Oxford Instruments plc

Reports and Financial Statements 2011

OXFORD INSTRUMENTS

The Business of Science®

Contents

Oxford Instruments

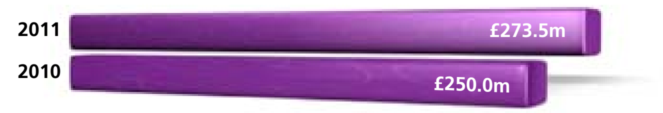
Oxford Instruments is a leading provider of high technology tools and systems for research and industry. It designs and manufactures equipment that can fabricate, analyse and manipulate matter at the atomic level. Nanotechnology applications are today being used to address some of the world's most pressing problems across a broad range of industries and Oxford Instruments is equipping those industries, worldwide.

The global challenges we face today cannot be addressed without a partnership between the commercial and the academic sectors. Companies like Oxford Instruments form the bridge between science and the consumer. Science is capable of coming up with the solutions to many of society's problems and Oxford Instruments turns that smart science into commercially successful products.

- Oxford Instruments' X-ray Fluorescence (XRF) and Optical Emissions Spectroscopy (OES) analysers are being used for quality control and environmental monitoring applications across a wide range of industries. They detect hazardous substances in materials, metals, soil, petrochemicals and consumer goods.
- Benchtop Nuclear Magnetic Resonance (NMR) and XRF analysers are being used to analyse fat in foods, nutrients in rice and oil in seeds.
- The search for a sustainable, practical, renewable source of energy is one of the major global issues of the 21st Century. The multinational ITER programme seeks to find a solution by harnessing fusion power. Oxford Instruments supplies the high performance superconducting wire for the vast electromagnet that will lie at the heart of the ITER facility.
- Oxford Instruments is providing plasma etch and deposition tools to the developers of high brightness light emitting diodes and photovoltaic devices. They are seeking to produce carbon efficient lighting and cost effective solutions for turning sunlight into electricity.
- Next generation systems for the analysis of materials on electron microscopes are being used in the development of new, stronger and safer materials and pharmaceuticals and forensic science.
- Oxford Instruments' innovative range of liquid helium free cryogenic systems are used in fundamental physics research into cutting edge applications, such as quantum information processing, which is widely predicted to be the basis of a new generation of ultra fast computers required for applications such as financial security, climate modelling and drug development.

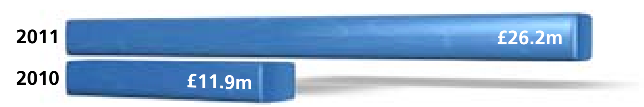
2011 Financial Highlights

Group Orders
£273.5m +9.4%

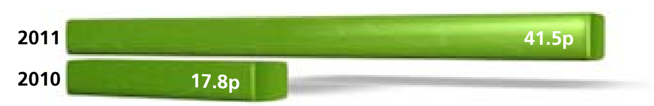


Revenue
£262.3m +24.0%

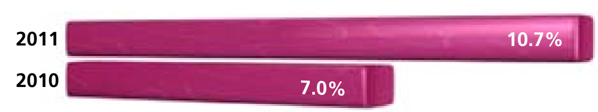
Adjusted Profit Before Tax
£26.2m +120.2%



Adjusted EPS
41.5p +133.1%



Trading Profit. Return on Sales (%)
10.7% +370
basis points



Group Results

Year ended 31 March	2011 £m	2010 £m
Orders	**273.5**	250.0
Revenue	**262.3**	211.5
Trading profit	**28.1**	14.7
Adjusted profit before tax (note 1)	**26.2**	11.9
Net cash / (borrowing)	**13.1**	(10.4)
Equity	**93.5**	52.2

	2011 pence per share	2010 pence per share
Total basic earnings	**65.3**	27.2
Adjusted earnings	**41.5**	17.8
Proposed dividends	**9.0**	8.4
Net assets	**186.3**	105.3

Employees at year end *	**1,566**	1,389

* Includes temporary employees.

Revenue by Market Sector

	Nanotechnology Tools		Industrial Products		Service	
	• NanoAnalysis • NanoScience • Plasma Technology		• **Industrial Analysis** • **Magnetic Resonance** • **Superconducting Wire**		• OI Service • Austin Scientific • Service of other 2 sectors	
	2011	2010	**2011**	2010	**2011**	2010
£m Revenue	**121.4**	101.5	**95.6**	71.0	**45.3**	39.0
£m Trading profit	**14.6**	8.2	**5.9**	1.0	**7.6**	5.5
Return on sales	**12.0%**	8.1%	**6.2%**	1.4%	**16.8%**	14.1%

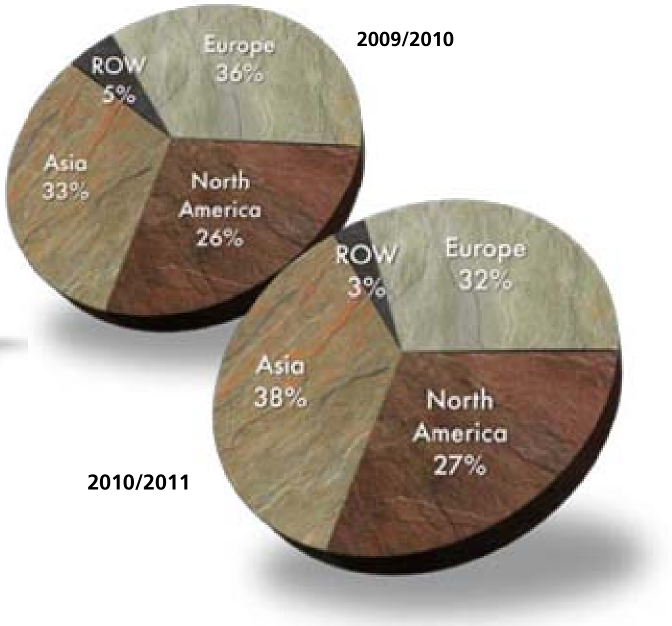
Oxford Instruments Worldwide

Oxford Instruments' customers and partners are supported by a wide sales and service network comprising offices, manufacturing sites, distributors and agents across the world. In June 2011 this network was strengthened by the addition of two acquisitions. Omniprobe Inc. in the USA and Omicron Nanotechnology GmbH, which has sites in Germany, UK, USA, France and Japan. Both companies join the Nanotechnology Tools business sector.

Diverse End Markets

A key factor in the Group's growth and success is the diversity of its markets and geographical reach.

Diverse Geographies



Key Information

Earnings per Share

41.5p +133.1%

Dividend per ordinary share

9.0p +7.1%

Oxford Instruments generates shareholder value by being a leading provider of systems used by our customers to analyse and manipulate matter at the smallest scale. We address both research and industrial markets and operate in all regions around the world. This broad spread of customers and geographical markets served to insulate us from the worst of the effects of the recent recession. Now that trading conditions have improved, this diversity has enabled us to deliver significant growth during the year.

The Group delivered its strongest performance in its 51 year history. Revenues rose to £262.3 million (2010: £211.5 million) and adjusted profit before tax more than doubled to £26.2 million (2010 £11.9 million). Adjusted earnings per share rose significantly to 41.5p (2010: 17.8p). The Group had a net positive cash balance of £13.1 million (2010: borrowing of £10.4 million) at the year-end.

