised that it was now appropriate to appoint a Remuneration Committee Chairman who was not also Chairman of the Board Accordingly, the Nomination Committee has followed due process to identify a Non-Executive Director with an appropriate blend of skills to make a credible successor to Nigel Keen as Chairman of the Remuneration Committee As noted above in January 2013, the Board appointed as an Independent Non-Executive Director, Thomas Geitner He will take over as Chairman of the Remuneration Committee at the close of the AGM in September 2013 In the meantime Thomas Geitner and Nigel Keen are working closely together on remuneration matters The members of the Committee are appointed by the Board

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

The Chief Executive is invited to attend Remuneration Committee meetings as deemed appropriate for example when consideration is being given to the performance of other Executive Directors and on significant Group wide changes in salary structure and terms and conditions affecting other employees at Senior Executive level Further details of the work of the Remuneration Committee are included in the Directors' Remuneration Report set out on pages 43 to 52

Corporate Governance continued

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

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities relating to external financial reporting and associated announcements, oversight of the external audit process including consideration of the appointment removal and independence of the Group s external auditors, the resourcing and plans of the Internal Audit function and the adequacy and effectiveness of the financial control environment The Audit Committee has recommended to the Board that in light of organisational changes within KPMG that the contract for the external audit process be switched from KPMG Audit Plc to KPMG LLP and that a resolution to this effect be put to this year's Annual General Meeting The Audit Committee has noted the Financial Reporting Council s recommendation that FTSE 350 companies should put the audit services contract out to tender periodically and will review whether to tender at the next lead partner rotation

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

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

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

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit During the external audit, the key areas of judgement that were debated with the auditors related to accounting for acquisitions, impairment considerations for intangible assets, patents, pensions and revenue recognition These matters were resolved satisfactorily The Audit Committee reserves oversight responsibility for monitoring the independence and objectivity of the external auditors

A review takes place annually of the performance of the external auditors following the completion of the annual audit To assess the effectiveness of the external auditors the Audit Committee reviews

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

To fulfil its responsibility regarding the independence of the external auditors the Audit Committee reviews the changes in key external audit staff in the external auditors' plan for the current year, the arrangements for day-to-day management of the audit relationship a report from the external auditors describing their arrangements to identify report and manage any conflicts of interest and the overall extent of non-audit services provided by the external auditors In addition, to safeguard auditor objectivity and independence when the external auditors provides non-audit services, the Chairman of the Audit Committee reviews the provision of non-audit services by the external auditors where the proposed fee exceeds £20 000 and with formal Audit Committee approval where fees are £50,000 or above Competitor quotes are obtained where the proposed fee is in excess of £100,000

Details of audit fees together with fees for non-audit services for the year, are set out in Note 3 (page 74) to the Financial Statements

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

To fulfil these duties the Committee reviews

- the Group s risk framework and risk management policies,
- any internal control findings reported by the external auditor,
- the Internal Audit function s terms of reference, reporting lines and access to the Audit Committee and all members of the Board, and its plans and the outcomes of the planned activity,
- Internal Audit reports on key audit areas and significant control environment deficiencies, and
- reports on the systems of financial controls and financial risk management

The Group's Business Malpractice Policy comprises an internal process that has been communicated directly to all employees by which employees can raise a concern, including concerns relating to fraud damage to the environment criminal activity or danger to health and safety, in the knowledge that it will be taken seriously, treated as confidential and that no action will be taken against them There is also provision within the Policy for employees to raise concerns directly with the Senior Independent Director The Policy is reviewed annually by the Committee

Administration Committee
The Administration Committee consists of a minimum of two Directors and deals with items of a routine and administrative nature The Board receives a summary outlining all matters decided by the Administrative Committee since the previous Board Meeting

Annual General Meeting (AGM)
The AGM is an opportunity for the Board to meet shareholders At its AGM the Group complies with the provisions of the Governance Code relating to the disclosure of proxy votes the separation of resolutions and the attendance of Committee Chairmen The Group arranges for the Annual Reports and Financial Statements and related papers to be posted on its website and where shareholders have elected to receive paper copies, posted to shareholders so as to allow at least 20 working days for consideration prior to the AGM The next AGM will be held on 10 September 2013 at the Group s offices in Tubney, Oxfordshire

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

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

All Group announcements are posted on the Group website, www oxford-instruments com/investors, as soon as they are released The Investor Relations section of the website provides financial and other information on the Group and the website itself carries additional information on the Group s products, services and markets

Risk management
Within the Group there is an ongoing embedded process for identifying, evaluating and managing the significant risks faced by the Group Day-to-day management of this process has been delegated by the Board to the Executive Directors This process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts It is regularly reviewed by the Board of Directors and accords with the Turnbull principles

Details of all major risks identified and the mitigating actions in place are reported to and reviewed by the Board The Principal Risks (page 26) gives an overview of the major risks and uncertainties faced by the Group A standard process is in place throughout the Group that requires the senior management of each business to identify significant business risks and to classify them both as to probability and potential impact Once identified, mitigating action, where possible, is formulated and responsibility within the management team assigned On a regular basis each business reviews and updates its risk summary which is then reported to the Chief Executive If a material risk changes or arises, the Managing Director of the business reports this in writing to the Chief Executive at which time there is a discussion on the adequacy of the mitigating actions taken

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

Internal audit and assurance
The Group's Assurance function has responsibility for independently assessing the adequacy and effectiveness of the management of significant risk areas and acts as a third line of defence behind operational management s front line and own assurance activities Group Assurance comprises several teams and focuses on the areas of finance, operations, health & safety, research & development, human resources and IT Group Internal Audit headed by the Group Audit & Risk Manager, performs internal audits under an audit programme approved by the Audit Committee and focuses primarily on the financial systems and processes across the Group The Group Audit & Risk Manager has direct access and a reporting line to the Chairman of the Audit Committee Audits in the non-financial areas are performed by the Group's functional heads under programmes approved by the Board Coordination between the teams ensures that the required risk coverage is achieved A continuous process of risk assessment allows audits to respond expeditiously to changes in the Group's business and risk environment Issues or control deficiencies identified during an internal audit engagement are addressed by management through the development of corrective action plans The findings of the financial and non-financial internal audits and the status of the corrective action plans are reported to the Audit Committee or Board bi-annually

A review of the Group s assurance arrangements is performed at least annually to determine whether it continues to be fit for purpose Last year's review determined that a risk manager was now needed and accordingly a Group Audit & Risk Manager with specialist knowledge of internal audit was appointed in July 2012 He together with the Chairman of the Audit Committee, has put in place the process described above This year s review determined that the structure implemented during the year is effective for the size and complexity of the Group

Internal control
The Board has accountability for reviewing and approving the adequacy and effectiveness of internal controls operated by the Group, including financial, operational and compliance controls and risk management The management of each business is responsible for risk management and control within their business and, through the Management Board, implementing Board policies on risk and control

The internal control framework includes central direction oversight and risk management of the key activities within the Group As part of this framework there is a financial planning process which includes a three year planning model and the preparation of an annual budget approved by the Board The results of the business units are reported monthly and compared with the budget Forecasts are also prepared monthly

Control activities include policies and practices covering appropriate authorisation and approval of transactions, the application of financial reporting standards and reviews of significant judgements and financial performance Financial regulatory and operational controls, procedures and risk activities across the Group are reviewed by the Group's Assurance function

Corporate Governance continued

Internal control continued
The internal control framework complies with the Turnbull guidance and has been designed to manage rather than eliminate material risks to the achievement of strategic and business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss Because of inherent limitations, internal controls over financial reporting may not prevent or detect all misstatements There has been no material change to the Group's internal control framework during the period covered by this Annual Report

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

- there is a formal schedule of matters reserved to the Board for decision, other than these matters the Board delegates to the Chief Executive and reviews the delegation of authorities throughout the management structure,
- the Group's management structure is headed up by the Management Board Its membership comprises the Executive Directors, senior managers with Group wide functional responsibilities and the heads of the principal businesses of the Group's activities Day-to-day responsibility for the management of the Group is delegated to the Management Board The responsibility is based on the identification of separate businesses for each of the Group s activities for which there are clearly defined lines of management responsibilities at all levels up to and including the Group Board and the Group's accounting and reporting functions reflect this organisation,
- financial executives within Group businesses report to their own operational head but there is also a well established and acknowledged functional reporting relationship through to the Group Finance Director,
- the Board reviews strategic issues and options formally once a year during the annual strategic planning process and during the year as appropriate In addition the Executive Directors maintain a three year planning model of the Group and its individual businesses,
- annual budgets are prepared for each of the Group s businesses which include monthly figures for turnover, profit, capital expenditure cash flow and borrowings The budgets are reviewed through the Group management structure and result in a Group financial budget which is considered and approved by the Board,
- the businesses prepare monthly management accounts which compare the actual operating result with both the budget and the prior year The businesses also prepare rolling reforecasts for orders, turnover, operating profit and cash Both are reviewed by the Board monthly,
- the Board approves all acquisition and divestment proposals and there are established procedures for the planning approval and monitoring of capital expenditure,
- for all major investments the performance of at least the first 12 months against the original proposal is reviewed by the Board,
- each Group site, except for representative sales offices, is required to submit a self assessment internal control questionnaire annually,
- internal audit is carried out through a system of regular reviews of the financial and non-financial internal controls at each site These reviews are coordinated by the Group Audit & Risk Manager
  - financial internal audit visits are conducted by the Group Audit & Risk Manager or accountants from other parts of the Group and in Japan, due to language difficulties, by local external auditors,
  - non-financial internal audit visits are conducted by the Group's functional heads or their delegates
  - work performed is based on a standardised Group format but involves random testing, together with a review of the internal control questionnaire, and
  - as required, action plans are drawn up by the businesses in conjunction with the Group Finance Director or, for non-financial audits, with the relevant functional head to remedy any significant control weaknesses that are identified from completion of the internal control questionnaire or as a result of the internal audit The results of audit reviews are reported to local management, the Group Finance Director and the Audit Committee or Board and checks on the progress of the action items arising are made,
- the Board receives regular updates on treasury, tax, property pensions, insurance litigation, human resources, corporate social responsibility, business ethics and health and safety matters,
- authorisation limits are set at appropriate levels throughout the Group, compliance with these limits is monitored by the Group Finance Director and the Group Audit & Risk Manager,
- all requests to quote for substantial fixed price contracts are reviewed by the Chief Executive and/or the Group Finance Director to assess both technical and financial risk and to fix an appropriate balance between risk and reward However no procedure can guarantee the avoidance of losses on fixed price contracts of a technical nature, and
- with respect to the UK pension scheme, the Group nominates half of the Trustee Directors of the corporate Trustee to the pension scheme involves its own independent actuary with whom actuarial assumptions are reviewed, agrees the investment policy with the Trustee, works with the Trustee on its investment sub-committee to deal with day-to-day investment matters and to act as a coordinator between the Investment Advisors, Investment Managers and the Trustee, ensures there is an independent actuarial valuation every three years and agrees funding levels to provide adequate funding to meet the benefit payments of the members as they fall due

Susan Johnson-Brett
Company Secretary
11 June 2013

Directors' Remuneration Report

Dear Shareholder
In my capacity as Chairman of the Remuneration Committee I present our Directors' Remuneration Report for 2012/13 I summarise below the aim of our remuneration policy and the work that has been carried out by the Remuneration Committee during the year

The Report sets out the remuneration paid to the Directors in the year to 31 March 2013 and the policy for the forthcoming year In line with the continuing focus on Executive pay and the introduction of the new Directors' reporting regulations applicable to Oxford Instruments for 2014 the Committee intends to adopt a number of the key reporting requirements early in advance of the formal regulations coming into force The Report therefore follows a new structure this year which the Committee hopes you will find helpful and informative

Oxford Instruments has produced a good result for the year, delivering increased profit and improving performance against our strategic targets with good margin progression Our continued focus will be on driving growth in profit and long term sustainable shareholder value and we consider that our remuneration policy will play a vital role in helping us to achieve this

The main aim of our remuneration policy is to attract and retain Executives of the appropriate calibre and experience needed to manage the international complexity of our operations and to incentivise and reward the delivery of outstanding business results

The Committee believes that it has developed a remuneration structure that will continue to support and motivate our senior team whilst aligning them both to the Company's strategic objectives and the interests of our shareholders It has consulted with key shareholders on Executive remuneration

During the year the Remuneration Committee

- reviewed the base salary of the Chief Executive (CEO) and the Group Finance Director (GFD) and determined that it would be increased in line with the proposals which we consulted shareholders about prior to last year's AGM
- established and awarded bonuses under the Directors' annual bonus plan,
- took advice from New Bridge Street on remuneration strategies for FTSE 250 companies,
- reviewed with the CEO the overall remuneration structures for the Group as a whole,
- made awards and set the Performance Conditions under the Company's Executive Share Option Scheme and Senior Executive Long Term Incentive Scheme,
- determined whether Performance Conditions had been met for options vesting under the Company's long term incentive schemes, and
- introduced Clawback arrangements under the annual bonus plan and share incentive plans for the 2013/14 year and beyond

In 2011 the Company successfully completed its five year plan to double the size of its business and improve net margins to above 10% through organic growth The Company is now two years into its three year plan, the *14 Cubed* Plan This is an ambitious plan, the objective of which is to target an average compound annual revenue growth rate of 14% per year and to have a net return on sales of at least 14% by 2014 Progress to date is in line with meeting these objectives and the *14 Cubed* target Our share price has risen from £1 10 (market cap of £54 5m) on 31 March 2009 to £16 55 (market cap of £942 0m) on 31 March 2013 The strategic momentum for the medium and long term is driven by successive technology waves of which Nanotechnology is a current key driver Oxford Instruments business is built around providing the tools required for its customers to exploit novel scientific modalities where the ability to investigate and manipulate structures is the key to creating value in the area of interest With this in mind a new strategic plan is being developed to be announced next year

The CEO and the GFD have presided over significant growth and business performance for a number of years This management team continues to deliver outstanding returns to shareholders The Committee considers that it is essential that the CEO and GFD are not only rewarded for this growth and the increased responsibility of their roles but are also incentivised to drive future performance

The Committee appreciates that remuneration-related solutions represent only part of any proposition to retain and motivate talented Executives The Committee is most interested in attracting and retaining Executives who are motivated by the opportunity and challenges to build a global champion in the sectors in which Oxford Instruments operates Management has shown it can deliver an outstanding strategic success and we would like to incentivise them to do so again

As part of the development of the new strategic business plan the Committee is carrying out a review of Executive remuneration to ensure it is appropriately structured to build on the exceptional performance to date and to drive the next period of growth Following this review details of any changes that require shareholder approval will be provided to shareholders with the Notice to the AGM which will be posted in August

The Board recognised that when Oxford Instruments joined the FTSE 250 towards the end of 2011 it was time to recruit a new Non-Executive Director who would make a credible successor to me as Chairman of the Committee I am therefore pleased to report that Thomas Geitner, who has substantial corporate experience in companies larger than Oxford Instruments, was appointed to the Board in January 2013 Thomas will become Chairman of the Remuneration Committee after this year's Annual General Meeting (AGM) He brings to the role a wealth of experience in remuneration matters and since his appointment has worked closely with me and the Committee's advisors and in communicating with our principal shareholders I am also pleased to confirm that Jennifer Allerton is joining the Remuneration Committee on 11 June Her broad international experience will further strengthen the knowledge base of the Committee

A resolution to approve the Directors Remuneration Report will be put forward at this year s AGM, which I hope that you will be able to support Details of the voting at last year's AGM are given on page 52

Nigel Keen
Chairman of the Remuneration Committee
11 June 2013

Directors' Remuneration Report continued

The report is divided into two parts
Part A A Policy Report which explains the Company s current remuneration policy for Executive Directors, and

Part B An Implementation Report, which is audited and shows how the remuneration policy has been applied to Executive Directors for the year under review and contains tables detailing the Executive Directors emoluments for the year ended 31 March 2013, their accrued pensions and their interests under the Company's long term incentive arrangements

PART A REMUNERATION POLICY

The Company has an incentive-driven remuneration policy that seeks to reward Executives fairly and responsibly based on Group performance and their individual contribution Overall the remuneration package aims to be appropriate to attract, motivate and retain high calibre Executives

The remuneration policy promotes the delivery of the Group's strategy and seeks to align the interests of Directors and shareholders The Committee regularly reviews the link between performance and strategy and believes that measuring the success of the strategy through sustained and significant earnings growth and the delivery of superior long term shareholder returns ensures a strong performance culture

The Committee considers carefully the motivational effects of the incentive structure in order to ensure that it is effective and does not have any unintentionally negative impact on matters such as governance, environmental or social issues More generally, the Committee ensures that the overall remuneration policy does not encourage inappropriate operational risk

Other matters taken into consideration in determining policy
The Committee reviews the Executive Directors' packages annually taking account of the level of remuneration paid to comparable positions in similar companies, as well as pay and conditions throughout the remainder of the Group Comparative pay data is used carefully recognising the potential for an upward ratchet in remuneration caused by over reliance on such data

When appropriate, the Chairman has contact with principal shareholders regarding remuneration policy