These results reflect five years of continuous progress in the development of new products for high growth markets and sustained efficiency improvements. The rapid strengthening of industrial markets after the recession of 2008/2009 was faster than we had expected and our new product launches have been more successful than we had predicted. As a result we announced increased performance expectations for the year in September 2010 and April 2011, and raised our interim dividend to 2.52 pence (2010: 2.4 pence).

The Group is recommending a final dividend of 6.48 pence bringing the total for the year to 9.0 pence (2010: 8.4 pence).

This year's strong result has been made possible by all our people around the world. I would like to thank them for their hard work during the year.

It is now five years since we announced our plan to double the size of Oxford Instruments and significantly improve our margins. The implementation of the strategy to achieve these challenging targets has been successful as reflected by this strong set of results. Today, as outlined later in the statement, we unveil the next mid-term target, the *14 Cubed* Objective. This will form the basis of the next stage of the development of the Group as we continue to deliver shareholder value by using technology to address the issues facing society.

Nigel Keen Chairman
14 June 2011

Key Information

Order in-take

£273.5m +9.4%

Order Book

£115.3m +13.6%

Sales per Head

£175k +11.1%

Financial year 2010/2011
The Group delivered an excellent result in the year from both our Research and our Industrial markets. We continue to benefit from strong demand from our research based customers helped by our innovative new products. Demand for our industrial products increased significantly as our customer base emerged from recession.

Our order intake reached £273.5 million (2010: £250.0 million). This strong performance is particularly pleasing given that the prior year included the large one off order for superconducting wire for ITER, the multinational carbon free energy programme. Excluding ITER, order intake grew by 30.5%. The order book now stands at £115.3 million (2010: £101.5 million). Most of these orders are for delivery in the first half of the current year.

The Group continues to benefit from strong growth in Asia, where sales grew by 40.5%. In China, our second largest market after the United States, sales increased by 70.1%. To support this growth we opened a fifth China office in Chengdu and increased production capabilities in our Shanghai factory. Japan, which generated 10.9% of our revenue, also saw good growth. The earthquake in March 2011 caused extensive disruption to our day-to-day operations but had a very limited effect on trading in the reported year. It is too early to predict the ongoing effect to us of the disaster. Our focus on the opportunities presented by emerging markets continues to strengthen with plans to open an office in Brazil this summer. We have seen good performance across all product groups in Russia, particularly in the research markets. Growth in India is particularly strong in our industrial markets and we are looking to strengthen our presence there.

Sales in the more established markets of Europe and North America increased by 10.5% and 23.4% respectively. Going forward we expect a progressively higher proportion of our revenue to come from Asia.

Our strong organic growth has been driven by our focussed R&D programme. Our growing end markets offer the potential to increase market share through the introduction of new technologies. In order to more fully exploit this opportunity rich environment, we increased our R&D cash spend by 29% to £16.9 million (2010: £13.1 million).

More detail about the Group's operational performance is set out on pages 7 to 8.

Five years of progress: Laying the foundations for further profitable growth
In 2006 we announced a five year objective to double the size of the business and improve our net margins by ten percentage points through organic growth and acquisitions. We set out to achieve this by becoming a more customer focused business, increasingly concentrating on new products in markets such as nanotechnology.

Having reached the end of the five year period, we have achieved very significant progress and a substantial increase in shareholder value. Our growth target equated to a compound average annual growth rate of 15.0%. We achieved 14.4%. This reflects our success in beating our five year organic growth target, delivering an average annual compound organic growth rate of 12.8%, compared to our 10.0% target. This was facilitated by the rapid culture change that has been achieved across our businesses, bringing a highly commercial focus to our R&D capability and significantly accelerating the pace and quality of technological innovation across the Group, despite the severe downturn suffered by the global economy.

The plan envisaged that acquisitions would deliver the remaining five per cent of growth per annum. We made four successful acquisitions during 2007 and 2008. In 2009, we took the decision to suspend acquisitions until such time as the world economy stabilised. This inevitably delayed the acquisitive part of our growth and impacted the margin improvement which had been planned to come from acquisitions. We are now actively searching for appropriate acquisition targets.

At the beginning of the plan in 2005/06, the Group delivered a return on sales of 3.0%. The corresponding figure for 2010/11 is 10.7%. This progress has been achieved through internal efficiency improvements, the better targeting of our R&D towards the needs of our customers and improved operational gearing.

All parts of the Group are now performing well and the foundations have been laid for further profitable growth. Our brand, our technology and our global reach position us well for the next stage in our evolution.

2011 to 2014: The *"14 Cubed"* Plan

Having broadly achieved the objectives of our five year plan, we are now focused on delivering the next phase of growth. Our objective over the next three years is to target an average compound annual revenue growth rate of 14% per year. At the end of the three year period we plan to have a net return on sales of at least 14%. *This plan, to achieve compound growth of 14% and a return on sales of 14% by 2014, is known within the Group as the "14 Cubed" Plan.*

Our annual trading patterns are now more predictable due to the operational improvements that have been achieved across the Group. We enjoy a broad spread of customers, applications and geographic markets. This, together with improved processes for R&D and cash management, increases our ability to plan more confidently for the medium term. For this reason we have selected a three year time horizon for our next strategic plan. We believe that this also better reflects the time horizons of many of our investors and customers.

The new plan will be 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 more through organic growth than by acquisition. 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 high exposure to the growing markets of Asia and our customer targeted R&D programme. We are proud of the fact that our customers from around the world often specify that they want "The Oxford" when procuring new systems.

Our product development pipeline is populated with new, commercially driven products which will be released over the next two years. This will further consolidate and grow our market position and as a result we believe that our organic growth can continue as evidenced by the strong average rate achieved over the last five years.

Organic growth will be supplemented by targeted acquisitions. Today in a separate statement, we announce two acquisitions: Omicron Nanotechnology GmbH, a German company specialising in the manufacture of very high end microscopes for nanotechnology research and Omniprobe, Inc., an American company which designs and manufactures nano-manipulators for use within scanning electron microscopes. The aggregate consideration is £40.2 million on a no cash, no debt basis.

Further exploitation of the Oxford Instruments brand, our superior technology and exposure to markets where demand is growing faster than supply will drive continued margin progression. This, together with our ability to implement greater economies of scale and efficiency improvements, underpins our confidence in achieving our 14% return on sales target.

Oxford Instruments has a proud scientific heritage embodied in our strong worldwide cadre of engineers who bring world class skills in the most advanced technological fields. As the business grows, increased operational gearing will enable us to deliver even greater value from this highly skilled team.

We have an internal efficiency programme which seeks both to increase revenues (by boosting our customer satisfaction levels) and to manage costs. This programme is built around five key goals:

- Delivering for shareholders
- Liberating cash
- Investing for the future
- Realising the Brand
- Adding personal value

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.

Current Trading
We are now two months into the time period covered by the *14 Cubed* Plan. Trading to date has been in line with our expectation with orders, sales and profit better than the same period in the prior year. As part of our annual trading cycle there has been a cash outflow in the period and the cash balance at the end of May 2011 was £4.1 million.

Outlook
The progress made over the last five years in commercialising and focusing the Group has laid the foundations for long term profitable growth. Our markets, and the position of our products in those markets, is strong.

As we enter the next stage of the evolution of Oxford Instruments, the *14 Cubed* Plan outlines the framework through which all of our stakeholders will benefit from increased profitability, greater scope to invest in organic growth and acquisitions, continued innovation and global recognition of the Oxford Instruments Brand.

Jonathan Flint
Chief Executive
14 June 2011

Operational Review

Nanotechnology Tools
The Nanotechnology Tools sector comprises our NanoAnalysis, NanoScience and Plasma Technology businesses. This sector produces our highest technology products and serves research customers in both the public and private sectors. Revenues were £121.8 million, an increase of 20% on the prior year. Trading Profit was £14.6 million (2010: £8.2 million), with performance up across both industrial and research markets worldwide.

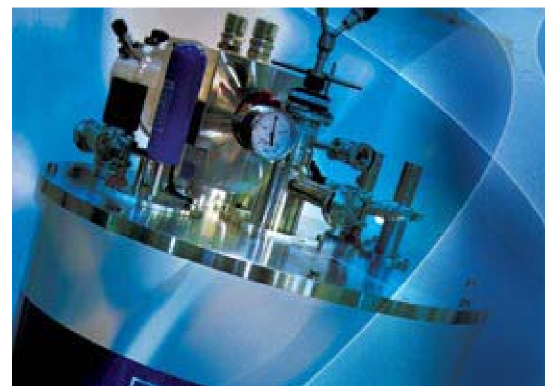
Our NanoAnalysis business produces analysis tools which give precise chemical and structural data to users of electron microscopes. It was an excellent year for orders and shipments due to recovering industrial markets and strong demand for nano-characterisation of new materials in the automotive, aerospace and solar markets. Much of this demand has been met through the launch of innovative 3D analytical software giving customers more information than ever before, particularly in the semi-conductor and metallurgy markets where detailed analysis of the structure of a sample is required. Sales of our large area silicon drift detector, X-Max, continue to exceed expectations, and this year we sold our 1,000th detector. A new variant of the X-Max for high performance electron microscopes, launched in 2010, offers significant benefits to the semiconductor and materials research markets and generated sales which exceeded expectations. We have seen significant growth in the sales of our Electron Backscatter Diffraction (EBSD) systems due to product enhancements and improved marketing. April 2011 saw the introduction of AZtec, a revolutionary materials characterisation system which will ultimately replace our world-renowned INCA platform. The launch was particularly successful and orders are exceeding expectations.

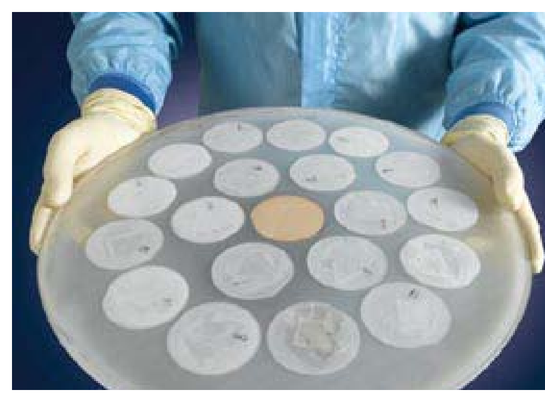
Our NanoScience business produces equipment for experimental research in the areas of very low temperature and very high magnetic fields. The business continues to improve its performance, further consolidating the process efficiencies introduced over the last two years. Demand continues to be strong, with particular interest from institutes conducting research into quantum information processing, which will directly influence next generation computers and security systems. New market leading cryogen free magnet systems were developed and launched in 2010, laying the foundations for development of a wider cryogen free platform and offering further opportunities to grow market share. This new technology has also led to record sales in China, where we have increased our investment in our sales and service capability.

Our Plasma Technology business provides nanotechnology fabrication tools which are used to manipulate materials at the atomic scale for research and advanced manufacturing applications. This business delivered a strong performance. The majority of its sales were in Asia, driven by strong demand in the High Brightness Light Emitting Diode (HBLED) sector. We have opened a research facility in Taiwan to offer further collaboration with our partners and customers. A similar facility was also opened in the UK and our production capacity has been more than doubled as a result of a factory refurbishment. Two new products were launched this year to support the continued growth in the photovoltaic and HBLED markets. As a result of its improved performance in the export market, Plasma Technology was a winner of a 2011 Queen's Award for International Trade.

Industrial Products
The Industrial Products sector contains our Industrial Analysis, Superconducting Wire and Magnetic Resonance businesses. Revenue increased to £97.6 million (2010: £72.1 million), reflecting significant growth in demand from the industrial markets worldwide. Trading Profit in this sector rose to £5.9 million (2010: £1.0 million) on the increased volume.

Our Industrial Analysis business produces analytical equipment for industrial quality control and environmental monitoring. We have seen strong growth in this business, particularly in the metals and petroleum markets. Our X-ray Fluorescence range of products, which includes the X-MET hand-held analysers, has seen a significant increase in sales due to increased investment in our sales and service teams worldwide and the strengthening of our industrial markets in general. Our Optical Emission Spectrometers are now leading the market in metals analysis and this business continues to perform well.





Our Superconducting Wire business is the world leader in the provision of wire for the MRI scanner market where demand for wire for MRI scanners has continued to strengthen, with a significant increase in sales recorded this year. We also provide high specification superconducting wire to customers engaged in research. Plans to expand the facility in New Jersey, USA are now underway following a successful ramp up in production of wire for the ITER project.

Our Magnetic Resonance business produces bench top equipment which can be used to analyse industrial and food products, particularly oils and fats. It also provides magnetic resonance analytical tools for the petrochemical industry, providing data to improve the efficiency of oil extraction. This business has returned strong sales due to the focus on its core product line, particularly in the oil from sunflower seeds market.

Service

This sector consists of our MRI Service businesses in North America and Asia, our Austin Scientific business and the service elements of Nanotechnology Tools and Industrial Products. Turnover was £45.4 million (2010: £39.0 million) and Trading Profit was £7.6 million (2010: £5.5 million). The USA is our biggest service region but we are seeing increased revenue in China and Japan as our installed base grows.

The MRI Service businesses provide service and support to the MRI industry, offering magnet service, parts and accessories predominantly in North America and Japan. This business has continued to perform well.

Our Austin Scientific business supplies, services and refurbishes high quality cryogenic vacuum pumps, helium compressors and cold heads for customers in the semiconductor, medical and research sectors. This business has recorded its best ever results due to significant growth across all revenue streams.

People

Our talented workforce is a key element of our success. We periodically undertake all-employee surveys in order to measure attitudes amongst our staff worldwide. We achieve levels of employee engagement which are significantly above the industry benchmark and are rising. We have launched a Group wide incentive plan through which all staff will benefit with the achievement of our *14 Cubed* objectives.

We have also launched an Oxford Instruments management development programme which promotes high standards of performance and aims to develop the talented, international managers needed to deliver our strategy. Over 100 employees will undertake management training during the coming year.

Our people continue to develop innovative, market leading products, offer quality customer service and meet the needs of more customers than ever before. In particular, our staff in Oxford Instruments Japan deserve special recognition. In the aftermath of the March earthquake and tsunami they continued to support our customers in very difficult circumstances. Some also assisted the emergency services in the affected areas.

All our people have made the difference. They deliver against demanding targets and have my admiration and thanks.