Remuneration policy table

Element of pay	Purpose and link to strategy	Operation
Base salary	• To provide a competitive and appropriate level of basic fixed pay to recruit and retain superior talent and avoid excessive risk taking from an over-reliance on variable remuneration • Reflects the experience, performance and responsibilities of the individual	• Reviewed annually with any increase usually effective 1 July • Takes account of the Directors' experience, performance and responsibilities as well as the performance of the Company the complexity of the role within the Group for which the Executive Directors are responsible and salary increases for employees generally • Regard to market data for comparable positions in similar companies including within the industry
Benefits	• Provided on a market competitive basis aids retention and follows reward structure for all employees	• Benefits currently include life assurance cover • private medical cover, • car benefit, and • all-employee Share Incentive Plan Benefits are not part of pensionable earnings
Pension	• The aim is to provide a market-competitive benefit for retirement	• Company contributions of 14% of base salary Salary supplement where annual or life time allowances exceeded
Annual bonus	• Relates to the successful achievement by the recipients of targets set at the start of the year	Paid annually in June • The Committee sets performance targets based on the Key Performance Indicators for the business as well as personal goals aimed at driving the strategic objectives of the business • Clawback may be applied for financial years commencing 2013/14 for misstatement error or misconduct
Long term incentives	• To incentivise the Executives and reward them for meeting stretching targets in the medium term which accrue substantial value to and align the Directors interests with shareholders • Facilitates share ownership to provide further alignment with shareholders • Making of annual awards aid retention	• Executives currently receive annual awards under two plans • the Executive Share Option Scheme (ESOS) and • the Senior Executive Long Term Incentive Scheme (SELTIS) Awards under the ESOS comprise market price options and under the SELTIS consist of nil-cost options • Awards vest subject to performance conditions measured over a three year period • Clawback may be applied for financial years commencing 2013/14 for misstatement error or misconduct
Non-Executive Director fees	• To remunerate Non-Executive Directors	• Agreed by the Executive Directors after reference to similar roles in an appropriate comparator group of companies • Reflects time commitment and responsibilities of the role and sufficient to attract individuals with appropriate knowledge and experience

Notes to the table

(1) The Committee has chosen sales profit and cash generation as measures for the annual bonus because they are Key Performance Indicators for the business over the short term The Committee has chosen a combination of EPS growth targets and relative TSR for the long term incentive plans as they provide a good focus on the outcomes of the Company strategy together with sustainable improvements in long term profitability

Maximum opportunity	Performance metrics	Changes for 2013/14
• The Committee's policy is to set Executive salaries at a level which provides a fair reward for the role and which are broadly competitive with salaries for companies of a similar size and profile as Oxford Instruments in terms of internationality business model, structure and complexity • As the Company grows in size complexity and performance and to recognise the returns delivered to shareholders and implicit in the Company s growth the Committee will review the market competitiveness of salaries	• Not applicable	• After consultation with the Group s major shareholders in 2012, the following salaries have been agreed effective 1 July 2013 • Jonathan Flint s salary will be increased from £420 000 to £450,000 and • Kevin Boyd s salary will be increased from £283 000 to £300 000 Charles Holroyd s salary will be increased from £210 000 to £217 000
• Not applicable	• Not applicable	• No change
• Not applicable	Not applicable	• No change
• Opportunities under the annual bonus plan for the CEO and GFD are • 75% of salary at target and • 100% of salary at maximum • For the Business Development Director the opportunities are • 55% of salary at target, and • 75% of salary at maximum for 2012/13 and 100% of salary thereafter	For 2013/14 targets primarily based on achievement of challenging corporate financial targets around organic sales, profit and cash generation with the balance for achieving specific strategic objectives • 85% of total bonus determined by financial measures and 15% personal strategic measures	• Maximum opportunity under annual bonus plan for Business Development Director increasing from 75% of salary to 100% of salary
• For 2013/14 the levels of award are expected to be as follows (based on face value at date of grant) • ESOS • J Flint 200% of salary, • K Boyd 200% of salary and • C Holroyd 100% of salary • SELTIS J Flint 50% of salary, • K Boyd 50% of salary, and • C Holroyd 50% of salary	• ESOS awards are subject to EPS growth targets measured over three financial years • In 2012/13 EPS growth targets from CPI + 5% p a (for which 33 3% of the options vest) to CPI + 10% p a (for which 100% of the options vest) • SELTIS awards are subject to a relative TSR performance condition • In 2012/13 TSR vs FTSE 250 (excluding financials) from median (33 3% vests) to upper quartile (100% vests)	• No increases in levels of award from 2012/13 • The EPS growth targets for the awards to be made in 2013/14 will be determined by the Committee immediately prior to the date of grant • The relative TSR targets remain unchanged
• The current fee levels for the Non-Executive Chairman and Directors is as follows • Chairman - £161 000, • Base Board fee - £40 000 • Deputy Chairman - £5,000, • Senior Independent Director - £5 000, and • Chair of the Audit Committee - £5 000	• Not applicable	• No change

(2) The salary increases for the CEO and GFD for 2013 were disclosed in the 2012 remuneration report and were subject to shareholder consultation in 2012 The salary of the Business Development Director is to increase by 3 3% in July 2013 This increase falls within the expected range of 2013 salary increases for UK employees

(3) The Committee sets appropriate and demanding targets for variable pay in the context of the Company s trading environment and strategic objectives The targets for the annual bonus plan will be set each year with reference to the Company s budget and business and strategic plan The Committee will set the performance conditions for the 2013 awards under the SELTIS and ESOS which are expected to be granted in November at that time taking account of the Company s internal financial planning market forecasts and the business environment

Directors' Remuneration Report continued

PART A REMUNERATION POLICY continued

Contracts

Details of the service contracts of the Executive Directors are as follows

	Contract date	Notice period by Company and Executive Director	Unexpired term of contract
Jonathan Flint	21 February 2005	12 months	Rolling contract
Kevin Boyd	9 May 2006	12 months	Rolling contract
Charles Holroyd	22 November 2005	12 months	Rolling contract

The Company has a right to pay 12 months' salary in lieu of notice if it so determines The Committee's policy on early termination is to provide compensation which reflects the Company's contractual obligations (which does not include entitlement to bonus after the date of notification of termination), whilst recognising the principle of mitigation of losses

Non-Executive Directors

Non-Executive Directors do not have service contracts but are appointed under letters of appointment for an initial period of three years with subsequent reviews With the introduction in the UK Corporate Governance Code of annual re-election of all Directors, Non-Executive Director appointments are now renewed for periods of one year Their appointment can be terminated without notice

Chairman

Under an arrangement between the Company and Imperialise Limited, Nigel Keen is retained to act as Chairman of the Company and Chairman of the Trustee to the Oxford Instruments Pension Scheme and he must account to Imperialise Limited for his services His current term of appointment commenced on 25 February 2011 and is for three years This arrangement can be terminated by either party at any time by the giving of six months' notice

	Date of last appointment	Notice period
Nigel Keen	25 February 2011	6 months
Jennifer Allerton	10 June 2013	None
Mike Brady	6 March 2013	None
Thomas Geitner	15 January 2013	None
Mike Hughes	6 March 2013	None
Jock Lennox	6 March 2013	None

All-employee share schemes

The Company operates a Share Incentive Plan (SIP) which is open to all UK permanent staff employed for at least six months The Executive Directors all participate in the SIP to the maximum extent permitted by HMRC The Company offers a 1 5 match for partnership shares purchased by employees During the year, each of the Executive Directors were awarded 22 matching shares

PART B IMPLEMENTATION REPORT – THE FINANCIAL INFORMATION IN THIS PART OF THE REPORT HAS BEEN AUDITED WHERE INDICATED

Remuneration Committee

The Remuneration Committee (the "Committee") is responsible for recommending to the Board the remuneration packages for Executive Directors and the bonus and share incentive strategy for the Group s executive management The Board as a whole is responsible for determining the remuneration of the Non-Executive Directors, including the Chairman

The role of the Committee includes

- considering and determining the remuneration policy for the Executive Directors and executive management,
- within this agreed policy, considering and determining the total remuneration packages of each Executive Director of the Company,
- approving the design and performance targets for all performance-related plans as well as the overall total annual payments made under such plans,
- reviewing and noting remuneration trends across the Group, and
- determining the policy for pension arrangements, service agreements and termination payments to Executive Directors and the executive management

The Committee comprises all the Independent Non-Executive Directors and the Chairman of the Board The Chairman of the Board, Nigel Keen, who fulfilled the independence criteria at the time of his appointment as set out in the UK Corporate Governance Code (the Governance Code), is currently the Chairman of the Committee Nigel Keen was Chairman of the Committee at the time the Company listed on the FTSE SmallCap index As a SmallCap company this appointment recognised his significant experience of the role at the Company and elsewhere It has been agreed that Thomas Geitner, appointed a Non-Executive Director on 15 January 2013, is to succeed Nigel Keen as Chairman of the Committee at the end of this year's AGM He has an appropriate mix of skills to carry out this role Thomas has met with the Committee's advisors and has been closely involved in the Committee s most recent review of Executive Director remuneration

PART B IMPLEMENTATION REPORT – THE FINANCIAL INFORMATION IN THIS PART OF THE REPORT HAS BEEN AUDITED WHERE INDICATED continued

Remuneration Committee continued

The Committee normally meets at least four times a year and the members of the Committee are appointed by the Board

The Chief Executive, the HR Director and other Executives are invited to attend Committee meetings as deemed appropriate For example the Chief Executive is able to make a significant contribution when considering the performance of other Executive Directors and on significant Group-wide changes in salary structure and terms and conditions affecting other employees at Senior Executive level However, no Executive Director is present when the Committee is determining his or her remuneration

The Committee acts within its agreed written terms of reference [which are published on the Company's website – www oxford-instruments com/investors] and complies with the provisions of the Governance Code regarding best practice on the design of performance-related remuneration

The performance of the Committee is reviewed at least once a year as part of the wider Board evaluation process

During the year the Committee fulfilled its duties, as laid down in the Committee s terms of reference and, as described above, considered the future remuneration requirements of the Executive Directors to carry Oxford Instruments through its next period of growth

New Bridge Street (a trading name of Aon Hewitt Limited and part of Aon plc) (NBS) is the Committee s independent remuneration consultants NBS provides remuneration advice to the Committee on all aspects of Executive remuneration as required by the Committee During the year advice was provided in relation to the Committee's review of the Executive Directors' remuneration packages including market data, remuneration reporting including the Department for Business Innovation and Skills draft remuneration reporting regulations, monitoring and testing of performance conditions NBS also meets with the Remuneration Committee Chairman at least once a year to discuss remuneration matters which are of particular relevance to the Company and how best it can work with the Company to meet the Committee's needs NBS is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres to the Code Fees are charged predominately on a 'time spent' basis and the total fees paid to NBS for the advice provided to the Committee during the year was £34,442

No other services are provided to the Company by the Aon plc group

Executive Directors' Emoluments (audited)

The remuneration paid to the Executive Directors during the year under review is summarised in the table below

	Salary[3] £000	Benefits[1] £000	Annual bonus £000	**Total remuneration 2013 £000**	Total remuneration 2012 £000	Pension contribution 2013 £000	Long term incentive awards 2013 £000	Total including pension and LTI 2013 £000
Jonathan Flint[2]	403	25	290	**718**	713	50	1,488	2 256
Kevin Boyd	273	16	196	**485**	495	38	1,016	1,539
Charles Holroyd	208	15	109	**332**	358	29	881	1,242
Total	884	56	595	**1,535**	1,566	117	3,385	5,037

1 Benefits comprise provision of a car or car allowance health insurance and any balancing payment made by the Company where the contractual pension contribution exceeds the Annual Allowance

2 In 2010 the Company and Jonathan Flint purchased a house in joint ownership with the Company contributing £300 000 Jonathan Flint bought further proportions of the house by paying £99 900 to the Company in each of the years to 31 March 2012 and 31 March 2013 These proportions were recalculated based on the original purchase price Independent valuations have established that the price paid by Jonathan Flint was in excess of the market value of the house at the time of each payment Jonathan Flint lives in the house and paid a full commercial rent amounting to £4 640 during the financial year for use of the Company asset

3 Under the terms of a salary sacrifice arrangement UK employees are able to elect to cease making personal contributions into relevant pension schemes Each employee s salary is reduced by the amount of their pension contributions and the Company pays the same amount directly to the pension schemes Accordingly the annual salaries of Jonathan Flint Kevin Boyd and Charles Holroyd were reduced to £402 242 £260 793 and £187 238 respectively (2012 £344,297 £222 033 and £181 480 respectively) For reasons of clarity the salaries shown in the table above for these Directors are the amount they would have been paid had they not made such salary sacrifices These notional base salaries are used to calculate salary linked remuneration such as bonus and some benefits

4 Long term incentive awards are those awards where the vesting is determined by performance periods ending in the year under report under both the SELTIS and ESOS and therefore calculates the value of the SELTIS option granted in December 2009 and the ESOS option granted in January 2011 Further details of how these sums are arrived at are set out below

Outside appointments (unaudited)

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

Jonathan Flint held positions as a member of the Council of the Institute of Physics (resigned July 2012) and as a member of the advisory board of the ISIS neutron spallation instrument (resigned December 2012) During the year he received fees of £340 from ISIS (2012 £510) Since the year end, he has been appointed a Non-Executive Director of Cobham Plc

Kevin Boyd is a Non-Executive Director of Guidance Ltd During the year he received fees of £15,567 (2012 £18,300)

Directors' Remuneration Report continued

PART B IMPLEMENTATION REPORT – THE FINANCIAL INFORMATION IN THIS PART OF THE REPORT HAS BEEN AUDITED WHERE INDICATED continued

Details of variable pay earned in year (unaudited)

Bonus

For the year ended 31 March 2013, the bonus awarded was based against the following metrics organic sales, profit, cash generation and other strategic objectives The level of payment for the year took account of the Company's very strong performance with organic sales up 4 5%, adjusted profit before income tax up 15% and net cash position of £39 2m

The on-target and maximum bonus potentials for the Executive Directors as well as the amount actually payable for the year ended 31 March 2013 are set out below

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2012/13 (% of salary[1])
Jonathan Flint	75%	100%	69 1%
Kevin Boyd	75%	100%	69 1%
Charles Holroyd	55%	75%	52 0%

1 Bonus is calculated on salary as at 31 March 2013

Long Term Incentive Plans

The performance conditions and the resulting payout in respect of the long term incentive awards that will vest based on a performance period ending in the year under report were as follows

Executive Share Option Scheme (ESOS) (audited)

The performance conditions which applied to the 7/1/2011 award (vesting on 7/1/2014) for the performance period which came to end in the year under review and actual performance achieved against these were as follows

Performance level	EPS growth over CPI Performance required	% of award that will vest
Below threshold	Less than 15% over three years	0%
Threshold	15% over three years	33 3%
Between threshold and maximum	15% to 30% over three years	33 3%–100%
Maximum	30% and above over three years	100%
Actual achieved	**284%**	**100%**

The total percentage of each Executive's option vesting (subject to continued service to 7/1/2014) is set out below

	Total number shares subject to option	Percentage of award vesting	Number of shares that will vest	Exercise price	Value of shares that will vest[1]
Jonathan Flint	55,000	100%	55 000	£7 05	£518,650
Kevin Boyd	38,000	100%	38,000	£7 05	£358,340
Charles Holroyd	31 000	100%	31,000	£7 05	£292,330

1 Value determined using a share price of £16 48 being the average for the three months ended on 31 March 2013 less the exercise price

Senior Executive Long Term Incentive Scheme (SELTIS) (audited)

The performance conditions which applied to the 17/12/2009 award (vesting on 17/12/2012) for the performance period which came to an end in the year under review and actual performance achieved against these were as follows

	TSR relative to FTSE SmallCap (excluding certain sectors)[1]	
Performance level	Performance required	% of total award vesting
Below threshold	Below median	0%
Threshold	Median	33%
Between threshold and stretch	Between median and upper quartile	33%–100%
Stretch or above	Upper quartile	100%
Actual achieved	**Upper quartile**	**100%**

1 Sectors excluded are Food & Drug Retailers General Retailers Banks Nonlife Insurance Life Insurance Real Estate General Financial Equity Investment Instruments and Non-equity Investment Instruments

PART B IMPLEMENTATION REPORT – THE FINANCIAL INFORMATION IN THIS PART OF THE REPORT HAS BEEN AUDITED WHERE INDICATED continued

Details of variable pay earned in year (unaudited) continued

Long Term Incentive Plans continued

Senior Executive Long Term Incentive Scheme (SELTIS) (audited) continued

The total percentage of shares that vested is 100% This resulted in the following awards vesting to the Executive Directors

	Total number of shares granted	Percentage of award vesting	Number of shares vesting	Value of shares vesting[1]
Jonathan Flint	70,000	100%	70,000	£969,500
Kevin Boyd	47,500	100%	47,500	£657,875
Charles Holroyd	42,500	100%	42,500	£588,625

1 Value determined using a share price of £13 85 being the mid market closing price on the day of vesting

Remuneration of the Chairman and Non-Executive Directors (audited)

Remuneration paid to the Chairman and Non-Executive Directors[4] during the year under review are set out below They receive no other benefits

Under an arrangement between the Company and Imperialise Limited, Nigel Keen is retained to act as Chairman of the Company and Chairman of the Trustee to the Oxford Instruments Pension Scheme and he must account to Imperialise Limited for his services Imperialise Limited is paid fees for Nigel Keen's services together with a sum equivalent to the employer s national insurance contributions on these fees as it is responsible for the cost of national insurance on payments to Nigel Keen whereas national insurance contributions in respect of the other Non-Executive Directors are made direct to the UK Inland Revenue For the year to 31 March 2013, Nigel Keen s fees as Chairman were £161,000 (2012 £145,000) and as Chairman to the Trustee were £25 000 (2012 £25,000) for his services for which he must account to Imperialise Limited In addition Imperialise Limited has been paid a sum equivalent to the national insurance on both these fees of £25,668