Sustainability

Our Sustainability programme continues to command a high profile across the Group. Every site has an Energy Champion who is actively responsible for reducing our carbon footprint locally.

We have set an annual target of a 5% reduction in energy consumption as a percentage of sales. Our teams achieved a 15% reduction in electricity consumed as a percentage of sales in 2010/11.

Key Information

Revenue

£262.3m +24%

Trading profit

£28.1m +91.2%

Cash generated before dividend

£27.6m

Trading Performance

Orders of £273.5 million were £23.5 million ahead of the same period last year. Excluding the one-off ITER order received in the prior year, orders grew by £63.9 million or 30.5%.

Revenues for the year grew by 24.0% to £262.3 million (2010: £211.5 million). The majority of growth came through increased volumes in all parts of the business, with a positive foreign exchange variance of £2.4 million being offset by adverse pricing of approximately £2.9 million.

In our Nanotechnology Tools division, which had been less affected by the global downturn and therefore has a stronger comparator year, sales grew by 19.6% while the Industrial Products division continued the recovery seen in the twelve months to September with growth of 35.4%. This was helped by five shipments of superconducting wire to the ITER programme, representing some 21.5% of the total contract. Service revenues grew by 16.4% on the back of a strong performance from our Austin Scientific business and a more general willingness in the market to renew service contracts.

Gross margins fell from 42.8% to 41.7% due to the pricing impact mentioned above, an adverse mix variance as superconducting wire became a bigger proportion of Group sales and a desire to maintain strategic market positions, particularly within the fast growing HBLED market.

Constant currency operating expenses increased by £11.2 million. Sales and marketing costs increased by 10.5% due to the growth in variable overhead costs as a result of higher volumes and our investing for the future in terms of increased sales presence. R&D increased by 34.4% while other costs rose by 16.5% due, among other things, to one-off ITER set up expenses. Translational foreign exchange effects added £0.4 million, resulting in a net increase of £11.6 million in reported operating expenses.

Trading profit increased by £13.4 million to £28.1 million. The majority of this increase was a result of the higher sales volume, although a significant proportion was due to better transactional foreign exchange rates.

Other Operating Income

In July 2010 the Group ceased future accrual for those employees who were members of our UK and US defined benefit pension schemes. This resulted in a one-off credit of £4.1 million which is being treated as an exceptional profit item. In addition £0.6 million that had been accrued as a potential 'earn-out' payment to the employees of TDI, an acquisition made in April 2008, is now not thought to be necessary and has been released to the income statement as an exceptional profit.

Reorganisation costs and impairment

As reported in our Half Year results, it was decided that the relocation of our Yatton site would not take place as originally planned. Due to the exceptional growth of the Plasma Technology business, the site which had been selected is now too small and a new location is therefore being sought. As a result, £0.6 million of costs relating to the move have been written off as an exceptional item.

Amortisation of acquired intangibles

Amortisation of acquired intangibles was in line with the prior year at £4.7 million (2010: £4.1 million). No acquisitions were made in the year.

Financial income and expenditure

Within financial income and expenditure, total interest on debt reduced by £0.1 million to £1.2 million as debt levels fell. The interest charge on pension scheme liabilities exceeded the expected return on pension scheme assets by £0.7 million, a reduction of £0.8 million over the prior year.

Currency hedging

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

In common with a number of other companies, the Group has decided that the additional costs of meeting the extensive documentation requirements of IAS 39 to apply hedge accounting to the foreign exchange hedges cannot be justified. Accordingly the Group does not use hedge accounting for these derivatives. Net movements on marking to market such derivatives at the balance sheet date are disclosed in the income statement as Financial Expenditure and excluded from our calculation of adjusted profit before tax (note 1).

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

Taxation
The underlying tax rate on the profit before tax for the Group before operating income, amortisation of acquired intangibles, reorganisation costs, impairments and marking to market of hedging derivatives was 22% (2010: 27%). The rate has reduced due to the UK parts of the Group being profitable for tax purposes and therefore able to offset their expenses.

The Group has significant tax losses and timing differences in the UK available to set off against future taxable profits from certain business streams. Due to the improved performance of the Group's UK business units, we now believe that there is a high degree of certainty that these losses and timing differences will be able to be relieved against future profit streams and as a result have recognised a deferred tax asset of £11.3 million in the year and a corresponding credit to the Income Statement. We believe that this is exceptional in nature and quantum and have therefore excluded it from our calculation of adjusted earnings per share shown in note 1.

Earnings
After a tax credit of £5.5 million (2010: charge £4.8 million) the reported net profit for the financial year was £32.2 million (2010: £13.3 million). With a weighted average number of shares of 49.3 million (2010: 48.9 million), the basic earnings per share were 65.3 pence (2010: 27.2 pence).

Adjusted profit before tax (note 1), which we believe gives a better indication of the underlying performance of the business, grew by £14.3 million to £26.2 million which equated to an adjusted earnings per share of 41.5 pence (2010: 17.8 pence), an increase of 133%.

Dividends
The Group's proposed final dividend of 6.48 pence per share (2010: 6.0 pence), payable on 27 October 2011 to shareholders who are on the register on 30 September 2011, gives a total dividend for the year of 9.0 pence per share (2010: 8.4 pence). Dividend cover for the underlying business before other operating income, reorganisation costs and impairments, amortisation of acquired intangibles and marking to market of hedging derivatives was 4.6 times (2010: 2.1 times).

Investment in research and development (R&D)
The total cash spent on research and development in the year was £16.9 million (2010: £13.1 million). A reconciliation between the cash spent and the amounts charged to the Income Statement is given below:

	2011 £ million	2010 £ million
Research and development expense charged to the consolidated statement of income.	**17.6**	13.1
Less: depreciation of R&D related fixed assets	**(0.6)**	(0.6)
Add: amounts capitalised as fixed assets	**2.3**	0.6
Less: amortisation of R&D costs capitalised as intangibles	**(5.4)**	(4.0)
Add: amounts capitalised as intangible assets	**3.0**	4.0
Total cash spent on research and development during the year	**16.9**	13.1

The net book value of capitalised R&D at the end of the financial year was £15.0 million (2010: £17.5 million).

Balance sheet
Non-current assets fell from £85.0 million to £82.6 million primarily due to the amortisation of acquired intangible assets.

Net working capital (excluding derivative financial instruments and tax payable/receivable) reduced by £9.6 million in the year to £15.9 million, despite £2.4 million of the £10.2 million deposit that was received in the prior year for the ITER contract unwinding.

Inventory turns increased by 0.2 to 3.3 while debtor days reduced from 59 days to 48 days.

Pensions
The Group has defined benefit pension schemes in the UK and the US. Both have been closed to new entrants since 2001. The total deficit, before tax, under IAS19 on these pension schemes decreased in the year by £23.4 million to £11.7 million with a corresponding deferred tax asset of £3.1 million.

Assets of the schemes at 31 March 2011 were £173.1 million (2010: £157.6 million), while liabilities fell from £192.7 million to £184.8 million principally as a result of the closure of the schemes to future accrual in July 2010 and the movement from RPI to CPI as the measure of inflation for deferred members. In ceasing future accrual the Group sought to mitigate the risk of liabilities rising. The alternatives offered to the employees are cash neutral to the Group.

The latest triennial actuarial valuation of the UK scheme was carried out as at 31 March 2009 and resulted in an actuarial deficit of £39.5 million. A long-term plan for recovering the deficit over 13 years was agreed between the Company and the Pension Trustee, which involves a payment of £3.1 million for the year to March 2010, £5.3 million for the year to March 2011 and £4.2 million for the year to March 2012. For the subsequent 11 years the 2012 payment of £4.2 million will be inflated by 2.85% per annum. Should the Group increase the dividend per share paid to shareholders in the period to March 2012, the payment to the pension fund will be similarly increased.

Cash
Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by £15.0 million to £37.5 million. Working capital in the year reduced by £6.9 million, building on a reduction of £16.4 million in the prior year.

Cash generated from operations was £39.2 million, an increase of £6.4 million on the prior year. Excluding the exceptional ITER deposit of £10.2 million received in the prior year, the increase was £16.6 million.

Net cash at the year-end was £13.1 million (2010: net borrowing of £10.4 million). In December the Group announced that it had agreed a committed Revolving Credit Facility with a club of three banks. The new facility, which will last for four years, is for £50 million and is extendable to £70 million by mutual consent. In addition the Group has various overdraft and other facilities totalling £14.8 million.

Employees
The average number of people employed during the year was 1,498, an increase of 157 over the prior year.

Average sales per employee increased by 11% to £175,000.

Share price
The closing mid-market price of the ordinary shares at the end of the financial year was £7.00, compared with £2.69 at the beginning of the year. The highest and lowest prices recorded in the financial year were £7.36 and £2.56 respectively.

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

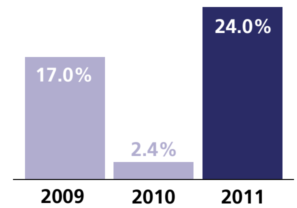
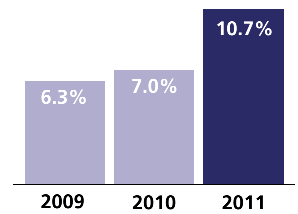
The relatively diverse nature of the Group together with its current financial strength provides a solid foundation. The Directors have reviewed the Group's forecasts and flexed them to incorporate a number of potential scenarios relating to changes in trading performance and believe that the Group will 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.

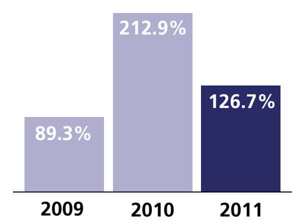
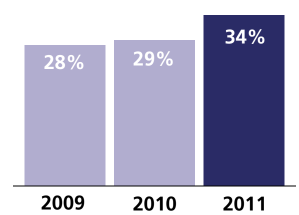
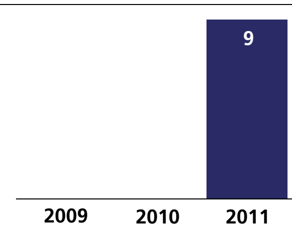
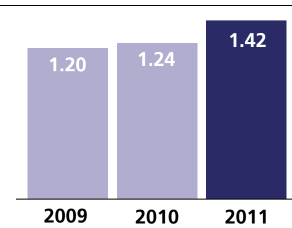
The Financial Statements have been prepared on a going concern basis, based on the Directors' opinion, after making reasonable enquiries, that the Group has adequate resources to continue in operational existence for the foreseeable future.

Kevin Boyd
Group Finance Director
14 June 2011

Key Performance Indicators

The Group uses a range of measures to monitor progress against its strategic plans. The key performance indicators are presented below:

Financial goal	What we measure	Why we measure	How we performed
To deliver shareholder return through growth in turnover and margin.	Revenue growth	Tracks our performance on our growth strategy	
	Net return on sales	Tracks our performance on our Profitability strategy	

Strategic Priorities	What we measure	Why we measure	How we performed
Liberating Cash	Cash conversion from profit	Monitors our use of Fixed Assets, Working Capital and R&D	
Investing in the Future	Proportion of revenue coming from products launched in the previous 3 years	Measures the effectiveness of our R&D programmes	
Realising the Brand	Net Promoter Score[1]	Measures Customer Feedback	
Adding Personal Value	'Value Add' – (Trading Profit + Employment Costs)/Employment Costs	Measures efficiency	

[1] The Net Promoter Score is a new metric which has been introduced Group wide during 2011. No data exists for earlier years. It is compiled by asking customers at the completion of a piece of service work whether they would recommend Oxford Instruments to a friend or colleague. Customers give a score between zero and ten where zero is no and ten is yes. 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 more promoters than detractors.

Principal Risks

Specific Risk	Context	Risk	Possible Impact	Associated strategic priorities and goals	Mitigation
Technical Risk	The Group provides high technology equipment and systems to its customers.	Failure of the advanced technologies applied by the Group to produce commercial products, capable of being manufactured and sold profitably.	Lower profitability and financial returns. Negative impact on the Group's reputation	**Realising the Brand** - Using 'Voice of the Customer' to drive rapid new product development. **Adding Personal Value** - Support and develop our employees to maximise their value add.	The Group has moved away from large scale, single customer development programmes towards more commercially orientated products. The New Product Introduction programme that any new R&D projects must pass through provides a framework within which the commercial viability of projects are scrutinised and assessed.
Economic Environment	The recent global recession and prevailing economic downturn have resulted in cuts to both government and private sector spending.	Demand for the Group's products may be lower than anticipated.	Lower profitability and financial returns.	**Realising the Brand** - Developing a strong brand in existing and developing markets. **Delivering Shareholder Value** - Focus on balanced and attractive global markets.	The Group has a broad spread of customers, applications and geographical markets. The Group is expanding in the so called BRIC nations, especially China, which has not suffered from the downturn.
Acquisitions	Part of the growth of Oxford Instruments is 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.	**Realising the Brand** - Developing a strong brand in existing and developing markets. **Investing in the Future** - Using 'Voice of the Customer' to drive rapid new product development. **Adding Personal Value** - Supporting and developing our employees.	Extensive financial and technical due diligence is undertaken by the Group during any acquisition programme. Each transaction has a comprehensive post acquisition integration plan which is reviewed at the highest level.
Foreign exchange volatility	A significant proportion of the Group's profit is made in foreign currencies.	The Group's profit levels are exposed to fluctuations in exchange rates.	Lower profitability and financial returns	**Delivering Shareholder Value** - Focus on balanced and attractive global markets. **Liberating Cash** - Developing a competitive global supply base that supports our growth.	The Group seeks to mitigate the exposure to transactional risk by the use of natural hedges wherever possible. The remaining transactional foreign exchange risk in any year is mitigated through the use of forward and non-premium based option exchange contracts.
Outsourcing	The Group's strategic plan includes the outsourcing of a significantly higher proportion of the costs of its products to benefit from economies of scale and natural currency hedges.	Failures in the supply chain impacting sales.	Disruption to customers. Negative impact on the Group's reputation.	**Liberating Cash** - Developing a competitive global supply base that supports our growth. **Realising the Brand** - Developing a strong brand in existing and developing markets.	Relationships with outsourcing businesses are monitored closely and any potential issues are acted upon swiftly to avoid disruption. Where practical dual sources are used for key components and services
Raw material volatility	The Group relies on the purchase of a significant amount of copper for the production of its superconducting wire.	As copper prices rise, profitability falls.	Lower profitability. Occasional disruption to production.	**Liberating Cash** - Developing a competitive global supply base that supports our growth. **Delivering Shareholder Value** - Focus on balanced and attractive global markets.	The Group has entered into agreements with the two largest buyers of superconducting wire to pass the vast majority of pricing risk to them.
Pensions	The Group's calculated pension deficit is sensitive to changes in the actuarial assumptions	Movements in the actuarial assumptions may have an appreciable effect on the reported pension deficit.	Additional cash required by the Group to fund the deficit. Reduction in net assets.	**Delivering Shareholder Value** - Focus on balanced and attractive global markets. **Liberating Cash** - Developing a competitive global supply base that supports our growth.	The Group has closed its defined benefit pension schemes in the UK and US to future accrual. The Group has a funding plan in place to reduce the pension deficit over the short to medium term.