	2013 £000	2012 £000
Nigel Keen, Chairman[1]	**183**	145
Mike Brady	**45**	35
Mike Hughes	**45**	35
Jock Lennox	**45**	35
Thomas Geitner[2]	**8**	–
Bernard Taylor[3]	**20**	30
Total	**346**	280

1 Nigel Keen s fees above include a payment equivalent to employers national insurance contributions of £22 218 and are paid to Imperialise Limited In addition to the sum in the table above Imperialise Limited received fees for his services as Chairman to the Trustee of the Oxford Instruments Pension Scheme
2 Appointed 15 January 2013
3 Resigned 11 September 2012
4 Jennifer Allerton was appointed after 31 March 2013

Former Non-Executive Directors (audited)

In November 2012, the Company entered into a consultancy arrangement with Rycote Services Limited whereby Bernard Taylor who ceased to be a Director on 11 September 2012 provides advice on strategic, merger and acquisition issues to the Chief Executive and the Company's Management Board In the year to 31 March 2013, fees of £20,000 were paid to Rycote Services Limited

Directors' Remuneration Report continued

PART B IMPLEMENTATION REPORT –
THE FINANCIAL INFORMATION IN THIS PART OF THE REPORT HAS BEEN AUDITED WHERE INDICATED continued

Outstanding Share Incentive Awards (audited)
As at 31 March 2013, the outstanding options for Jonathan Flint, Kevin Boyd and Charles Holroyd under the ESOS and SELTIS schemes were as follows

			Movements during the year								
Name	Scheme	March 2013	Granted	Exercised	Lapsed	March 2012	Exercise price	Share price on date of grant	Date of grant	Date for earliest exercise	Date for latest exercise
Jonathan Flint[2]	ESOS	**60,500**	60,500			–	£13 88	£14 08	19/12/12	19/12/15	18/12/22
	ESOS	**70,700**				70 700	£9 90	£9 87	14/12/11	14/12/14	13/12/21
	ESOS	**55,000**				55,000	£7 05	£7 02	07/01/11	07/01/14	06/01/21
	ESOS	**–**		140,000		140,000	£2 035	£2 03	17/12/09	17/12/12	16/12/19
	SELTIS	**15,100**	15,100			–	Nil	£14 08	19/12/12	19/12/15	18/12/19
	SELTIS	**17,600**				17,600	Nil	£9 87	14/12/11	14/12/14	13/12/18
	SELTIS	**27,500**				27,500	Nil	£7 02	07/01/11	07/01/14	06/01/18
	SELTIS	**–**		70,000		70 000	Nil	£2 03	17/12/09	17/12/12	16/12/16
Kevin Boyd	ESOS	**40,750**	40,750			–	£13 88	£14 08	19/12/12	19/12/15	18/12/22
	ESOS	**48,700**				48,700	£9 90	£9 87	14/12/11	14/12/14	13/12/21
	ESOS	**38,000**				38,000	£7 05	£7 02	07/01/11	07/01/14	06/01/21
	ESOS	**7,371**		87,629		95,000	£2 035	£2 03	17/12/09	17/12/12	16/12/19
	SELTIS	**10,150**	10,150			–	Nil	£14 08	19/12/12	19/12/15	18/12/19
	SELTIS	**12,100**				12,100	Nil	£9 87	14/12/11	14/12/14	13/12/18
	SELTIS	**19,000**				19,000	Nil	£7 02	07/01/11	07/01/14	06/01/18
	SELTIS	**–**		47 500		47,500	Nil	£2 03	17/12/09	17/12/12	16/12/16
Charles Holroyd	ESOS	**15,100**	15,100			–	£13 88	£14 08	19/12/12	19/12/15	18/12/22
	ESOS	**20,200**				20,200	£9 90	£9 87	14/12/11	14/12/14	13/12/21
	ESOS	**31,000**				31,000	£7 05	£7 02	07/01/11	07/01/14	06/01/21
	ESOS	**–**		85,000		85,000	£2 035	£2 03	17/12/09	17/12/12	16/12/19
	SELTIS	**7,550**	7,550			–	Nil	£14 08	19/12/12	19/12/15	18/12/19
	SELTIS	**10,100**				10,100	Nil	£9 87	14/12/11	14/12/14	13/12/18
	SELTIS	**15,500**				15,500	Nil	£7 02	07/01/11	07/01/14	06/01/18
	SELTIS	**–**		42,500		42,500	Nil	£2 03	17/12/09	17/12/12	16/12/16

1 During the year Jonathan Flint Kevin Boyd and Charles Holroyd exercised SELTIS and ESOS options on 17 December 2012 when the mid market closing price on the date of exercise was £13 85 The gain yielded on the exercise of options during the year for Jonathan Flint Kevin Boyd and Charles Holroyd was £2 623 600 £1 692 567 and £1 592 900 respectively (2012 £4 138 556 £1 946 642 and £1 946 642 respectively)

2 Jonathan Flint s wife an employee of the Company exercised ESOS options on 17 December 2012 when the mid-market closing price on the date of exercise was £13 85 The gain yielded on the exercise of options was £236 300 She holds as at 31 March 2013 ESOS options over 58 250 shares with exercise prices ranging from £7 05 to £13 88

The market price of the shares at 31 March 2013 was £16 55 (2012 £12 15) and the range during the year was £10 81-£17 78 (2012 £7 03-£12 62)

Performance conditions outstanding for awards are described below (all other awards in the table above have achieved the relevant performance conditions that had been set)

Date of Award	ESOS	SELTIS
7 January 2011	EPS growth - 5% p a (33 3% vesting) to 10% p a (100% vesting)[1]	TSR v FTSE Small Cap Index (excluding certain sectors[2]) - median (33 3% vesting) to upper quartile (100% vesting)
14 December 2011	EPS growth - CPI + 5% p a (33 3% vesting to 10% p a (100% vesting)[1]	TSR v FTSE 250 Index (excluding Financial companies[3]) - median (33 3% vesting) to upper quartile (100% vesting)
19 December 2012	EPS growth - CPI + 5% p a (33 3% vesting to 10% p a (100% vesting)[1]	TSR v FTSE 250 Index (excluding Financial companies[3]) - median (33 3% vesting) to upper quartile (100% vesting)

1 For employees who are not Executive Directors options become exercisable in full for achieving the threshold level

2 Sectors excluded Food & Drug Retailers General Retailers Banks Non life Insurance Life Insurance Real Estate General Financial Equity Investment Instruments and Non equity Investment Instruments sectors

3 Sectors excluded Banks Equity Investment Instruments Finance Services Life Insurance Non life Insurance Real Estate Investment Trusts and Real Estate Investment Services

PART B IMPLEMENTATION REPORT – THE FINANCIAL INFORMATION IN THIS PART OF THE REPORT HAS BEEN AUDITED WHERE INDICATED continued

Achievement of performance conditions (unaudited)

The calculation of the TSR performance conditions were independently measured by Thomson Reuters for options granted prior to 2008 and are measured by New Bridge Street for options granted thereafter EPS performance conditions are measured using the audited accounts of the Company All performance conditions are then verified by the Committee During the year the 2009 ESOS and SELTIS grants vested as to 100% because of the Company's strong EPS and relative TSR performance

Dilution limits (unaudited)

The ESOS, SELTIS and SAYE share option schemes provide that overall dilution through the issuance of new shares for employee share schemes should not exceed an amount equivalent to 10% of the Company's issued share capital over a ten year period Awards made under the SELTIS scheme prior to 2009 and shares required by the SIP are satisfied by market purchased shares

The Committee monitors the position prior to the making of any award under these share option schemes to ensure that the Company remains within this limit As at the date of this Report, the Company s headroom position remains within the 10% limit

Shareholding guidelines (unaudited)

The Committee has established shareholding guidelines which encourage the Executive Directors to build and retain a shareholding equivalent in value to 100% of basic salary Until the guideline is met in full, whenever ESOS or SELTIS options are exercised Executive Directors are expected to retain or purchase shares equivalent to the value of 50% of the net amount realised from exercise of the options after allowing for tax payable

Executive Directors shareholdings as at 31 March 2013 are shown in the table below

	Legally owned	LTIP options vested but unexercised	Percentage of salary held in shares under share holding guideline[1]	Guideline met as at 31 March 2013	Subject to performance conditions under the LTIP unvested
Jonathan Flint	191,301	–	754%	Yes	246,450
Kevin Boyd	78 761	7,371	461%	Yes	168,750
Charles Holroyd	78,763	–	621%	Yes	99 450

1 Shares valued using the market price of the shares on 31 March 2013 £16 55

Pension plans

For UK employees and Executive Directors, the Company operates the Oxford Instruments Group Personal Pension Plan (a defined contribution scheme) It also operates the Oxford Instruments Defined Benefit Pension Scheme but this has been closed to new employees since April 2001 and closed to new accruals at the end of July 2010

Oxford Instruments Defined Benefit Pension Scheme (unaudited)

For UK-based Executive Directors and employees employed prior to April 2001, a contributory pension, depending on length of service, of up to two-thirds of pensionable salary is provided on retirement through the Oxford Instruments Defined Benefit Pension Scheme (Defined Benefit Scheme) This was a contracted-out contributory pension scheme and it provides benefits at or near retirement based on earnings and is funded through a separate trust Early retirement is possible on a reduced pension from age 55 with the consent of the Company Pensions in payment are guaranteed to increase by a level of inflation up to a maximum of 3% per year on pension earned before 1 April 1997 and a maximum of 5% per year thereafter, subject to any applicable statutory requirements In the case of death before retirement a spouse s pension of one-half of the member's pension at death is payable and a refund of the member's contributions This Scheme was closed to future accrual on 31 July 2010

Oxford Instruments Group Personal Pension Plan

Employees and Executive Directors are offered membership of the Oxford Instruments Group Personal Pension Plan (GPP Plan) The Company contribution rate and employee contribution rate varies between grades and whether the individual had previously been in the Defined Benefit Scheme The Company contribution ranges between 1% and 14% of base salary

Executive Director Pension Arrangements (audited)

Under the terms of their service contracts Executive Directors can ask the Company to contribute to a pension plan of their own choice The Company contributes a maximum of 14% of base salary if matched by a contribution of 10% by the Director or if lower, a contribution by the Director which brings the total pension contribution to £50,000 Only base salary is pensionable and contributions are not included in the calculation of bonus and share award entitlements Where the Company s pension contribution exceeds £50,000 for the tax year 2013/14 reducing to £40,000 for the tax year 2014/15 (the maximum pension contribution allowable per tax year) a balancing payment is paid by the Company to the Director which will be taxed as income

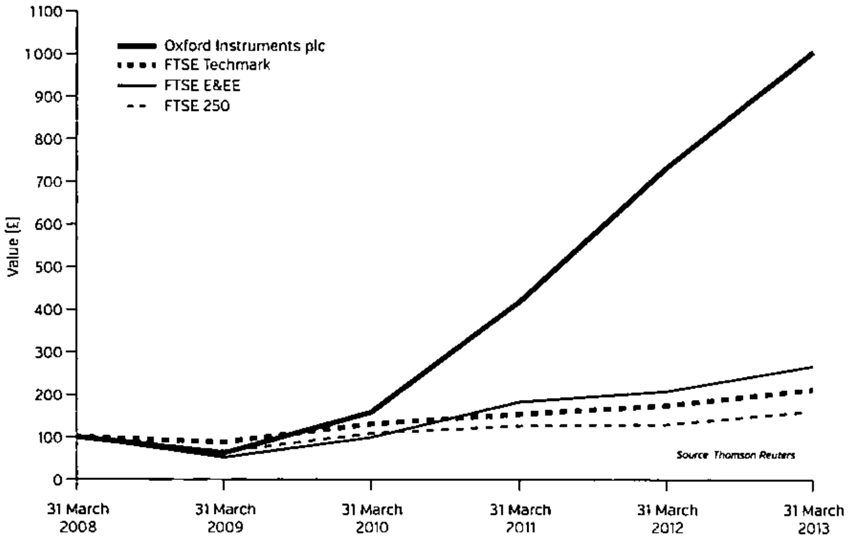
During the year the Company contributed £49,472 (2012 £48,422) into a personal defined contribution pension plan in respect of Jonathan Flint, £38,167 (2012 £33,407) into a personal defined contribution plan in respect of Kevin Boyd and £29,050 (2012 £27,667) into the GPP Plan in respect of Charles Holroyd Charles Holroyd is a deferred member of the Defined Benefit Scheme and is no longer accruing benefits in the Scheme In accordance with the rules of the Scheme his deferred benefits are subject to increases in line with statutory revaluation The transfer value of his accrued benefits at 31 March 2013 was £536,526 (2012 £506,000)

Directors' Remuneration Report continued

PART B IMPLEMENTATION REPORT – THE FINANCIAL INFORMATION IN THIS PART OF THE REPORT HAS BEEN AUDITED WHERE INDICATED continued

Performance graph (unaudited)

The graph below shows for the five years ended 31 March 2013 the Total Shareholder Return (TSR) on a holding of the Company's ordinary shares compared with a hypothetical holding of shares made up of shares of the same kind and number as those by reference to which the FTSE 250 FTSE Techmark and FTSE Electronic and Electrical Equipment indices are calculated These indices have been chosen as they are considered to be the most appropriate comparator groups for the Company TSR has been calculated by reference to the relevant share price for each constituent company assuming dividends are reinvested



Total Shareholder Return

This graph shows the value, by 31 March 2013 of £100 invested in Oxford Instruments plc on 31 March 2008 compared with the value of £100 invested in the FTSE Techmark All Share Index, the FTSE All Share Electronic and Electrical Equipment Index or the FTSE 250 Index over the same period The other points plotted are the values at intervening financial year ends

Statement of shareholder voting (unaudited)

At last year's AGM the Directors' Remuneration Report received the following votes from shareholders

	Remuneration Report	
	Total number of votes	% of votes cast
For	32 759 847	75 1
Against	4 142,005	9 5
Abstentions	6,744,126	15 4
Total	**43,645,978**	**100**

This report was adopted by the Committee at a meeting on 3 June 2013 and has been approved subsequently by the Board for submission to shareholders at the AGM to be held on 10 September 2013

Nigel Keen
Chairman of the Remuneration Committee
11 June 2013

Financial Statements

Directors' Responsibilities
in relation to the Report and Financial Statements

The Directors are responsible for preparing the Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations

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

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period In preparing each of the Group and Parent Company Financial Statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

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

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

Responsibility statement of the Directors in respect of the annual financial report
We confirm that to the best of our knowledge

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

Signed on behalf of the Board

Jonathan Flint
Chief Executive
11 June 2013

Kevin Boyd
Group Finance Director

Report of the Independent Auditor
to the members of Oxford Instruments plc

We have audited the Financial Statements of Oxford Instruments plc for the year ended 31 March 2013 set out on pages 57 to 104

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed

Respective responsibilities of Directors and Auditor
As explained more fully in the Directors Responsibilities Statement set out on page 54 the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s Ethical Standards for Auditors

Scope of the audit of the Financial Statements
A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council s website at www frc org uk/auditscopeukprivate

Opinion on Financial Statements
In our opinion

- the Financial Statements give a true and fair view of the state of the Group s and of the Parent Company's affairs as at 31 March 2013 and of the Group s profit for the year then ended,
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU
- the Parent Company Financial Statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group Financial Statements Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006
In our opinion

- the part of the Directors Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements, and
- the information given in the Corporate Governance Statement set out on pages 36 to 42 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the Financial Statements

Report of the Independent Auditor continued
to the members of Oxford Instruments plc

Matters on which we are required to report by exception
We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- a Corporate Governance Statement has not been prepared by the Company

Under the Listing Rules we are required to review

- the Directors Statement, set out on page 54 in relation to going concern,
- the part of the Corporate Governance Statement on pages 36 to 42 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration

Simon Haydn-Jones (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
11 June 2013

Accounting Policies

Oxford Instruments plc (the Company") is a company incorporated and domiciled in the UK

The Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs') The Company has elected to prepare its Parent Company Financial Statements in accordance with UK GAAP, these are presented on pages 98 to 103

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

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 on pages 14 to 15 The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 25

The relatively diverse nature of the Group together with its current financial strength provides a solid foundation The Directors have reviewed the Group s forecasts and flexed them to incorporate a number of potential scenarios relating to changes in trading performance and believe that the Group will be able to operate within its existing debt facility which expires in 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

The Financial Statements were authorised for issuance on 11 June 2013

(a) New accounting standards
In the current year, the Group has adopted the following new standards, amendments and interpretations These were mandatory for the year ended 31 March 2013

- Amendments to IAS 12 Income Taxes – Deferred Tax Recovery of Underlying Assets provides for there to be a presumption (for the purpose of calculating deferred tax liabilities) that the value of investment property is recovered through sale
- Amendments to IFRS 7 Financial Instruments Disclosures – Transfers of Financial Assets requires additional disclosures about transfers of financial assets, e g securitisations, and should enable users to understand the possible effects of any risks that may remain with the transferor The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period
- Amendments to IFRS 1 First Time Adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters provides guidance to entities emerging from severe hyperinflation and provides relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs

None of the above standards and interpretations have had any impact on profit, earnings per share or net assets in the year ended 31 March 2013

(b) Basis of preparation
The Financial Statements are presented in Pounds Sterling, rounded to the nearest £0 1m and are prepared on the historical cost basis except as described below under the heading "Financial Instruments"

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

The estimates and underlying assumptions are reviewed on an ongoing basis The key judgements and estimates made in applying the Group accounting policies relate to

Fair value measurements on business combinations
The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities The key judgements involved are the identification and valuation of intangible assets which require the estimation of future cash flows and the selection of a suitable discount rate (see Note 13)

Contingent purchase consideration
Contingent purchase consideration is measured at fair value at the date of acquisition and tested annually against the criteria for payment The key judgements involved are the estimation of future cash flows and profitability of the acquired business and the selection of a suitable discount rate

Impairment of intangible assets (including goodwill) and tangible assets
Goodwill is held at cost and tested annually for impairment and amortised intangibles and tangible assets are tested for impairment where there are indications of impairment These impairment tests require the Group to make an estimate of the expected cash flows and to select suitable discount rates These require an estimation of the value in use of these assets (see Note 13)

Accounting Policies continued

(b) Basis of preparation continued

Capitalised development costs

Capitalised development costs involve judgements around the future economic benefits that will flow from the associated development activity and in particular the Group's assessment of the technical and commercial feasibility of the product to be developed

Measurement of defined benefit scheme liabilities

The Group recognises and measures costs relating to defined benefit pension schemes in accordance with IAS 19 Employee Benefits In applying IAS 19 the costs are assessed in accordance with the advice of independent qualified actuaries This requires the exercise of judgement in relation to the estimation of future changes in salaries and inflation, as well as mortality rates, expected returns on plan assets and the selection of suitable discount rates Further detail is provided in Note 21

Provisions

Provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past expectations or events which can be reasonably estimated The timing of recognition requires the application of judgement to existing facts and circumstances which can be subject to change Amounts provided represent the Group's best estimate of exposure based on currently available information

Deferred tax assets

A deferred tax asset is recognised in the period if it is probable that future taxable profits will be available against which the asset can be utilised This requires the exercise of judgement in relation to the estimation of future taxable profit

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods The key areas where estimates have been used and assumptions applied are in the calculation of provisions, the valuation of acquired intangible assets, the impairment testing of goodwill and the estimation of defined benefit pension plan liabilities

(c) Basis of consolidation

The Group Financial Statements include the accounts of Oxford Instruments plc and its subsidiary companies adjusted to eliminate intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions

Subsidiaries are entities controlled by the Group Control exists when the Group has the control, directly or indirectly to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities In assessing control, potential voting rights that are currently exercisable or convertible are taken into account The results of subsidiary companies are included from the date that control is obtained to the date of their disposal, where control is lost

The assets and liabilities of foreign operations including goodwill and fair value adjustments arising on consolidation, are translated into Sterling at exchange rates ruling at the end of the reporting period Income statements and cash flows of foreign operations are translated into Sterling at average quarterly exchange rates which approximate foreign exchange rates at the date of the transaction Foreign exchange differences arising on retranslation are recognised directly in a separate translation reserve

The acquisition method is used to account for the acquisition of subsidiaries

(d) Foreign currency

An individual entity s transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date Foreign exchange differences arising on translation are recognised in profit or loss Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction

(e) Financial instruments

Financial assets and liabilities are recognised in the Group s Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument

(i) The Group's investments in equity securities are classified as "available for sale" financial assets Subsequent to initial recognition they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available for sale monetary items, are recognised directly in equity When an investment is derecognised the cumulative gain or loss in equity is transferred to profit and loss

(ii) Derivative financial instruments of the Group are used to hedge its exposure to interest rate, foreign currency and commodity pricing risks arising from operational, financing and investment activities The Group does not hold or issue derivative financial instruments for trading purposes All derivatives are initially recognised at fair value, attributable transaction costs are recognised in profit or loss as incurred Derivatives comprising interest rate swaps, foreign exchange contracts and options and metal futures contracts are classified as fair value through profit and loss" under IAS 39, unless designated as hedges Subsequent to initial recognition, derivatives are measured at fair value and gains or losses on the settlement of such derivatives are recognised in operating expenses Where such derivatives relate to the following year s exposure, any gains or losses resulting from the change in fair value are taken to the mark to market gains/losses line within financial income or expense

(e) Financial instruments continued

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

(iv) The fair value of interest rate swaps is based on broker quotes Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date

(v) The fair value of forward exchange contracts is their market price at the Consolidated Statement of Financial Position date, being the present value of the forward price The gain or loss on remeasurement to fair value of forward exchange contracts is recognised immediately in the Consolidated Statement of Income

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

(f) Property, plant and equipment

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the Income Statement

(g) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the acquisition method Goodwill represents amounts arising on acquisition of subsidiaries In respect of business acquisitions that have occurred since 31 March 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the assets, liabilities and contingent liabilities acquired In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP

The Group now expenses transaction costs associated with its acquisitions and movements in liabilities relating to contingent consideration within the Income Statement in conformity with the revised IFRS 3 The carrying value of contingent consideration is reassessed annually

Goodwill arising on acquisitions is stated at cost less any accumulated impairment losses and allocated to cash generating units that are anticipated to benefit from the combination It is not amortised but is tested annually for impairment (see accounting policy l), or more frequently when there is an indicator that the unit may be impaired

(ii) Development costs

Research and development costs are charged to the Consolidated Statement of Income in the year in which they are incurred unless development expenditure is applied to a plan or design for the production of new or substantially improved products, in which case they are capitalised The criteria for capitalisation include demonstration of the technical feasibility of completing a new intangible asset that will be available for sale and that the asset will generate probable future economic benefits Where expenditure meets the criteria, development costs are capitalised and amortised through the Consolidated Statement of Income over their useful economic lives

(iii) Acquired intangible assets

An intangible asset acquired with a subsidiary undertaking is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be reliably measured The asset is amortised through the Consolidated Statement of Income over it useful economic life

Accounting Policies continued

(g) Intangible assets continued
(iv) Amortisation
Amortisation of intangible assets is charged to the Consolidated Statement of Income on a systematic basis in proportion to the use of the assets over their estimated useful economic lives as follows

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

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

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

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

(j) Cash and cash equivalents
Cash and cash equivalents are carried in the Statement of Financial Position at amortised cost

Cash and cash equivalents comprise cash balances and call deposits and are carried at amortised cost Bank overdrafts that are repayable on demand and form an integral part of the Group s cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows

(k) Non-current assets held for sale
A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year

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

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

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

For the purposes of impairment testing assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows from other groups of assets

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

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

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit

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

(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Income as incurred

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

All actuarial gains and losses in calculating the Group's net obligation are recognised in the Consolidated Statement of Comprehensive Income in the year

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

(iii) Share-based payment transactions
The fair value of equity settled share option programmes is measured at grant date and charged to the Consolidated Statement of Income, with a corresponding increase in equity, on a straight-line basis over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market performance conditions not being met

(n) Provisions
A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation A provision for warranty is recognised when the underlying products are sold A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liabilities

(o) Trade and other payables
Trade and other payables are initially recognised at their fair value and subsequently stated at amortised cost

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

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

Accounting Policies continued

(r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The following temporary differences are not provided for the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the future

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position date

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

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

(s) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense

(t) Segment reporting

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses including any revenues and expenses that relate to transactions with any of the Group s other components Operating segments are combined into aggregated operating segments to the extent that they have similar economic characteristics Aggregated operating segment's operating results are reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, for which discrete financial information is available Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis

A reportable segment is an aggregated operating segment in respect of which revenue or profit exceeds 10% of the Group total Discrete financial information is disclosed for each reportable segment

(u) Dividends

Interim and final dividends are recognised as a liability when they are no longer at the discretion of the Company

(v) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued by the IASB and endorsed by the EU and are effective for annual periods beginning after 1 April 2013 They have not been applied in preparing these consolidated Financial Statements Those which may be relevant to the Group are set out below

- Amendments to IFRS 7 Financial Instruments Disclosures – Offsetting Financial Assets and Liabilities which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2013 and which will require additional disclosures about offsetting of financial assets and liabilities The Group has considered the impact of this amendment in future periods on profit, earnings per share and net assets It is not expected to have a material impact
- Amendment to IAS 19 Employee Benefits which becomes mandatory for the Group s consolidated Financial Statements for the annual period beginning on 1 April 2013 and is expected to reduce reported profits by £1 6m and earnings per share by 2 8p as the expected return on pension plan assets is required to be calculated by applying the discount rate used for scheme liabilities to scheme assets
- Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2013 and is expected to require changes to presentation of the Consolidated Statement of Comprehensive Income
- IFRS 10 Consolidated Financial Statements which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2014 The Group has considered the impact of this amendment in future periods on profit, earnings per share and net assets It is not expected to have a material impact
- IFRS 11 Joint Arrangements which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2014 The Group has considered the impact of this amendment in future periods on profit, earnings per share and net assets It is not expected to have a material impact
- IFRS 12 Disclosure of Interests in Other Entities which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2014 The Group is currently considering whether IFRS 12 may result in the need for additional disclosures

(v) New standards and interpretations not yet adopted continued

- IFRS 13 Fair Value Measurement which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2013 The Group has considered the impact of this amendment in future periods on profit, earnings per share and net assets It is not expected to have a material impact
- IAS 27 (2011) Separate Financial Statements which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2014 The Group has considered the impact of this amendment in future periods on profit, earnings per share and net assets It is not expected to have a material impact
- IAS 28 (2011) Investments in Associates and Joint Ventures which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2014 The Group has considered the impact of this amendment in future periods on profit, earnings per share and net assets It is not expected to have a material impact
- Amendments to IAS 32 Financial Instruments Disclosure and Presentation – Offsetting Financial Assets and Financial Liabilities which becomes mandatory for the Group s consolidated Financial Statements for the annual period beginning on 1 April 2014 The Group has considered the impact of this amendment in future periods on profit, earnings per share and net assets It is not expected to have a material impact

A number of other new standards amendments to standards and interpretations have been issued by the IASB, although they are not yet endorsed by the EU, and are effective for annual periods beginning after 1 April 2013 They have not been applied in preparing these consolidated Financial Statements The one standard which may be relevant to the Group is set out below

- IFRS 9 Financial Instruments which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2015 and could change the classification and measurement of financial assets

Consolidated Statement of Income
year ended 31 March 2013

	Notes	Adjusted* £m	Adjusting items* £m	Total £m
Revenue	2	350 8	–	350 8
Cost of sales		(194 0)	(0 5)	(194 5)
Gross profit		156 8	(0 5)	156 3
Research and development	4	(24 3)	–	(24 3)
Selling and marketing		(51 1)	–	(51 1)
Administration and shared services		(34 9)	(15 9)	(50 8)
Other operating income		–	–	–
Foreign exchange		3 2	–	3 2
Operating profit		49 7	(16 4)	33 3
Expected return on pension scheme assets	21	9 5	–	9 5
Other financial income		0 3	–	0 3
Financial income		9 8	–	9 8
Interest charge on pension scheme liabilities	21	(10 4)	–	(10 4)
Other financial expenditure		(0 9)	(2 2)	(3 1)
Financial expenditure		(11 3)	(2 2)	(13 5)
Profit before income tax		48 2	(18 6)	29 6
Income tax (expense)/credit	9	(9 9)	2 3	(7 6)
Profit for the year attributable to equity shareholders of the parent		38 3	(16 3)	22 0

		pence		pence
Earnings per share				
Basic earnings per share	10	68 3		39 2
Diluted earnings per share	10	67 5		38 8
Dividends per share				
Dividends paid	11			10 0
Dividends proposed	11			11 2

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

The attached notes form part of the Financial Statements

Consolidated Statement of Income continued
year ended 31 March 2012

	Notes	Adjusted* £m	Adjusting items* £m	Total £m
Revenue	2	337 3	–	337 3
Cost of sales		(188 3)	(1 7)	(190 0)
Gross profit		149 0	(1 7)	147 3
Research and development	4	(25 8)	–	(25 8)
Selling and marketing		(48 7)	–	(48 7)
Administration and shared services		(32 1)	(12 7)	(44 8)
Other operating income		–	7 0	7 0
Foreign exchange		(0 3)	–	(0 3)
Operating profit		42 1	(7 4)	34 7
Expected return on pension scheme assets	21	10 9	–	10 9
Other financial income		0 2	1 5	1 7
Financial income		11 1	1 5	12 6
Interest charge on pension scheme liabilities	21	(10 2)	–	(10 2)
Other financial expenditure		(1 0)	–	(1 0)
Financial expenditure		(11 2)	–	(11 2)
Profit before income tax		42 0	(5 9)	36 1
Income tax (expense)/credit	9	(8 8)	(2 5)	(11 3)
Profit for the year attributable to equity shareholders of the parent		33 2	(8 4)	24 8

	Notes	pence		pence
Earnings per share				
Basic earnings per share	10	61 6		46 0
Diluted earnings per share	10	60 3		45 0
Dividends per share				
Dividends paid	11			9 0
Dividends proposed	11			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 of these Financial Statements

Consolidated Statement of Comprehensive Income
year ended 31 March 2013

	Notes	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	21	**(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 items recognised directly in other comprehensive income	9	**3 7**	7 2
Total other comprehensive expense		**(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
as at 31 March 2013

	Notes	2013 £m	2012 £m
Assets			
Non-current assets			
Property plant and equipment	12	**32 9**	28 2
Intangible assets	13	**91 9**	78 1
Deferred tax assets	14	**25 0**	19 3
		149 8	125 6
Current assets			
Inventories	15	**58 1**	59 3
Trade and other receivables	16	**71 8**	61 0
Current income tax recoverable		**0 4**	1 3
Derivative financial instruments	18	**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	19	**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	22	**11 1**	2 8
Retirement benefit obligations	21	**47 9**	35 2
Deferred tax liabilities	14	**6 2**	7 0
		65 2	45 0
Current liabilities			
Trade and other payables	22	**101 4**	96 4
Current income tax payables		**4 3**	6 0
Derivative financial instruments	18	**2 6**	1 2
Provisions	23	**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

Company Number 775598

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 continued
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 property, plant 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

Notes to the Financial Statements
year ended 31 March 2013

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 includes 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 IFRS 3 (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 be more clearly 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 3m (2012 £4 6m) 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, and
- 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

Notes to the Financial Statements continued
year ended 31 March 2013

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, and
- 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 presented in reporting to the Group's Board of Directors

a) Analysis by business

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

2 Segment information continued

a) Analysis by business continued

Reconciliation of reportable segment profit continued

Depreciation, capital expenditure, amortisation and impairment and capitalised development costs arise in the following segments

	2013		2012	
	Depreciation £m	**Capital expenditure £m**	Depreciation £m	Capital expenditure £m
Nanotechnology Tools	**2 6**	**2 6**	2 9	2 8
Industrial Products	**1 6**	**4 3**	1 6	2 5
Service	**0 2**	**0 4**	0 1	0 1
Unallocated Group items	**0 2**	**1 3**	0 2	0 2
Total	**4 6**	**8 6**	4 8	5 6

	2013		2012	
	Amortisation and impairment £m	**Capitalised development costs £m**	Amortisation and impairment £m	Capitalised development costs £m
Nanotechnology Tools	**2 8**	**2 7**	2 8	1 7
Industrial Products	**1 1**	**1 9**	2 4	0 7
Service	**–**	**–**	–	–
Unallocated Group items	**13 8**	**–**	11 2	–
Total	**17 7**	**4 6**	16 4	2 4

Amortisation of development costs is included in arriving at segment operating profit Amortisation and impairment of acquired intangibles is included below segment operating profit and excluded from the measure of operating profit reported to the Chief Operating Decision Maker and so has been included within unallocated Group items

b) Geographical analysis

The Group's reportable segments are located across several geographical locations and make sales to customers in countries across the world

The analysis below shows revenue and non-current assets (excluding deferred tax) for individual countries or regions that represent more than 5% of revenue

Revenue from external customers by destination

	2013 £m	2012 £m
USA	**86 5**	92 3
Rest of Europe	**72 6**	61 2
Rest of Asia	**37 2**	28 4
UK	**30 6**	30 2
Japan	**33 5**	36 6
China	**52 3**	48 9
Germany	**23 0**	23 9
Rest of World	**15 1**	15 8
Total	**350 8**	337 3

Notes to the Financial Statements continued
year ended 31 March 2013

2 Segment information continued
b) Geographical analysis continued
Non-current assets (excluding deferred tax)

	2013 £m	2012 £m
UK	**45 4**	28 0
Germany	**34 3**	40 3
USA	**37 0**	30 2
Japan	**0 2**	0 2
China	**0 3**	0 2
Rest of World	**7 6**	7 4
Total	**124 8**	106 3

3 Auditor's remuneration

	2013 £'000	2012 £'000
Audit of these Financial Statements	**115**	115
Amounts received by the auditor and their associates in respect of		
– Audit of Financial Statements of subsidiaries pursuant to legislation	**282**	275
– Taxation compliance services	**16**	110
– Other non-audit services	**26**	52
Total fees paid to the auditor and its associates	**439**	552