Nigel Keen
Non-Executive Chairman
joined the Board in 1999. He has an engineering degree from Cambridge University, is a Fellow of the Institute of Chartered Accountants and has been involved in the formation and development of high technology businesses for more than thirty years. He is Chairman of Laird PLC, Bioquell PLC and Deltex Medical Group plc and a Non-Executive Director of ISIS Innovation Ltd. (Oxford Instruments and Oxford University maintain a close relationship and the Group's Directors are strongly represented on the Board of ISIS Innovation, the University's intellectual property company).

Jonathan Flint
Chief Executive
joined the Group as Chief Executive in April 2005. He holds a BSc in Physics from Imperial College and an MBA from Southampton University. He is a Fellow of the Institute of Physics, Institution of Engineering and Technology and the Royal Academy of Engineering. He sits on the Council of the Institute of Physics and is a member of advisory panels to the UK Science and Technology Funding Council. Prior to Oxford Instruments, he held senior commercial management positions within Vislink plc, BAE Systems, GEC Marconi and Matra Space Systems.

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

Charles Holroyd
Group Business Development Director
was appointed to the Board in November 2005, having joined Oxford Instruments in 1999, and is responsible for Group Business Development. He has 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. Previously he held senior management positions within United Industries plc, B Elliott plc, Spirent plc (previously Bowthorpe plc) and Chloride Group plc.

Professor
Sir Michael Brady
Deputy Chairman and Non-Executive Director
joined the Board in 1995 and is Emeritus Professor in the Department of Radiation Oncology and Biology at the University of Oxford, having recently retired as BP Professor of Information Engineering. He is also a Fellow of the Royal Society, of the Royal Academy of Engineering and of the Academy of Medical Sciences and a Commissioner of the Commission for the Royal Exhibition of 1851. He is a founding Director (and Chairman) of Guidance Ltd, Mirada Medical Ltd and Matakina Ltd (a New Zealand based company), a Director of Dexela Ltd and of ISIS Innovation Ltd and Chairman of Acuitas Ltd.

Professor
Michael Hughes
Senior Independent Non-Executive Director
joined the Board in November 2004. He is Chairman of EA Technology Ltd and a Non-Executive Director of South Staffordshire Water Ltd. Previously he held senior management positions in GEC plc before becoming CEO of Midlands Electricity plc until 2002 and then Executive Vice President of GPU Inc International Operations Group.

Jock Lennox
Independent Non-Executive Director
joined the Board on 1 April 2009. He is a Non-Executive Director of Enquest PLC, Hill & Smith Holdings PLC and A&J Mucklow plc. He is a member of the Council of the Institute of Chartered Accountants of Scotland (chairing the Qualification Board) and is Chairman of the Tall Ships Youth Trust. He is also a member of the Advisory Board of Alchemy, the private equity firm. He was a Senior Audit Partner at Ernst & Young until April 2009.

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

Directors
The Directors at the date of the Report were:

N J Keen, Non-Executive Chairman
D J Flint, Chief Executive
K J Boyd, Group Finance Director
C J A Holroyd, Group Business Development Director
J M Brady, Deputy Chairman and Non-Executive Director
M A Hughes, Senior Independent Non-Executive Director
J F Lennox, Independent Non-Executive Director
B J Taylor, Independent Non-Executive Director

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

JM Brady ceased to be a member of the Audit Committee on 13 September 2010.

Honorary President
Sir Martin Wood OBE FRS Hon FREng DL

Company Secretary
Susan Johnson-Brett

Advisers
Auditors: KPMG Audit Plc
Principal Bankers: HSBC Bank plc; Clydesdale Bank plc and Santander plc
Stockbrokers: JPMorgan Cazenove
UK Solicitors: Laytons LLP, Ashurst LLP
US Counsel: Holland & Knight LLP, WilmerHale LLP

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

The Directors present their Report and the Financial Statements of Oxford Instruments plc for the year ended 31 March 2011.

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 fair and true view of the business of the Group during the financial year ended 31 March 2011, 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 4 to 11 and corporate and social responsibilities on pages 18 to 21, 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 5 to 6, the Operational Review on pages 7 to 8 and the Financial Review on pages 9 to 11.

Results and dividends

The results for the year are shown in the Consolidated Statement of Income on page 46. The Directors recommend a final dividend of 6.48p per ordinary share, which together with the interim dividend of 2.52p per ordinary share makes a total of 9.0p per ordinary share for the year (2010: 8.4p). Subject to shareholder approval, the final dividend will be paid on 27 October 2011 to shareholders registered at close of business on 30 September 2011.

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 effectively 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.

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 the Financial Review on page 9 to 11.

Directors

Biographies of all the Directors at the date of this report, including the Non-Executive Directors, appear on page 14.

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.

Directors' interests

The beneficial interests of the Directors in the Company's share capital, all in fully paid up shares at 31 March 2011, are shown in the table. Details of share options for the Executive Directors are shown in the Directors' Remuneration Report on pages 30 to 37.

No Director was beneficially interested in the shares of any subsidiary company at any time during the year. In the year to 31 March 2011 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 30 to 37. There have been no changes since the year end.

	2011 Shares	2010 Shares
Kevin Boyd	**28,410**	10,544
Mike Brady	**2,500**	2,500
Jonathan Flint	**50,701**	30,754
Charles Holroyd	**59,580**	48,224
Mike Hughes	**12,354**	12,216
Nigel Keen	**126,580**	126,580
Jock Lennox	**3,500**	3,500
Bernard Taylor	**190**	190

Insurance cover and Directors' indemnities

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

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

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

Share capital

The Company only has one class of share capital which comprises ordinary shares of 5p each. All shares forming part of the ordinary share capital have the same rights and carry one vote each. There are no unusual restrictions on the transfer of a share. The full rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Directors, are set out in the Company's Articles of Association, 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 2011 the issued share capital was increased by 1.2% with the issue of 607,585 ordinary shares (2010: 157,977) following the exercise of options under the Company's share option schemes. At 31 March 2011, the issued share capital of the Company was 50,174,913 ordinary shares of 5p each. 433,794 ordinary shares (representing 0.9% of the total issued share capital of the Company) are held by the Company in a separately administered trust. No shares were acquired by the Company during the year. Details of the share capital and options outstanding as at 31 March 2011 are set out in note 20 of the Financial Statements. Since the year end the issued share capital of the Company has increased by a further 6,485 ordinary shares.