4 Research and development (R&D)
The total R&D spend by the Group is as follows

	2013			2012		
	Nanotechnology Tools £m	Industrial Products £m	Total £m	Nanotechnology Tools £m	Industrial Products £m	Total £m
R&D 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 R&D 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 R&D in the prior year This has been corrected in the above table resulting in an increase of cash spent on R&D by £1 0m in the year to 31 March 2012 This has had no impact on the primary Financial Statements

5 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

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 USA, 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

Notes to the Financial Statements continued
year ended 31 March 2013

5 Acquisitions continued

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 two 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

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 nil 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 USA company providing high quality parts and services for Magnetic Resonance Imaging (MRI) and Computed Tomography (CT) 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 at acquisition			(2 6)
Net cash outflow relating to the acquisition			10 9

5 Acquisitions continued

Platinum Medical Imaging LLC continued

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

The book value of receivables given in the tables on pages 75 and 76 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 LLC 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

6 Personnel costs

	2013 £m	2012 £m
Wages and salaries	**77 0**	72 5
Social security costs	**9 7**	9 7
Contributions to defined contribution pension plans	**3 5**	3 1
Charge in respect of employee share options	**1 4**	1 0
	91 6	86 3

Directors emoluments are disclosed in the Directors' Remuneration Report on pages 43 to 52 of this Annual Report

7 Employees

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

	2013 Number	2012 Number
Production	**958**	954
Sales and marketing	**414**	377
Research and development	**281**	240
Administration and shared services	**274**	263
Total average number of employees	**1,927**	1,834

8 Share option schemes

The Group operates three share option schemes

Executive Share Option Scheme (ESO)

Options awarded under the Executive Share Option Scheme are made annually to certain senior managers The exercise prices are determined according to the mid-market closing share price on the day before the date of grant Options have a life of ten years and a vesting period of three years

Senior Executive Long Term Incentive Scheme (SELTIS)

Options awarded under the Senior Executive Long Term Incentive Scheme are made annually to certain senior managers The exercise prices are nil Options have a life of seven years and a vesting period of three years

Both the Executive Share Option Scheme and Senior Executive Long Term Incentive Scheme are subject to performance conditions which can be found in the Directors' Remuneration Report on pages 43 to 52

All employee Share Incentive Plan (SIP)

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

Administrative expenses include a charge of £1 4m (2012 £1 0m) in respect of the cost of providing share options The cost is calculated by estimating the fair value of the option at grant date and spreading that amount over the vesting period after adjusting for an expectation of non-vesting

Fair values are determined using an internal calculation based on a modified Black-Scholes model Expected volatility has been based on historical volatility over a period of time of the same length as the expected option life and ending on the grant date Half of the ESO options issued before 2009 and all SELTIS options use Total Shareholder Return (TSR) as a performance condition As TSR is a market based performance condition, the accounting treatment differs from that for shares subject to non-market performance conditions This means that the TSR performance conditions have been incorporated into the calculation of the fair value as a discount in calculating the fair value

Notes to the Financial Statements continued
year ended 31 March 2013

8 Share option schemes continued

All employee Share Incentive Plan (SIP) continued

For options granted in 2013 and 2012, the fair value per option granted and the assumptions used in the calculation are as follows

	Senior Executive Long Term Incentive Scheme		Executive Share Option Scheme	
	2013	2012	**2013**	2012
Fair value at measurement date	**£9 74**	£4 21	**£5 16**	£3 60
Share price at grant date	**£13 85**	£9 90	**£13 85**	£9 90
Exercise price	**£nil**	£nil	**£13 88**	£9 90
Expected volatility	**36 1%**	43 1%	**40 6%**	40 2%
Expected option life (expressed as weighted average life used in the modelling)	**3 years**	3 years	**6 years**	6 years
Expected dividend yield	**0 7%**	0 9%	**0 7%**	0 9%
Risk free interest rate	**0 5%**	0 6%	**1 2%**	1 3%

The options existing at the year end were as follows

	2013 Number of shares	**Exercise price**	**Period when exercisable**	2012 Number of shares
Options subsisting at the year end on unissued ordinary shares				
Executive Share Option Schemes				
July 2003	**3,000**	**£1 88**	**15/07/06-14/07/13**	10,000
July 2004	**6,250**	**£2 18**	**15/07/07-14/07/14**	7,250
July 2005	**1,715**	**£2 19**	**15/07/08-14/07/15**	5,329
July 2006	**13,875**	**£2 10**	**15/07/09-14/07/16**	21 105
September 2007	**15,000**	**£2 32**	**28/08/10-27/09/17**	37,500
December 2008	**33,243**	**£1 35**	**16/12/11-15/12/18**	72,098
December 2009	**87,987**	**£2 04**	**17/12/12-16/12/19**	644,500
January 2011	**414,000**	**£7 05**	**07/01/14-06/01/21**	457,000
December 2011	**464,720**	**£9 90**	**14/12/14-13/12/21**	498,240
December 2012	**386,825**	**£13 88**	**19/12/15-18/12/22**	-
Save As You Earn				
December 2006	**-**	**£1 73**	**01/02/12-31/07/12**	1,893
Total options subsisting on unissued ordinary shares	**1,426,615**			1,754,915
Percentage of issued share capital	**2 5%**			3 1%
Options subsisting at the year end on existing ordinary shares held in trust				
Senior Executive Long Term Incentive Scheme				
December 2009	**-**	**nil**	**17/12/12-16/12/16**	160,000
January 2011	**62,000**	**nil**	**07/01/14-06/01/18**	62,000
December 2011	**39,800**	**nil**	**14/12/14-13/12/18**	39,800
December 2012	**32,800**	**nil**	**19/12/15-18/12/19**	-
Total options subsisting on existing ordinary shares held in trust	**134,600**			261 800

8 Share option schemes continued
All employee Share Incentive Plan (SIP) continued
The number and weighted average exercise prices of those options are as follows

	Weighted average exercise price 2013	Number of options 2013	Weighted average exercise price 2012	Number of options 2012
Outstanding at the beginning of the period	**£4 83**	**2,016,715**	£2 32	2,851,812
Granted during the year	**£12 81**	**428,625**	£9 17	538,040
Forfeited during the year	**£7 26**	**(44,741)**	£2 15	(8 063)
Exercised during the year	**£1 81**	**(750,107)**	£1 27	(1,229,338)
Lapsed during the year	**£3 56**	**(89,277)**	£1 69	(135,736)
Outstanding at the year end	**£8 47**	**1,561,215**	£4 83	2,016,715
Exercisable at the year end	**£1 93**	**161,070**	£1 79	155,175

The weighted average share price at the time of exercise of the options was £14 10 (2012 £9 63)

9 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

Notes to the Financial Statements continued
year ended 31 March 2013

9 Income tax expense continued
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 using the rate of 23% which was substantively enacted at the balance sheet date

10 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

11 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 15p per share (2012 7 228p) 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

12 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
Balance at 1 April 2011	17 7	40 2	7 6	65 5
Additions – business combinations	3 6	0 2	1 1	4 9
Additions – other	0 1	5 4	0 1	5 6
Disposals	(0 1)	(4 0)	–	(4 1)
Effect of movements in foreign exchange rates	(0 1)	(0 1)	–	(0 2)
Balance at 31 March 2012	21 2	41 7	8 8	71 7
Balance at 1 April 2012	**21 2**	**41 7**	**8 8**	**71 7**
Additions – business combinations	**–**	**0 3**	**–**	**0 3**
Additions – other	**2 4**	**5 6**	**0 6**	**8 6**
Disposals	**(0 1)**	**(1 0)**	**(0 1)**	**(1 2)**
Effect of movements in foreign exchange rates	**0 3**	**0 7**	**0 1**	**1 1**
Balance at 31 March 2013	**23 8**	**47 3**	**9 4**	**80 5**
Depreciation and impairment losses				
Balance at 1 April 2011	4 7	31 6	5 6	41 9
Depreciation charge for the year	0 7	3 6	0 5	4 8
Disposals	–	(3 1)	–	(3 1)
Effect of movements in foreign exchange rates	–	(0 1)	–	(0 1)
Balance at 31 March 2012	5 4	32 0	6 1	43 5
Balance at 1 April 2012	**5 4**	**32 0**	**6 1**	**43 5**
Depreciation charge for the year	**0 8**	**3 3**	**0 5**	**4 6**
Disposals	**–**	**(0 9)**	**(0 1)**	**(1 0)**
Effect of movements in foreign exchange rates	**0 1**	**0 4**	**–**	**0 5**
Balance at 31 March 2013	**6 3**	**34 8**	**6 5**	**47 6**
Carrying amounts				
At 1 April 2011	13 0	8 6	2 0	23 6
At 31 March 2012 and 1 April 2012	15 8	9 7	2 7	28 2
At 31 March 2013	**17 5**	**12 5**	**2 9**	**32 9**

At 31 March 2013, additions included assets under construction totalling £3 4m (2012 £1 9m)

Notes to the Financial Statements continued
year ended 31 March 2013

13 Intangible assets

	Goodwill £m	Customer related acquired intangibles £m	Technology related acquired intangibles £m	Development costs acquired intangibles £m	Development costs internally generated £m	Total £m
Cost						
Balance at 1 April 2011	14 5	4 5	27 6	–	32 3	78 9
Additions – business combinations	1 5	23 2	23 8	4 8	–	53 3
Additions – other	–	–	–	–	2 4	2 4
Disposals	–	–	(4 4)	–	(1 0)	(5 4)
Effect of movements in foreign exchange rates	(0 7)	(0 3)	(2 6)	–	(0 4)	(4 0)
Balance at 31 March 2012	15 3	27 4	44 4	4 8	33 3	125 2
Balance at 1 April 2012	**15 3**	**27 4**	**44 4**	**4 8**	**33 3**	**125 2**
Additions – business combinations	**9 3**	**0 3**	**14 1**	**–**	**–**	**23 7**
Additions – other	**–**	**–**	**–**	**–**	**4 6**	**4 6**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**
Effect of movements in foreign exchange rates	**1 2**	**1 1**	**1 9**	**0 1**	**0 3**	**4 6**
Balance at 31 March 2013	**25 8**	**28 8**	**60 4**	**4 9**	**38 2**	**158 1**
Amortisation and impairment losses						
Balance at 1 April 2011	1 3	4 0	14 7	–	17 3	37 3
Amortisation and impairment charge for the year	–	5 2	5 0	1 0	5 2	16 4
Disposals	–	–	(4 4)	–	(0 6)	(5 0)
Effect of movements in foreign exchange rates	(0 1)	(0 3)	(0 9)	–	(0 3)	(1 6)
Balance at 31 March 2012	1 2	8 9	14 4	1 0	21 6	47 1
Balance at 1 April 2012	**1 2**	**8 9**	**14 4**	**1 0**	**21 6**	**47 1**
Amortisation and impairment charge for the year	**–**	**8 0**	**4 8**	**1 0**	**3 9**	**17 7**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**
Effect of movements in foreign exchange rates	**0 1**	**0 4**	**0 5**	**–**	**0 4**	**1 4**
Balance at 31 March 2013	**1 3**	**17 3**	**19 7**	**2 0**	**25 9**	**66 2**
Carrying amounts						
At 1 April 2011	13 2	0 5	12 9	–	15 0	41 6
At 31 March 2012 and 1 April 2012	14 1	18 5	30 0	3 8	11 7	78 1
At 31 March 2013	**24 5**	**11 5**	**40 7**	**2 9**	**12 3**	**91 9**

When Omniprobe was acquired by the Nanotechnology Tools sector in June 2011 part of the consideration for the company was deemed to be for an intangible asset associated with a significant customer relationship which was recognised as a customer related acquired intangible This relationship no longer exists and as a result management have reviewed the carrying value of the intangible asset and concluded that it is of no value Accordingly, an impairment of £2 6m has been charged to the Income Statement It is recorded as an adjusting item within administration and shared service costs in the Consolidated Statement of Comprehensive Income There were no further impairments recognised in the current or prior year

13 Intangible assets continued

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination The carrying amount of goodwill was allocated to individual CGUs as follows

	2013 £m	2012 £m
Nanotechnology Tools		
NanoScience	**2 3**	2 3
NanoAnalysis	**4 2**	3 9
Asylum	**9 9**	–
Omicron	**0 3**	0 3
Industrial Products		
Industrial Analysis	**3 2**	3 2
Magnetic Resonance	**2 3**	2 3
Austin Scientific	**1 7**	1 7
Service		
OI Service	**0 6**	0 4
	24 5	14 1

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

Accounting standards require an impairment test to be carried out by determining the recoverable amount of each cash generating unit which contains goodwill The recoverable amount is calculated as the higher of the fair value less costs to sell or the value in use of the CGU In the Group's case the recoverable amount is based on value in use calculations Value in use is calculated by discounting expected future cash flows and in particular Board-approved three year cash flow forecasts, prepared by the management of each CGU, are used together with 2 5% (2012 2 5%) per annum growth for each CGU for the subsequent 20 years This growth rate is considered to be at or below long term market trends for the Group s businesses

Key assumptions

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

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

The pre-tax weighted average costs of capital used for Nanotechnology Tools, Industrial Products and Service in impairment testing are 12 25% (2012 11 1%), 11 75% (2012 10 6%) and 11 25% (2012 10 1%) respectively in line with the risk associated with each of the business segments Management have estimated these discount rates by reference to past experience and an industry average weighted cost of capital as adjusted for appropriate risk factors reflecting current economic circumstances and the risk profiles of each CGU

Sensitivity analysis

The Group's estimate of impairments are most sensitive to changes in the discount rate and forecast cash flows Sensitivity analysis has been carried out by reference to both of these assumptions This demonstrated that, ignoring the recently acquired Asylum business (where management consider the recent arm's length transaction to be reflective of the business' fair value), an impairment would only be required if there were an increase in the discount rates by 23% (2012 13%) or more or a greater than 19% (2012 10%) reduction in forecast cash flows on the CGU with the lowest level of headroom Sensitivity testing on the other CGUs shows an even greater level of headroom

Based on the above, the Group considers that its impairment calculations are not sensitive to any reasonable change to the key assumptions

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year ended 31 March 2013

14 Deferred tax
Movements in deferred tax assets and liabilities were as follows

	Property plant and equipment £m	Inventory £m	Employee benefits £m	Intangible assets £m	Tax losses £m	Other £m	Total £m
Balance 31 March 2011	3 1	1 7	6 2	(7 4)	8 6	1 1	13 3
Recognised in income	(2 0)	0 7	(2 1)	3 8	(2 9)	1 6	(0 9)
Recognised in other comprehensive income	–	–	7 1	–	–	0 1	7 2
Recognised directly in equity	–	–	(1 0)	–	–	–	(1 0)
Acquisitions	0 5	(0 4)	–	(6 9)	–	0 1	(6 7)
Foreign exchange	–	–	–	0 4	–	–	0 4
Balance 31 March 2012	**1 6**	**2 0**	**10 2**	**(10 1)**	**5 7**	**2 9**	**12 3**
Recognised in income	**(0 2)**	**0 4**	**(1 1)**	**4 4**	**(2 3)**	**(1 1)**	**0 1**
Recognised in other comprehensive income	–	–	**3 7**	–	–	–	**3 7**
Recognised directly in equity	–	–	**2 2**	–	–	–	**2 2**
Acquisitions	–	–	–	–	–	**0 3**	**0 3**
Foreign exchange	–	**0 1**	–	–	–	**0 1**	**0 2**
Balance 31 March 2013	**1 4**	**2 5**	**15 0**	**(5 7)**	**3 4**	**2 2**	**18 8**

Certain deferred tax assets and liabilities have been offset as follows

	Assets		Liabilities		Net	
	2013 £m	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m
Gross assets/(liabilities)	**29 8**	23 6	**(11 0)**	(11 3)	**18 8**	12 3
Offset	**(4 8)**	(4 3)	**4 8**	4 3	–	–
Net assets/(liabilities)	**25 0**	19 3	**(6 2)**	(7 0)	**18 8**	12 3

Of the deferred tax assets £0 3m relate to a loss making subsidiary in Japan In the prior year £0 7m related to a loss making subsidiary in China Management have reviewed a detailed forecast for the Japanese subsidiary which shows that it is highly probable that future profits will arise and on that basis it is considered appropriate to recognise the deferred tax asset

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

	2013 £m	2012 £m
Deductible temporary differences	**1 0**	6 5
Tax losses	**10 4**	9 5
	11 4	16 0

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

No deferred tax liability has been recognised in respect of £46 6m (2012 £50 2m) of undistributed earnings of overseas subsidiaries since the majority of such distributions would not be taxable In other cases the Group considers that it is able to control the timing of remittances so that any tax is not expected to arise in the foreseeable future

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

The deferred tax asset at 31 March 2013 has been calculated on the rate of 23% which was substantively enacted at the balance sheet date

15 Inventories

	2013 £m	2012 £m
Raw materials and consumables	**17 0**	15 8
Work in progress	**23 6**	25 8
Finished goods	**17 5**	17 7
	58 1	59 3

The amount of inventory recognised as an expense was £168 9m (2012 £165 4m) In the ordinary course of business, the Group makes impairment provisions for slow-moving, excess and obsolete inventory as appropriate Inventory is stated after charging impairments of £0 7m in the current period (2012 £0 6m) There were no credits reversing previous impairments in either the current or prior period Impairments are included within gross profit

Inventory carried at fair value less costs to sell is £2 1m (2012 £0 2m) due to the acquisitions as described in Note 5

16 Trade and other receivables

	2013 £m	2012 £m
Trade receivables	**61 3**	53 7
Less provision for impairment of receivables	**(1 5)**	(1 8)
Net trade receivables	**59 8**	51 9
Prepayments and accrued income	**6 1**	4 6
Other receivables	**5 9**	4 5
	71 8	61 0

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

The maximum exposure to credit risk for trade receivables by geographic region of the selling business was

	2013 £m	2012 £m
UK	**16 2**	12 4
Continental Europe	**14 2**	9 5
North America	**19 4**	16 9
Japan	**8 0**	11 5
Rest of World	**2 0**	1 6
	59 8	51 9

The ageing of financial assets comprising net trade receivables and other receivables at the reporting date was

	2013 £m	2012 £m
Current (not overdue)	**40 1**	33 5
Less than 31 days overdue	**13 4**	9 5
More than 30 days but less than 91 days overdue	**9 1**	7 3
More than 90 days overdue	**3 1**	6 1
	65 7	56 4

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

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

	2013 £m	2012 £m
Balance at start of year	**1 8**	0 7
Acquired on acquisition	–	0 5
(Decrease)/increase in allowance	**(0 3)**	0 6
Balance at end of year	**1 5**	1 8

Valuation allowances are used to record provisions for credit losses The valuation allowance is reduced and the asset impaired when the customer is in liquidation

Notes to the Financial Statements continued
year ended 31 March 2013

17 Financial risk management

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

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

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

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

Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of Sterling (translational exposures) The Group has operations around the world which record their results in a variety of different local functional currencies In countries where the Group does not have operations, it invariably has some customers or suppliers that transact in a foreign currency The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies but the Group's primary exposures relate to the US Dollar, the Euro and the Japanese Yen To reduce uncertainty the Group maintains a rolling hedge equivalent to 80% of the exposure expected to arise over the following 12 months The hedge comprises a mixture of fixed forward contracts and option based products The remaining 20% is sold on the spot market as it arises The fair value of outstanding currency contracts recognised as a liability as at 31 March 2013 amount to £2 5m (2012 £1 0m) and those recognised as an asset amount to £2 2m (2012 £2 4m)

Movements in the fair value of derivative financial instruments are recognised in the Consolidated Statement of Income immediately However in order to facilitate a more meaningful comparison of the Group's performance year on year the element of these movements that relate to hedges in respect of future sales are treated as an adjusting item in the calculation of adjusted earnings (see Note 1)

The Group's translational exposures to foreign currency risks can relate both to the Consolidated Statement of Income and net assets of overseas subsidiaries The Group's policy is not to hedge the translational exposure that arises on consolidation of the Consolidated Statements of Income of overseas subsidiaries

Interest rate risk

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates At this time, the Group has no borrowings and consequently is not exposed to interest rate risk

Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due The Group's approach to managing this risk is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation The Group manages this risk by maintaining adequate committed lines of funding from high quality lenders The facilities committed to the Group as at 31 March 2013 are set out in Note 20

Credit risk

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

Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables Credit risk associated with cash balances and derivative financial instruments is managed by transacting with financial institutions with high quality credit ratings In particular a Board approved policy sets out guidelines for which categories of institutions may be used and the maximum amount which may be invested with each institution within a particular category Accordingly the Group s associated credit risk is limited The Group has no significant concentration of credit risk The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Group Consolidated Statement of Financial Position

17 Financial risk management continued
Credit risk continued
Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure The maximum exposure to credit risk at 31 March 2013 was £107 1m (2012 £93 9m)

	2013 £m	2012 £m
Trade receivables	**59 8**	51 9
Other receivables	**5 9**	4 5
Cash and cash equivalents	**39 2**	35 1
Forward exchange contracts	**2 2**	2 4
	107 1	93 9

The maximum exposure to credit risk for trade receivables is discussed in Note 16

Other receivables include £0 8m (2012 £1 0m) in respect of VAT and similar taxes which are not past due date

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

At 31 March 2013, the Group had outstanding commodity hedge contracts with a fair value liability of £0 1m (2012 £0 1m liability) that were designated and effective as cash flow hedges of committed and highly probable forecast transactions Fair value movements of these contracts have been deferred in equity until the hedged transaction takes place These contracts all mature within one year of the Consolidated Statement of Financial Position date

A £0 1m loss net of tax (2012 £0 1m loss) has been deferred in equity as at 31 March 2013 in respect of these contracts A loss of £0 2m (2012 £0 3m gain) has been recycled to current assets (inventory) in respect of contracts designated as cash flow hedges that have matured during the year to 31 March 2013

Capital management
The Board considers capital to comprise share capital reserves and the net cash or net debt position of the Company The Company was in a net cash position at the year end

The Board s long term objective is to have an efficient capital structure by maintaining a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position This is monitored by reference to the ratio of net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) and the Board has set itself internal limits, which are well inside any covenants the Group has with lenders The Group maintains the right to purchase its own shares in the market, the timing of these purchases would depend on market prices Buy and sell decisions are made on a specific transaction basis by the Board

The Board carefully considers dividend payments and the Company moved from a fixed dividend policy to a progressive one in the year ended March 2011 In doing this the Board will look to increase dividends as adjusted earnings per share increase although there will not be a direct correlation The Board does not have a policy to pay a fixed dividend yield or to maintain a fixed rate of dividend cover but assess both of these metrics together with dividends paid by peers when assessing what dividend to recommend

The Group outlined its medium term targets on 14 June 2011 in its *14 Cubed* plan Part of this plan calls for "bolt-on" acquisitions In line with the objective of maintaining a balance between borrowings and equity, the Group decided to seek to repay the debt drawn down to finance the first two acquisitions of the *14 Cubed* plan through an equity issue, improving the net debt to EBITDA ratio, thereby allowing it to finance any future bolt-on acquisitions from its Statement of Financial Position and existing committed facility without recourse to further equity issues

The Board encourages employees to hold shares in the Company As well as various share option plans (full details of which are given in Note 8) from April 2008 all UK employees have been offered the opportunity to take part in a Share Incentive Plan (SIP) Under this plan, employees are able to invest up to £1,500 each tax year in shares in the Company The Company awards one additional free share (a matching share) for every five shares bought by each employee

There were no changes to the Group's approach to capital management during the year Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements

Notes to the Financial Statements continued
year ended 31 March 2013

18 Financial instruments

Fair values of financial assets and liabilities

The fair values of financial assets and liabilities together with the carrying amounts shown in the Consolidated Statement of Financial Position are as follows

	Fair value hierarchy	Carrying amount 2013 £m	Fair value 2013 £m	Carrying amount 2012 £m	Fair value 2012 £m
Assets carried at amortised cost					
Trade receivables		**59 8**	**59 8**	51 9	51 9
Other receivables		**5 9**	**5 9**	4 5	4 5
Cash and cash equivalents		**39 2**	**39 2**	35 1	35 1
Assets carried at fair value					
Derivative financial instruments					
– Foreign currency contracts	2	**2 2**	**2 2**	2 4	2 4
		2 2	**2 2**	2 4	2 4
Liabilities carried at fair value					
Derivative financial instruments					
– Foreign currency contracts	2	**(2 5)**	**(2 5)**	(1 0)	(1 0)
– Interest rate swaps	2	**–**	**–**	(0 1)	(0 1)
– Copper hedging contracts (designated as an IAS 39 hedge)	2	**(0 1)**	**(0 1)**	(0 1)	(0 1)
Contingent consideration	3	**(11 7)**	**(11 7)**	(3 8)	(3 8)
		(14 3)	**(14 3)**	(5 0)	(5 0)
Liabilities carried at amortised cost					
Trade and other payables		**(72 4)**	**(72 4)**	(67 4)	(67 4)

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

Derivative financial instruments

Derivative financial instruments are marked to market using listed market prices

Fixed and floating rate borrowings

The fair value of fixed and floating rate borrowings is estimated by discounting the future contracted principal and interest cash flows using the market rate of interest at the reporting date

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the carrying amount is deemed to reflect the fair value All other receivables/payables are discounted to determine their fair value Advances received are excluded from other payables above as these are not considered to be financial liabilities

Contingent consideration

The fair value of contingent consideration is estimated based on the forecast future performance of the business which is dependent on the acquired business' performance over a specific future timeframe

Fair value hierarchy

The table above gives details of the valuation method used in arriving at the fair value of financial instruments The different levels have been identified as follows

Level 1 quoted prices (unadjusted) in active markets for identical assets and liabilities,

Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (ie as prices) or indirectly (ie derived from prices),

Level 3 inputs for the asset or liability that are not based on observable market data, and

There have been no transfers between levels during the year

18 Financial instruments continued

Maturity of financial liabilities

31 March 2013	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due 1–5 years £m
Trade and other payables	**84 1**	**86 8**	**72 4**	**14 4**
Foreign exchange contracts	**2 5**	**2 5**	**2 0**	**0 5**
Interest rate swaps	–	–	–	–
Copper hedging contracts	**0 1**	**0 1**	**0 1**	–
	86 7	**89 4**	**74 5**	**14 9**

31 March 2012	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due 1–5 years £m
Trade and other payables	67 4	67 4	64 6	2 8
Foreign exchange contracts	1 0	0 6	0 6	–
Interest rate swaps	0 1	0 1	0 1	–
Copper hedging contracts	0 1	0 1	0 1	–
	68 6	68 2	65 4	2 8

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

	Carrying amount 2013 £m	Carrying amount 2012 £m
Variable rate instruments		
Financial assets	**39 2**	35 1
Fixed rate instruments		
Financial liabilities	**–**	(0 1)

Sensitivity analysis

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

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

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

	1% increase in interest rates £m	10% weakening in Sterling[1] £m	10% strengthening in Sterling[2] £m	5% increase in copper prices £m	5% decrease in copper prices £m
At 31 March 2013					
Impact on Consolidated Statement of Income	**–**	**7 2**	**(5 9)**	**–**	**–**
Impact on equity	**–**	**7 2**	**(5 9)**	**0 1**	**(0 1)**
At 31 March 2012					
Impact on Consolidated Statement of Income	–	3 4	(3 4)	–	–
Impact on equity	–	3 4	(3 4)	0 1	(0 1)

1 Of the effect on the Consolidated Statement of Income £8 1m (2012 £4 2m) would have been recognised on the "mark to market" line (see Note 1)

2 Of the effect on the Consolidated Statement of Income £(6 6)m (2012 £(4 2)m) would have been recognised on the "mark to market" line (see Note 1)

Notes to the Financial Statements continued
year ended 31 March 2013

19 Called up share capital
Issued and fully paid ordinary shares

	2013 Number of shares	2012 Number of shares
At the beginning of the year	**56,166,723**	50,174,913
Issued for cash	**750,107**	5 991 810
At the end of the year	**56,916,830**	56,166,723

	2013		2012	
	Number of shares	£m	Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of 5p each	**56,916,830**	**2 8**	56,166,723	2 8

	Number of shares	Aggregate nominal value	Consideration per share
New issues of ordinary shares of 5p each during the year			
Exercise of savings related share options	1,893	£95	£1 73
Exercise of executive share options	342 815	£17,141	£nil–£9 90
Exercise of executive share options – share appreciation rights	405,399	£20 270	£0 05

The total consideration received from exercise of share options in the year was £0 4m (2012 £0 5m)

The holders of the ordinary shares are entitled to receive dividends as declared, a proportionate amount of capital on a winding up of the Company and one vote per share at meetings of the Company

20 Borrowings
The Group's principal source of long term funding is its unsecured four year £50m revolving credit facility, which expires in December 2014 The Group also benefits from an unsecured term loan facility from the European Investment Bank which is currently undrawn and which expires if not drawn before December 2013 The drawing at the Group's option, can be on either a fixed or a floating rate basis with a maximum term of seven years The Group's undrawn committed facilities available at 31 March 2013 were £75m (2012 £50m) of which £nil (2012 £nil) mature within one year, £50m (2012 £50m) between two and five years and £25m after more than five years

Short term operational funding is provided by cash generated from operations and by local bank overdrafts These overdraft facilities are uncommitted and are generally renewed on an annual or ongoing basis and hence the facilities expire within one year or less

21 Retirement benefit obligations
The Group operates defined benefit plans in the UK and USA, both offer pensions in retirement and death in service benefit to members Pension benefits are related to members' final salary at retirement and their length of service Both schemes have been closed to new members since 2001 and closed to future accrual since 2010

The Group has opted to recognise all actuarial gains and losses immediately via the Consolidated Statement of Comprehensive Income

The amounts recognised in the Consolidated Statement of Financial Position are

	UK 2013 £m	USA 2013 £m	Total 2013 £m	UK 2012 £m	USA 2012 £m	Total 2012 £m
Present value of funded obligations	**235 5**	**10 4**	**245 9**	206 3	9 1	215 4
Fair value of plan assets	**(190 6)**	**(7 4)**	**(198 0)**	(173 6)	(6 6)	(180 2)
Recognised liability for defined benefit obligations	**44 9**	**3 0**	**47 9**	32 7	2 5	35 2

21 Retirement benefit obligations continued

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

	UK 2013 £m	USA 2013 £m	Total 2013 £m	UK 2012 £m	USA 2012 £m	Total 2012 £m
Benefit obligation at the beginning of the year	**206 3**	**9 1**	**215 4**	177 1	7 7	184 8
Interest on obligation	**10 0**	**0 4**	**10 4**	9 8	0 4	10 2
Current service cost	**–**	**–**	**–**	–	–	–
Benefits paid	**(4 4)**	**(0 4)**	**(4 8)**	(3 4)	(0 4)	(3 8)
Actuarial loss on obligation	**23 6**	**0 8**	**24 4**	22 8	1 4	24 2
Exchange rate adjustment	**–**	**0 5**	**0 5**	–	–	–
Benefit obligation at the end of the year	**235 5**	**10 4**	**245 9**	206 3	9 1	215 4

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

	UK 2013 £m	USA 2013 £m	Total 2013 £m	UK 2012 £m	USA 2012 £m	Total 2012 £m
Fair value of plan assets at the beginning of the year	**173 6**	**6 6**	**180 2**	166 5	6 6	173 1
Expected return on plan assets	**9 1**	**0 4**	**9 5**	10 4	0 5	10 9
Contributions by employers	**5 0**	**0 3**	**5 3**	4 5	–	4 5
Benefits paid	**(4 4)**	**(0 4)**	**(4 8)**	(3 4)	(0 4)	(3 8)
Actuarial gain/(loss) on assets	**7 3**	**0 2**	**7 5**	(4 4)	–	(4 4)
Exchange rate adjustment	**–**	**0 3**	**0 3**	–	(0 1)	(0 1)
Fair value of plan assets at the end of the year	**190 6**	**7 4**	**198 0**	173 6	6 6	180 2

Expense recognised in the Consolidated Statement of Income

	2013 £m	2012 £m
Interest on obligation	**10 4**	10 2
Expected return on plan assets	**(9 5)**	(10 9)
Total – defined benefit	**0 9**	(0 7)
Contributions to defined contribution schemes	**3 5**	3 1
	4 4	2 4

The actual return on plan assets was £17 0m (2012 £6 5m return)

The Group expects to contribute approximately £5 8m to defined benefit plans in the next financial year

The pension costs are recorded in the following lines of the Consolidated Statement of Income

	2013 £m	2012 £m
Cost of sales	**1 0**	0 8
Selling and marketing costs	**0 8**	0 7
Administration and shared services	**1 2**	1 1
Research and development	**0 5**	0 5
Financial income	**(9 5)**	(10 9)
Financial expenditure	**10 4**	10 2
	4 4	2 4

Notes to the Financial Statements continued
year ended 31 March 2013

21 Retirement benefit obligations continued
Actuarial gains and losses shown in the Consolidated Statement of Comprehensive Income

	2013 £m	2012 £m
Actuarial loss	**(16 9)**	(28 6)

Cumulative actuarial losses reported in the Consolidated Statement of Comprehensive Income since 1 April 2004, the transition date to IFRS, are £34 7m (2012 £17 8m cumulative actuarial losses)

History of experience gains and losses are as follows

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of benefit obligations	**245 9**	215 4	184 8	192 7	139 4
Fair value of plan assets	**(198 0)**	(180 2)	(173 1)	(157 6)	(125 0)
Recognised liability for defined benefit obligations	**47 9**	35 2	11 7	35 1	14 4
Difference between the expected and actual return					
Amount £m	**7 5**	(4 4)	3 5	23 9	(27 2)
% of scheme assets	**4%**	(2%)	2%	15%	(22%)
Experience gains/(losses) on scheme liabilities					
Amount £m	**0 4**	(4 7)	10 9	(46 7)	33 6
% of the present value of the scheme liabilities	**–%**	2%	(6%)	24%	(24%)

Defined benefit scheme – United Kingdom
A full actuarial valuation of the UK plan was carried out as at 31 March 2012 and has been updated to 31 March 2013 by a qualified independent actuary The major assumptions used by the actuary for the purposes of IAS 19 were (in nominal terms)

	As at 31 March 2013 %	As at 31 March 2012 %
Discount rate	**4 5**	4 9
Rate of increase to pensions in payment (pre 1997)	**2 5**	2 4
Rate of increase to pensions in payment (post 1997)	**3 2**	3 1
Rate of inflation (CPI)	**2 35**	2 25
Mortality – pre and post-retirement – males and females	**94% of S1PA tables (97% for females) future improvement in line with CMI 2011 with 1% long term trend**	94% of S1PA tables (97% for females) – year of birth medium cohort (min annual improvement of 1%)