At this year's Annual General Meeting, the Directors propose to renew the authority granted to them at last year's AGM to: (a) allot up to one-third of the Company's issued share capital as new ordinary shares (Resolution 14(a)) and, including those shares allotted under Resolution 14(a), up to two-thirds of the Company's issued share capital where full pre-emption rights are applied (Resolution 14(b)); (b) allot up to 5% of the Company's issued share capital without first offering them to existing shareholders (Resolution 15); and (c) to buy back up to 10% of the Company's issued share capital (Resolution 16). Details of these resolutions are set out in the notice of the meeting.

Substantial shareholdings
The following are beneficial interests of 3% or more of which the Directors have been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the Company's issued ordinary share capital, the only class of voting capital, at 9 May 2011:

	Direct/ Indirect	Shares 000	% of Total
BlackRock	Indirect	7,025,415*	14.0
Ameriprise Financial	Indirect/direct	4,983,663	9.9
Schroder Investments	Indirect	4,940,549	9.8
Sir MF and Lady KA Wood	Direct	3,593,530	7.2
BAE Pension Fund Investment Management (UK)	Direct	2,010,677	4.0
Legal & General Investment Management Ltd (UK)	Direct	1,946,028	3.9
Hermes Equity Ownership Services Ltd	Proxy voting rights	2,857,706	5.7

* of which 2,288,613 shares are held in Contracts for Difference which are disclosable under the Disclosure and Transparency Rules.

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 2011 trade creditors of the Company and the Group's UK subsidiaries were equivalent to 10 days' (2010: 27) and 78 days' (2010: 62) 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 £8,210. 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) of the 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 13 September 2011 is set out in a letter to shareholders together with explanatory notes relating to the resolutions.

A resolution to re-appoint KPMG Audit Plc as Auditor and to authorise the Directors to set their remuneration will be proposed at the Annual General Meeting.

By Order of the Board
Susan Johnson-Brett, Company Secretary
14 June 2011

The Group is committed to enhancing shareholder value in an ethical and socially responsible manner by considering the interests of its wide community of stakeholders including investors, employees, customers, suppliers and local communities. It believes that integrity in dealing with its partners is a prerequisite for a successful and sustained business relationship. This principle governs all aspects of the Group's approach to working with all stakeholders and in developing commercially successful products and services.

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

Ethical Operations

The Group's Business Conduct and Ethics Code sets out the standards expected from its employees, partners and third parties. This Code reflects Oxford Instruments' long established culture, values and brand, and is continually reviewed to ensure that these standards are upheld. The Group's brand and reputation, together with the trust and confidence of those it works with is one of its most valuable assets. It actively encourages ethical behaviour from its employees and business partners.

In light of the new Anti-Bribery legislation that will come into force on 1st July 2011, Oxford Instruments has begun an anti bribery programme. The programme consists of, among other things, a risk assessment and an update to policies and procedures. A training programme will use external and internal resources to ensure effective programme generation, implementation and compliance. The Board is committed to fostering a culture within the organisation of zero tolerance and fully supports the anti-bribery programme.

In addition all employees must comply with any anti-bribery and anti-corruption rules derived from relevant legislation and regulations. A business malpractice policy includes guidelines on personal conduct, and gives advice on recognising and dealing with conflict of interests, business gifts, and bribery and corruption. The business malpractice policy provides employees with the opportunity to report unethical or illegal corporate conduct. The Group's Senior Independent Director provides an alternative channel of communications for those employees who require it and this is communicated to employees through the Group's intranet.

The Business Conduct and Ethics Code and the Business Malpractice policy are updated regularly and are available on the corporate website or from the Company on request.

A fair and open culture is fostered throughout the business in which everyone's views and contributions are encouraged and respected. New employees are introduced to the Company's values through an induction process which actively supports the corporate strategy. Business managers are provided with practical guidance explaining the Group's policies and standards of conduct.

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

Sustainability

The Group is committed to pursuing the highest standards of environmental performance. Responsibility for sustainability lies with the Board and all employees. Charles Holroyd, an Executive Director, is responsible for co-ordinating the Group's sustainability and carbon performance objectives, reviewing performance against these objectives and for relationships with external agencies.

The Board also reviews the sustainability performance of Group sites. 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. In the financial year 2009/10 the Group's global electricity consumption as a percentage of sales fell by 6.4% against a 5% target reduction. This financial year, 2010/11, the Group reduced energy consumption as a percentage of sales by 15%. In order to assist with this target the company invested in equipment such as automatic meter reading, sub-meters, more efficient air conditioning chillers and lighting, and voltage power optimisation.

There are a number of European directives aimed at benefitting the environment that are complied with by the Group. 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.

The Group has achieved the Carbon Trust Standard in the UK, awarded in recognition of the work undertaken to reduce the carbon footprint.

The Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES) is a UK Government initiative to reduce the amount of CO_2 released to the atmosphere by organisations that consumed more than 6GWh during 2008. Oxford Instruments falls into this category and is a full participant in Phase 1 of the CRC which currently runs from 2010 to 2013.

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

All corporate literature is 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.

Health and Safety

Oxford Instruments is committed to providing the highest standards of safety in the workplace for its employees and to the continual improvement of its health and safety (H&S) performance.

Responsibility for Health and Safety 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 site annually.

Key H&S risks within the business are subjected to a more focused review by the Board. Current risks receiving closer attention are those involved with driving for work, new production processes and the management of radiation issues in those businesses providing X-ray products.

Two of the Group's major sites are certified to the OHSAS18001 Health and Safety Management System standard.

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

In addition, information on health and safety 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.

Employees

The Board recognises that the Group's employees are critical to the overall delivery of its business strategy. It acknowledges that the Group's business success is delivered through the commitment, skills, experience and passion of its employees. Relations with employees are based on respect and collaboration. The Group is committed to a working environment where there is mutual trust and where everyone is accountable for their own actions and share responsibility for the performance and reputation of the Group. The Group HR Director reports directly to the Board on all employee related issues.

The Group's aim is to ensure there are equal opportunities for all employees with no discrimination on account of gender, marital status, family responsibilities, sexual orientation or preference, colour, race, nationality, religious belief, ethnic origin, disability, age and unrelated or spent criminal convictions. Ability and contribution are the determining factors in the selection, training, career development and promotion of all employees.

The success of Oxford Instruments is dependent upon the skills and abilities of its people, and all employees are encouraged to realise their potential. Training, development and career planning needs are regularly reviewed, and both the technical and interpersonal skills that sustain the economic success of the business are actively developed. This year, management development programmes have been extended to include modules focusing on management of results, people and self. These programmes are offered to all managers across the business.

All employees are kept informed of progress against the Group's strategic plan through regular video presentations on the intranet and face-to-face meetings with the Chief Executive, monthly team meetings, the Company intranet and newsletters. In addition, the performance of individual business groups is communicated through cascades and team meetings. The Group conducts regular all-employee surveys on issues such as management team effectiveness, communication of business strategy, working conditions and overall employee engagement. Specific action plans are in place across the Group to address key areas.

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

Each year, the Chairman hosts The Chairman's Awards for Innovation which reward and recognise technical and process innovation. Employees are encouraged to enter projects and/or activities that show innovation and customer service excellence in its broadest sense and at the same time have brought value to the business. Winners receive a trophy and a cash prize, awarded at a gala dinner. This year a new award for brand champion was added, building on current brand development work. A record number of entries was received from all business groups and all locations world-wide.