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

	2013 years	2012 years
Pre-retirement – males	**23 9**	23 7
Pre-retirement – females	**26 1**	26 0
Post-retirement – males	**22 5**	21 7
Post-retirement – females	**24 6**	24 1

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

21 Retirement benefit obligations continued

Defined benefit scheme – United Kingdom continued

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

	Long term rate of return expected at 31 March 2013 %	Value at 31 March 2013 £m	Long term rate of return expected at 31 March 2012 %	Value at 31 March 2012 £m
Equities	**7 9**	**67 2**	7 9	48 6
Corporate bonds	**4 5**	**41 6**	4 9	45 1
Gilts	**3 1**	**51 4**	3 5	47 2
Cash	**3 1**	**12 1**	3 5	24 4
Alternative	**7 2**	**18 3**	7 3	8 3
		190 6		173 6

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

Defined benefit scheme – United States

A full actuarial valuation of the USA plan was carried out as at 1 January 2012, which for reporting purposes has been updated to 31 March 2013 by a qualified independent actuary The major assumptions used by the actuary for the purposes of IAS 19 were (in nominal terms)

	As at 31 March 2013 %	As at 31 March 2012 %
Discount rate	**4 25**	4 75
Rate of increase to pensions in payment	**0 00**	0 00
Rate of inflation	**2 25**	2 25
Mortality – pre and post-retirement	**2013 IRS prescribed mortality – optional combined table for small plans, male and female**	2012 IRS prescribed mortality – optional combined table for small plans, male and female

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

	Long term rate of return expected at 31 March 2013 %	Value at 31 March 2013 £m	Long term rate of return expected at 31 March 2012 %	Value at 31 March 2012 £m
Equities	**9 1**	**3 5**	9 1	3 0
Bonds	**4 8**	**3 3**	4 8	3 2
Property and other	**6 5**	**0 6**	6 8	0 4
		7 4		6 6

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

Defined contribution schemes

In the UK employees are offered participation in the defined contribution Oxford Instruments Stakeholder Plan The Company contribution rate and employee contribution rate varies between grades and whether the individual had previously been in the Defined Benefit scheme The Company contribution ranges between 4% and 14% of base salary The Group also operates a 401k defined distribution plan in the USA Details of pension schemes contributions made in respect of Directors can be found in the Directors Remuneration Report

Notes to the Financial Statements continued
year ended 31 March 2013

22 Trade and other payables

	2013 £m	2012 £m
Trade payables	**31 4**	31 1
Advances received	**28 4**	28 0
Social security and other taxes	**3 0**	2 5
Accrued expenses and deferred income	**36 4**	31 9
Deferred contingent consideration due within one year	**0 6**	1 0
Other creditors	**1 6**	1 9
Current trade and other payables	**101 4**	96 4
Amounts due after more than one year – deferred consideration	**11 1**	2 8
Total trade and other payables	**112 5**	99 2

Deferred contingent consideration relates to amounts payable in respect of acquisitions It is reassessed at the end of each year to its fair value

	Deferred contingent consideration £m
Balance at 1 April 2012	3 8
Fair value of deferred consideration on acquisition in the year	5 8
Unwind of discount in respect of deferred consideration	0 2
Deferred contingent consideration paid	–
Increase in accrued deferred consideration	1 3
Effect of movement in foreign exchange	0 6
Balance at 31 March 2013	**11 7**

23 Provisions for other liabilities and charges

	Warranties £m	Other £m	Total £m
Balance at 1 April 2012	5 4	3 6	9 0
Provisions made during the year	4 2	1 1	5 3
Provisions used during the year	(2 5)	(0 2)	(2 7)
Provisions released during the year	(1 4)	–	(1 4)
Effect of movement in foreign exchange	0 2	(0 1)	0 1
Balance at 31 March 2013	**5 9**	**4 4**	**10 3**

Warranty provisions reflect the Group's standard terms and conditions In general these apply for a year and as a result the majority of the provision is expected to be utilised within a 12 month period Other provisions relate to various obligations including claims and disputes arising against the Group in the ordinary course of business obligations in respect of onerous leases and obligations to employees in Japan on termination of their employment The Group's expectation is that the majority of the other provisions are likely to be utilised within a 12 month period

24 Operating leases
Leases
Non-cancellable future total minimum operating lease rentals are payable as follows

	2013 £m	2012 £m
On leases expiring in less than one year	**3 4**	3 3
On leases expiring between one and five years	**5 4**	4 4
On leases expiring in greater than five years	**1 7**	2 5
	10 5	10 2

During the year ended 31 March 2013 £1 9m was recognised as an expense in the Consolidated Statement of Income in respect of operating leases (2012 £2 7m)

The majority of operating leases relate to properties occupied by the Group in the course of its business There are no material contingent rent payment arrangements, purchase options or escalation clauses It is expected that most leases could be renewed on the existing or similar terms The leases do not impose any material restrictions in respect of dividends, additional debt requirements or further leasing

25 Capital commitments
During the year ended 31 March 2013, the Group entered into contracts to purchase property, plant and equipment which are expected to be settled in the following financial year for less than £0 3m (2012 £0 9m)

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

27 Related parties
Transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation and are not disclosed in this note

The remuneration of key management personnel is as follows

	2013 £m	2012 £m
Short term employee benefits	**1 7**	1 6
Post employment benefits	**0 1**	0 1
Share-based payment	**0 5**	0 4
Total	**2 3**	2 1

Short term employee benefits comprise salary and benefits earned during the year and bonuses awarded for the year

During the year the Company paid £0 2m (2012 £0 2m) to Imperialise Ltd, a company for whom Nigel Keen is a Director The payment was for his services as Chairman of the Group The liability due to Imperialise Ltd at the year end was £nil (2012 £nil)

In 2010 the Company and Jonathan Flint purchased a house in joint ownership with the Company contributing £0 3m During the year Jonathan Flint bought a further proportion of the house paying £0 1m (2012 £0 1m) The balance outstanding at the year end was £0 1m (2012 £0 2m) An arm s length rent is paid to the Company for the proportion of the house owned by the Company

Notes to the Financial Statements continued
year ended 31 March 2013

28 Principal Group entities

	Equity owned by the Company %	Country of incorporation	Principal activity
Oxford Instruments Overseas Marketing Ltd	*100	England	Marketing
Oxford Instruments Industrial Products Ltd	*100	England	Trading
Oxford Instruments Nanotechnology Tools Ltd	*100	England	Trading
Omicron UHV Technik Ltd	*100	England	Trading
Oxford Instruments America Inc	*100	USA	Distribution
Oxford Instruments Service LLC	*100	USA	Trading
Oxford Instruments Superconductivity Wire LLC	*100	USA	Trading
Oxford Instruments AFM Ltd	*100	England	Trading
Oxford Instruments AFM Inc	*100	USA	Trading
Oxford Instruments India Private Ltd	*100	India	Distribution
Oxford Instruments Austin, Inc	*100	USA	Trading
Oxford Instruments X-Ray Technology Inc	*100	USA	Trading
Oxford Superconducting Technology LP	*100	USA	Trading
Omniprobe Inc	*100	USA	Trading
Oxford Instruments KK	*100	Japan	Distribution
Oxford Instruments (Shanghai) Company Ltd**	*100	China	Trading
Oxford Instruments HKL Technologies A/S	*100	Denmark	Trading
Oxford Instruments Analytical Oy	*100	Finland	Trading
Oxford Instruments SAS	*100	France	Distribution
Omicron Nanotechnology GmbH	*100	Germany	Trading
Oxford Instruments GmbH	*100	Germany	Distribution
Oxford Instruments Analytical GmbH	*100	Germany	Trading
Oxford Instruments Pte Ltd	*100	Singapore	Marketing

** Year end is 31 December

Equity owned by the Company represents issued ordinary share capital

A full list of the Group companies as at 31 March 2013 is available for inspection at the Company's registered office

All the above companies are engaged in the research development, manufacture, service or sale of high technology tools and systems Equity owned by subsidiary companies is indicated by an asterisk (*) All the above companies are consolidated in the Group accounts

29 Subsequent events

The interim dividend of 3 05p per share (total cost £1 7m) was paid after the year end In addition on 11 June 2013 the Directors proposed a final dividend of 8 15p per ordinary share (total cost £4 6m) The total amount of £6 3m has not been provided for and there are no income tax consequences

30 Exchange rates

The principal exchange rates to Sterling used were

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

Parent Company Balance Sheet
as at 31 March 2013

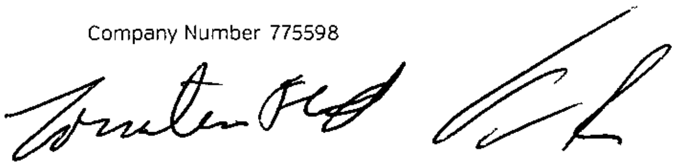
	Notes	2013 £m	2012 £m
Fixed assets			
Tangible assets	c	**1 5**	0 5
Investments in subsidiary undertakings	d	**147 1**	146 4
		148 6	146 9
Current assets			
Debtors (including £48 8m (2012 £56 6m) due after more than one year)	e	**60 0**	62 1
Cash at bank and in hand		**29 6**	26 0
		89 6	88 1
Creditors amounts falling due within one year			
Bank loans and overdrafts		**(3 8)**	(10 0)
Other creditors	f	**(25 1)**	(31 4)
		(28 9)	(41 4)
Net current assets		**60 7**	46 7
Total assets less current liabilities		**209 3**	193 6
Provisions for liabilities	g	**(0 2)**	(0 2)
Net assets		**209 1**	193 4
Share capital	h	**2 8**	2 8
Share premium account	h	**60 6**	60 2
Capital redemption reserve	h	**0 1**	0 1
Other reserves	h	**7 6**	7 6
Profit and loss account	h	**138 0**	122 7
Equity shareholders' funds		**209 1**	193 4

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

Company Number 775598



Notes to the Parent Company Financial Statements

a) Accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements, except as noted below

Basis of preparation
The Financial Statements have been prepared in accordance with applicable UK GAAP accounting standards and under the historical cost accounting rules In accordance with Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account

In accordance with FRS 1 Cash Flow Statements, the Company is exempt from preparing its own Cash Flow Statement

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

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

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

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

Freehold buildings	50 years
Computer equipment	4 years
Motor vehicles	4 years

Financial instruments
The Company's accounting policies for financial instruments under UK GAAP, namely FRS 25 Financial Instruments presentation, FRS 26 Financial Instruments measurement and FRS 29 Financial Instruments disclosures are the same as the Group's accounting policies under IFRS, namely IAS 32 Financial Instruments presentation, IAS 39 Financial Instruments recognition and measurement and IFRS 7 Financial Instruments disclosures These policies are set out in accounting policy (e) Financial instruments" in the Group accounting policies As consolidated financial information has been disclosed under IFRS 7 in Notes 16, 17 and 18 to the Group Financial Statements, the Parent Company is exempt from the disclosure requirements of FRS 29

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

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

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

Investments
Investments in subsidiaries are stated at cost, less any provision for impairment, where appropriate

Notes to the Parent Company Financial Statements continued

a) Accounting policies continued

Share-based payments

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

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

Dividends on shares presented within shareholders' funds

Dividends unpaid at the Balance Sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the Financial Statements

Financial guarantee contracts

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

b) Profit for the year

The Company's profit for the financial year was £19 5m (2012 £20 3m)

The auditor's remuneration comprised £115,000 (2012 £115,000) for statutory audit

The average number of people employed by the Company (including Directors) during the year was 50 (2012 47) All of these individuals were involved in administration

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

	2013 £m	2012 £m
Wages and salaries	**5 7**	4 3
Social security costs	**1 3**	1 8
Other pension costs	**0 6**	0 5
	7 6	6 6

The share-based payment expense was £0 7m (2012 £0 6m)

Full details of the emoluments paid to Directors can be found in the Directors Remuneration Report on pages 43 to 52

c) Tangible fixed assets

	Land and buildings £m	Motor vehicles £m	Computer equipment £m	Total £m
Cost				
Balance at 1 April 2012	0 2	0 1	3 6	3 9
Additions	–	–	1 2	1 2
Disposals	(0 1)	–	–	(0 1)
Balance at 31 March 2013	**0 1**	**0 1**	**4 8**	**5 0**
Depreciation				
Balance at 1 April 2012	–	–	3 4	3 4
Charge for year	–	–	0 1	0 1
Balance at 31 March 2013	**–**	**–**	**3 5**	**3 5**
Net book value				
At 31 March 2012	0 2	0 1	0 2	0 5
At 31 March 2013	**0 1**	**0 1**	**1 3**	**1 5**

d) Investments

	Investments in subsidiary undertakings £m	Other investments £m	Total £m
Cost or valuation			
Balance at 1 April 2012	162 1	0 3	162 4
Additions	0 7	–	0 7
Balance at 31 March 2013	**162 8**	**0 3**	**163 1**
Impairment			
Balance at 1 April 2012	15 7	0 3	16 0
Balance at 31 March 2013	**15 7**	**0 3**	**16 0**
Net book value at 31 March 2012	146 4	–	146 4
Net book value at 31 March 2013	**147 1**	–	**147 1**

Other investments at 31 March 2013 comprise

Investment	Principal activity	Percentage of company owned
ARKeX Limited	Supply of gravity-gradiometry exploration and related services to the oil gas and minerals industries	0 32%

The addition to investment in subsidiary undertakings of £0 7m relates to the awarding of share options to employees of subsidiary companies

e) Debtors

	2013 £m	2012 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**51 9**	58 4
Other debtors	**6 9**	2 7
Prepayments and accrued income	**0 7**	0 6
Deferred tax asset	**0 5**	–
Tax recoverable	–	0 4
	60 0	62 1

Amounts owed by subsidiary undertakings include £48 8m (2012 £56 6m) due after more than one year

f) Other creditors

	2013 £m	2012 £m
Trade creditors	**0 3**	0 4
Amounts owed to subsidiary undertakings	**16 5**	26 0
Tax, social security and sales related taxes	**1 3**	1 1
Other financial liabilities	**2 8**	1 0
Accruals and deferred income	–	2 9
Other creditors	**4 2**	–
	25 1	31 4

Notes to the Parent Company Financial Statements continued

g) Provisions for liabilities

	Vacant lease provision £m
Balance at 1 April 2012	0 2
Utilised during the year	–
Balance at 31 March 2013	**0 2**

The transfer of economic benefits in relation to the vacant lease provisions is expected to be within one year

Deferred tax asset

	2013 £m	2012 £m
Balance at 1 April	–	0 6
Profit and loss credit/(charge)	**0 5**	(0 6)
Balance at 31 March	**0 5**	–

The amounts of deferred tax assets are as follows

	Recognised	
	2013 £m	2012 £m
Excess of depreciation over corresponding capital allowances	**0 5**	–
Other timing differences	–	–
	0 5	–

The Company recognises deferred tax assets only to the extent that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted Deferred tax assets have not been recognised for losses arising in prior periods of £5 8m (2012 £7 3m) as the Company does not expect to generate suitable taxable profits in the foreseeable future

h) Reserves

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
Balance at 1 April 2012	2 8	60 2	0 1	7 6	122 7	193 4
Profit for the year	–	–	–	–	19 5	19 5
Proceeds from shares issued	–	0 4	–	–	–	0 4
Share options awarded to employees	–	–	–	–	0 7	0 7
Share options awarded to employees of subsidiaries	–	–	–	–	0 7	0 7
Dividends paid	–	–	–	–	(5 6)	(5 6)
Balance at 31 March 2013	**2 8**	**60 6**	**0 1**	**7 6**	**138 0**	**209 1**

Details of issued, authorised and allotted share capital are included in Note 19 of the Group Financial Statements

Details of treasury shares held by the Company are included as a note to the Consolidated Statement of Changes in Equity

Details of the Group's share option schemes are included in Note 8 of the Group Financial Statements

Other reserves relates to premium on shares issued as part of acquisitions made in the year to 31 March 1987

i) Pension commitments

Defined benefit scheme

The Oxford Instruments Pension Scheme a defined benefit scheme, was closed to new members from 1 April 2001 and to future accrual from the year to 31 March 2011 The Company continues to make deficit recovery contributions to this Scheme Contributions are based on the pension deficit of the Group as a whole The assets of the Scheme are held in a separate trustee administered fund

The Directors do not believe it is possible to allocate the assets and liabilities of the Scheme to individual Group members on a consistent and reasonable basis Accordingly, under FRS 17 the Company is exempt from recognising its share of the net pension deficit and accounts for the scheme as though it were a defined contribution scheme Details of the scheme and most recent actuarial valuation can be found in Note 21 of the Group Financial Statements The contributions paid by the Company to the Oxford Instruments Pension Scheme were £0 3m (2012 £0 3m)

Stakeholder pension scheme

The Company makes contributions to a stakeholder pension scheme The pension costs charge for the year represents contributions payable by the Company to the scheme These amounted to £0 3m (2012 £0 2m) There were no outstanding contributions at the end of the financial year (2012 £nil)

j) Guarantees

The Company has given a guarantee to the pension scheme in respect of the liability of its UK subsidiaries to the pension scheme The guarantee is for the excess of 105% of the liabilities of the scheme, calculated on the basis of Section 179 of the Pensions Act 2004, over the assets of the scheme

The Company and its UK subsidiaries have entered into a cross-guarantee for £10 0m (2012 £10 0m) in respect of overdraft facilities of which £nil (2012 £nil) was drawn at the year end

k) Commitments

At 31 March 2013 capital commitments contracted were £nil (2012 £0 5m) and authorised were £nil (2012 £2 0m)

l) Subsequent events

See Note 29 to the Group Financial Statements for details of dividends paid or declared after the Balance Sheet date

m) Related party transactions

The Company has a related party relationship with its Directors and Executive Officers and with its wholly owned subsidiary companies

Transactions with key management personnel are disclosed in the Director s Remuneration Report on pages 43 to 52 There were no other significant transactions with key management personnel in either the current or preceding year other than the following

During the year the Company paid £0 2m (2012 £0 2m) to Imperialise Limited a company for whom Nigel Keen is a Director The payment was for his services as Chairman of the Group The liability due to Imperialise Limited at the year end was £nil (2012 £nil)

In 2010 the Company and Jonathan Flint purchased a house in joint ownership with the Company contributing £0 3m During the year Jonathan Flint bought a further proportion of the house paying £0 1m (2012 £0 1m) The balance outstanding at the year end was £0 1m (2012 £0 2m) An arm's length rent is paid to the Company for the proportion of the house owned by the Company

Historical Financial Summary

	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m
Consolidated Statement of Income					
Revenue	206.5	211.5	262.3	337.3	**350.8**
Adjusted operating profit	13.1	14.7	28.1	42.1	**49.7**
Other operating income	–	–	4.7	7.0	**–**
Reversal of acquisition related fair value adjustments	–	–	–	(1.7)	**(0.5)**
Acquisition related costs	–	–	–	(1.5)	**(2.1)**
Reorganisation costs and impairment	(6.8)	(0.4)	(0.6)	–	**–**
Amortisation of acquired intangibles	(4.3)	(4.1)	(4.7)	(11.2)	**(13.8)**
Operating profit	2.0	10.2	27.5	34.7	**33.3**
Net financing (costs)/income	(11.3)	7.9	(0.8)	1.4	**(3.7)**
(Loss)/profit before taxation	(9.3)	18.1	26.7	36.1	**29.6**
Income tax credit/(expense)	2.6	(4.8)	5.5	(11.3)	**(7.6)**
(Loss)/profit for the year	(6.7)	13.3	32.2	24.8	**22.0**
Adjusted profit before tax*	11.1	11.9	26.2	42.0	**48.2**
Consolidated Statement of Financial Position					
Property, plant and equipment	23.5	22.8	23.6	28.2	**32.9**
Intangible assets	54.9	49.3	41.6	78.1	**91.9**
Deferred and current tax	2.5	4.5	11.2	7.6	**14.9**
Inventories	39.9	39.3	46.6	59.3	**58.1**
Trade and other receivables	57.6	60.2	52.5	61.0	**71.8**
Trade and other payables	(54.3)	(70.0)	(76.6)	(99.2)	**(112.5)**
Net assets excluding net cash	124.1	106.1	98.9	135.0	**157.1**
Cash and cash equivalents	3.6	9.3	23.7	35.1	**39.2**
Bank borrowings	(31.9)	(19.7)	(10.6)	–	**–**
Net cash	(28.3)	(10.4)	13.1	35.1	**39.2**
Provisions and other items	(19.5)	(8.4)	(6.8)	(7.8)	**(10.7)**
Retirement benefit obligations	(14.4)	(35.1)	(11.7)	(35.2)	**(47.9)**
Net assets employed/capital and reserves attributable to the Company's equity holders	61.9	52.2	93.5	127.1	**137.7**
Cash flow					
Net cash from operating activities	14.4	31.1	35.3	41.6	**41.5**
Net cash used in investing activities	(10.6)	(9.1)	(8.8)	(52.2)	**(32.3)**
Net cash from financing activities	(6.6)	(16.0)	(12.3)	22.6	**(5.2)**
Net (decrease)/increase in cash equivalents	(2.8)	6.0	14.2	12.0	**4.0**
	pence	pence	pence	pence	pence
Per ordinary share					
Earnings – continuing	(13.9)	27.2	65.3	46.0	**39.2**
Adjusted earnings*	14.8	17.8	41.5	61.6	**68.3**
Dividends	8.4	8.4	9.0	10.0	**11.2**
Employees					
Average number of employees	1,531	1,341	1,498	1,834	**1,927**

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

Shareholder Information

Financial calendar

6 March 2013	Ordinary shares quoted ex-dividend
8 March 2013	Record date for interim dividend
14 March 2013	Dividend reinvestment (DRIP) last date for election
31 March 2013	Financial year end
8 April 2013	Payment of interim dividend
11 June 2013	Announcement of preliminary results
11 June 2013	Announcement of final dividend
Late July	Publication of Annual Report
10 September 2013	Annual General Meeting
25 September 2013	Ordinary shares quoted ex-dividend
27 September 2013	Record date for final dividend
29 September 2013	DRIP Date
24 October 2013	Payment of final dividend
12 November 2013	Announcement of interim results
March 2014	Ordinary shares quoted ex-dividend
March 2014	Dividend reinvestment (DRIP) last date for election
March 2014	Record date for interim dividend
31 March 2014	Financial year end

Administrative enquiries concerning shareholdings
You may view your shareholding and dividend history, register to receive your dividends direct to your bank account or elect to re-invest your dividends and register a change of address online at www capitashareportal com To register to use this facility you will need your Investor code (IVC), which can be found on your share certificate, dividend tax voucher or proxy card

Administrative enquiries concerning shareholdings in Oxford Instruments plc, such as the loss of a share certificate, dividend payments, or a change of address should be directed, in the first instance, to the Registrar, Capita Registrars

The Registry, 34 Beckenham Road
Beckenham, Kent BR3 4TU

Tel 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8 30am to 5 30pm, Monday to Friday)

Overseas callers +44 20 8639 3399

Email shareholder services@capitaregistrars com

Website www capitashareportal com

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

Dividend bank mandates
If you wish dividends to be paid directly into a bank or building society account and notification to be sent to your shareholder register address, please contact the Company's Registrar at the address given above for a dividend mandate form Overseas holders can also choose to receive payment directly into their bank account, or can be sent a draft in local currency Further details are available from Capita Registrars

The Registry, 34 Beckenham Road
Beckenham, Kent BR3 9ZA

Tel 0871 664 0385 (calls cost 10p per minute plus network extras lines are open to 9 00am to 5 30pm, Monday to Friday)

Overseas callers +44 20 8639 3405

Website or by logging on to www capitaregistrars com/international

Shareholder Information continued

Duplicate share register accounts
If you are receiving more than one copy of our report, it may be that your shares are registered in two or more accounts on our register of members If that was not your intention you might consider merging them into one single entry Please contact Capita who will be pleased to carry out your instructions

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

Shareholder enquiries
Shareholders who have questions relating to the Group's business or who wish to have additional copies of the Report and Accounts should apply to

Company Secretary
Oxford Instruments plc
Tubney Woods, Abingdon, Oxon OX13 5QX

Tel 01865 393200

Fax 01865 393442

Email info oiplc@oxinst com

Website www oxford-instruments com

Company registration
Registered office Tubney Woods, Abingdon, Oxon OX13 5QX

Registered in England number 775598

Website – www oxford-instruments com

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

Capita Share Dealing Services
A quick and easy share dealing service to either sell or buy shares in many leading UK companies is provided by Capita Share Dealing Services An online and telephone facility is available providing our shareholders with an easy to access and simple to use service There s no need to pre-register and there are no complicated forms to fill in The online and telephone dealing service allows you to trade 'real time' at a known price which will be given to you at the time you give your instruction To deal online or by telephone all you need is your surname, Investor Code (IVC) reference number, full postcode and your date of birth Your Investor Code can be found on a recent share certificate statement or tax voucher Should you not be able to locate your IVC number, please contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8 30am to 5 30pm, Monday – Friday) Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares

For further information on this service, or to buy and sell shares, please contact www capitadeal com (online dealing) or 0871 664 0446 (telephone dealing – calls cost 10p per minute plus network extras, lines are open 8 00am to 4 30pm, Monday – Friday excluding public holidays) Full terms, conditions and risks apply and are available on request or by visiting www capitadeal com

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

Analysis of shareholders as at 31 March 2013

Size of shareholding	Number of holders	% of total	Total holding	% of total
Up to 5,000 shares	2,349	86 94	1,478,336	2 60
5,001 to 50,000 shares	213	7 88	3,758,669	6 60
50,001 to 200,000 shares	85	3 15	8,831,676	15 52
Over 200,000 shares	55	2 03	42,848,149	75 28
Total	2,702	100 00	56 916,830	100 00

Oxford Instruments Directory

Company/address	Descriptor	Country	Telephone	Fax	Email
Oxford Instruments Head Office Tubney Woods Abingdon Oxfordshire OX13 5QX UK		UK	+44 (0)1865 393200	+44 (0)1865 393333	info oiplc@oxinst com
NanoTechnology Tools					
Oxford Instruments NanoAnalysis Halifax Road High Wycombe Buckinghamshire HP12 3SE UK	Systems for materials analysis at the nanoscale	UK	+44 (0)1494 442255	+44 (0)1494 524129	nanoanalysis@oxinst com
10410 Miller Road Dallas TX 75238 USA	Omniprobe tools for nanomanipulation and fabrication	USA	+1 (214) 572 6800	+1 (214) 572 6801	sales@omniprobe com
Lejonvägen 28 S-18122 Lidingö Sweden	Systems for materials analysis at the nanoscale	Sweden	+46 8 5448 1550	+46 8 5448 1558	nordiska@oxinst com
Oxford Instruments Omicron NanoScience Tubney Woods Abingdon Oxfordshire OX13 5QX UK	Advanced tools for applied research	UK	+44 (0)1865 393200	+44 (0)1865 393333	omicron nanoscience@oxinst com
Limburger Strasse 75 D 65232 Taunusstein Germany		Germany	+49 6128 9870	+49 6128 98733230	omicron nanoscience@oxinst com
Le plan d Aigues RN 7 13760 St -Cannat France		France	+33 442 50 68 64	+33 442 50 68 65	omicron nanoscience@oxinst com
5-30-15-403 Kamata Ota ku Tokyo 144-0052 Japan		Japan	+81 3 666 10850	+81 3 666 10855	omicron nanoscience@oxinst com
1 The Felbridge Centre Willard Way East Grinstead, West Sussex RH19 1XPK UK		UK	+44 (0)1342 331006	+44 (0)1342 331003	omicron nanoscience@oxinst com
14850 Scenic Heights Road Suite 140 Eden Prairie MN 55344 USA		USA	+1 (952) 345 5240	+1 (952) 294 8043	omicron nanoscience@oxinst com
Oxford Instruments Plasma Technology North End Yatton Bristol BS49 4AP UK	Tools for nanotechnology fabrication	UK	+44 (0)1934 837000	+44 (0)1934 837001	plasma@oxinst com
Asylum Research 6310 Hollister Ave Santa Barbara CA 93117 USA	Systems for materials analysis at the nanoscale	USA	+1 (805) 696 6466	+1 (805) 696 6444	sba sales@oxinst com
Hauptstrasse 161 DE-68259 Mannheim Germany		Germany	+49 621 762117 0	+49 621 762117 11	sba de sales@oxinst com
3-4 Shaochuan Street Kaohsiung City 80441 Taiwan R O C		Taiwan	+886 9 3837 4589	+886 2 2794 2757	sba tw sales@oxinst com
Halifax Road High Wycombe Buckinghamshire HP12 3SE UK		UK	+44 (0)1494 442255	+44 (0)1494 524129	sba uk sales@oxinst com
Industrial Products					
Industrial Analysis					
Oxford Instruments Industrial Analysis Tubney Woods Abingdon Oxfordshire OX13 5QX UK	Tools for QC/QA environmental and compliance testing	UK	+44 (0)1865 393200	+44 (0)1865 393333	industrial@oxinst com
Derby Business Park Tarvonsalmenkatu 17 FI-02600 Espoo Finland		Finland	+358 932 9411	+358 932 9413	industrial@oxinst com
Wellesweg 31 47589 Uedem Germany		Germany	+49 2825 93830	+49 2825 9383100	industrial@oxinst com
8403 Cross Park Drive Suite 3F Austin TX 78754 USA		USA	+1 (512) 339 0640	+1 (512) 339 0620	industrial@oxinst com
Industrial Components					
Oxford Instruments Austin 1340 Airport Commerce Dr Bldg 1 Suite 175 Austin TX 78741 USA	Cryogenic pumps and compressors	USA	+1 (512) 441 6893	+1 (512) 441 6665	cryo-sales@oxinst com
Oxford Superconducting Technology 600 Milik Street PO Box 429 Carteret NJ 07008 USA	Superconducting wire	USA	+1 (732) 541 1300	+1 (732) 541 7769	sales@ost oxinst com
Oxford X Ray Technology 360 El Pueblo Road Scotts Valley CA 95066 USA	X-ray tubes and detectors	USA	+1 (831) 439 9729	+1 (831) 439 6051	industrial@oxinst com

Oxford Instruments Directory continued

Company/address	Descriptor	Country	Telephone	Fax	Email
Service					
OiService CT & MR					
34 Green Street Woodbridge NJ 07095 USA	Support Services for CT and MRI	USA	+1 (732) 850 9300	+1 (732) 802 0401	oiservice@oxinst com
1027 SW 30th Avenue Deerfield Beach FL 33442, USA		USA	+1 (954) 596 4945	+1 (954) 596 4946	oiservice@oxinst com
64 Union Way Vacaville CA 95687 USA		USA	+1 (707) 469 1320	+1 (707) 469 1318	oiservice@oxinst com

Company/Address	Country	Telephone	Fax	Email
Regional Sales and Service Offices				
Oxford Instruments/Canada/Latin America 300 Baker Avenue Suite 150 Concord MA 01742 USA	USA	+1 (978) 369 9933	+1 (978) 369 8287	info@ma oxinst com
Oxford Instruments China Room 714 Tower 3 Henderson Centre No 18 Jianguomennei Avenue 100005 Beijing China	China	+86 (0)10 6518 8160	+86 (0)10 6518 8155	china info@oxinst com
Room 1/E Building 1 Xiangzhang Garden No 248 Donglan Road 201102 Shanghai China	China	+86 (0)21 6073 2929	+86 (0)21 6490 4042	china info@oxinst com
No 129 Lane 150 Pingbei Road Xinzhuang Industrial Area Minhang District 201102 Shanghai China	China	+86 (0)21 6490 8580	+86 (0)21 6490 4042	china info@oxinst com
Room 2112 Bai Hui Plaza 193 Zhong Shan Wu Road Guangzhou 510030 China	China	+86 (0)20 8364 9990	+86 (0)20 8364 9996	china info@oxinst com
Room 1909 Huamin Empire Plaza No 1 Fu Xing Street Chengdu China	China	+86 (0)28 8670 3596	+86 (0)28 8670 3595	china info@oxinst com
Oxford Instruments Czech Republic Velvarska 13 CZ-160 00 Praha Czech Republic	Czech Republic	+420 233 343 264	+420 234 311 724	office@oxinst cz
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Oxford Instruments Germany Otto-von-Guericke-Ring 10 65205 Wiesbaden Germany	Germany	+49 6122 9370	+49 6122 937100	info oiplc@oxinst com
Oxford Instruments India 11 Marwah s Complex Krishanlal Marwah Marg Andheri East Mumbai 400072 India	India	+91 224 4253 5100	+91 224 4253 5110	india@oxinst com
Oxford Instruments Japan Haseman Bldg 2-11-6 Tomioka Koto-ku Tokyo 135-0047 Japan	Japan	+81 (0)3 5245 3251	+81 (0)3 5245 4472	info jp@oxinst com
Oxford Instruments Korea 41/F Gangnam Finance Center 737 Yeoksam-dong Gangnam-gu Seoul 135-984 Republic of Korea	Republic of Korea	+82 2 2008 4500	+82 2 2008 4555	nanoanalysis@oxinst com
Oxford Instruments Russia Denisovskiy per 26 Moscow 105005 Russian Federation	Russia	+7 (095) 933 51 23	+7 (095) 933 51 24	info@oxford de
Oxford Instruments Singapore 10 Ubi Crescent #04-81 Ubi TechPark Lobby E Singapore 408564 Republic of Singapore	Singapore	+65 6337 6848	+65 6337 6286	oi admin@oxfordinstruments com sg
Oxford Instruments Taiwan 1F No 23 Jing-Shang 19th Street Hsinchu Taiwan 300 Taiwan R O C	Taiwan	+886 3 5788696	+886 3 5789993	oi admin@oxfordinstruments com tw

Advisers

Honorary President
Sir Martin Wood OBE FRS Hon FREng DL

Company Secretary
Susan Johnson-Brett ACIS

Board Committees

Audit
JF Lennox Chairman, J Allerton MA Hughes, TO Geitner

Remuneration
NJ Keen Chairman, J Allerton MA Hughes, JF Lennox, TO Geitner

Nomination
NJ Keen, Chairman, J Allerton, JM Brady, MA Hughes, JF Lennox, TO Geitner

Administration
Any two Directors

Advisers

Auditor
KPMG Audit Plc

Principal Bankers
HSBC Bank plc, Clydesdale Bank plc and Santander UK plc

Stockbrokers
JPMorgan Cazenove

UK Solicitors
Laytons Solicitors LLP and Ashurst LLP

US Counsel
Wilmer Hale LLP

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