The Oxford Instruments Brand
An extensive programme was initiated in 2009/10 to energise the Oxford Instruments brand. This has influenced the way the Group is represented in its markets and what it stands for. It has led to a redefinition and communication of Company Values, which were validated through feedback from employees and the results of a customer survey conducted in June 2010.

Oxford Instruments' values are:

Trusted: Builds long term relationships based on trust and respect

Inclusive: Listens and engages with customers, colleagues, shareholders and partners for mutual success

Innovative & Progressive: Brings skill, experience and openness to new ideas to meet the needs of the 21st Century

Wholehearted: Approaches what we do with passion, with care, with pace and *with commitment*

These values, together with the Group's brand identity influence employee engagement activities, product and software design, distributor and partner relationships and public relations. In March 2011, a consistent product styling protocol was introduced to provide a corporate image consistent with a professional, forward-thinking, successful business. A broad programme of activities and processes is in place to ensure the Oxford Instruments brand is adopted and championed across the businesses.

Customers
The Group believes that customer relationships are built on mutual trust and integrity. This principle governs all aspects of the business. The Group values its customers and the trust that they place in the Group, and will safeguard the information provided by customers in accordance with relevant laws and contractual commitments.

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

Results of the customer survey held in June 2010 highlighted strengths and weaknesses across the Group. Actions are now in place to improve on the weaknesses and consolidate the strengths. The next customer survey is planned for 2013.

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

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

The Strategic Sourcing Team regularly inspects and audit suppliers covering all aspects of their operational capability, including their compliance with our Business Conduct and Ethics Code, and closely manages outsourcing to low cost countries. 'Road maps' and regular strategic reviews are in place for strategically important suppliers. In accordance with ISO9001 and ISO 14001, only quality approved organisations are used.

Communities
The well-being of the communities in which the Group operates is important to its long term development and success. The Group offers worthwhile and valuable employment in a safe and positive working environment It strives to attract high calibre individuals to the business who share in its values and vision in all locations in which it operates. Many of the Group's employees have long and successful careers with Oxford Instruments.

The Group is an active supporter of local, national and international science communities both on a corporate level, a business group level and an individual level. We also sponsor a number of international and national awards and events including the prestigious Sir Martin Wood Prize through the Millennium Science Forum in Japan and the Parliamentary Science Engineering and Technology (SET) Awards for young researchers in the UK.

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. UK employees are encouraged to contribute to local charities using the Give-As-You-Earn scheme. Local social clubs run annual fundraising activities for a chosen charity and the Group supports these efforts with an additional donation. Oxford Instruments does not make contributions to political parties or organisations.

Summary
Oxford Instruments pursues responsible development and deeper understanding of the world through science and technology, meeting customer needs through advanced technology and service. Its values embrace a wholehearted commitment to employees, customers, partners, shareholders and communities. This commitment to Corporate Social Responsibility in all the ways described above enables long term relationships to be developed, based on trust and respect, and by working together for mutual benefit and success.

Jonathan Flint Chief Executive
14 June 2011

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

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

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

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

Board of Directors and management structure
Board of Directors
The Board comprises the Chairman, four Non-Executive Directors and three Executive Directors. The Directors' biographies and details of length of service are shown on page 14. 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 the management of health, safety and the environment to the Group Business Development Director.

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

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

Executive Committee
The General Committee is supported by an Executive Committee that consists of the members of the General Committee with the addition of the Managing Directors of each of the principal businesses which comprise the Group.

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

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

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

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

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

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 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 has been involved in the formation and development of high technology businesses for more than thirty years. He fulfilled the independence criteria at the time of his appointment as set out in the Combined Code, is Chairman of the Nomination and Remuneration Committees as the Board considers that for a SmallCap company the Chairman's prime roles are: to procure an excellent strategy for the business; to recruit and retain the best available management team to execute this strategy; to put in place a Board of independent directors whose experience can add value to the work of the management; and to ensure that the business maintains the highest standard of corporate governance. Taking into consideration the size of the Company, the Board believes that in order to fulfil these obligations it is appropriate and necessary for the Chairman of the Board to also be Chairman of the Nomination Committee and the Remuneration Committee. Nigel Keen also serves as Chairman of Oxford Instruments Pension Trustee Limited, which is the Trustee of the UK defined benefit pension scheme. The Board of the Company and the Board of the Trustee to the Pension Scheme have each independently considered whether it is 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, has been a member of the Board since June 1995. He is Emeritus Professor in the Department of Radiation Oncology and Biology at the University of Oxford, having recently 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 independence of mind gained from a career as a senior academic supervisor of research programmes in a major technical discipline at Oxford University, his technical expertise as the only Non-Executive Director from a scientific profession and the value of that expertise to Board discussions, the breadth of his professional and business interests unrelated to the Group, his continual constructive probing of the technical aspect of proposals being considered by the Board 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 reviewed Mike's status as an independent director and in the light of guidance by the Combined Code has determined that he should no longer be considered independent. Following this determination, Mike stepped down as a member of the Remuneration and Audit Committees in 2010.

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.

Jock Lennox was appointed to the Board as an Independent Non-Executive Director on 1 April 2009. Until April 2009 he was a Senior Audit Partner at Ernst & Young where he gained extensive experience advising clients in a variety of industries on financial reporting, financing, transactions and international expansion. Jock is Chairman of the Audit Committee and is a member of the Remuneration and Nomination Board Committees. 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.

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

Further information on each of the Non-Executive Directors is to be found in the Directors' Biographies on page 14.

Independence of Non-Executive Directors
In the opinion of the Board, Mike Hughes, Jock Lennox and Bernard Taylor are currently independent and Mike Brady is no longer considered to be independent in accordance with the guidelines set out in the Combined 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 three years. In line with provision B.7.1 of the UK Corporate Governance code, the Board has determined that all directors of the Board are to be subject to annual 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.

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
For the year ended 31 March 2011 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 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 of the Board. The Non-Executive Directors meet annually to appraise the Chairman's performance.

In light of provision B.6.1 of the UK Corporate Governance code, the Board is undertaking a review of how best to carry out an evaluation of the board which is being externally facilitated with a view to complying with this provision during the course of 2011.

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

The following table sets out the frequency of, and attendance at, Board and principal Board Committee meetings for the year to 31 March 2011:

	Main Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	11	6	5	2
Nigel Keen	11	6[1]	5	2
Jonathan Flint	11	6[1]	1[1]	1[1]
Kevin Boyd	11	6[1]	-	-
Charles Holroyd	11	6[1]	-	-
Mike Brady	10	5[2]	5[3]	2
Mike Hughes	8	6	5	2
Jock Lennox	11	6	5	2
Bernard Taylor	11	3	4	2

Note:
[1] Attended by invitation
[2] Attended by invitation from 13 September 2010
[3] Attended by invitation from 6 July 2010

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

Membership of Board Committees, which is set out on page 14 to 15, 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 the time available and the commitment that will be required of the potential Director.

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

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

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

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

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

Remuneration Committee
The Remuneration Committee comprises all the Independent Non-Executive Directors 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 Code, is Chairman of the Remuneration Committee because as set out on page 23 above, the Board considers that in a SmallCap company it is essential that the Chairman be involved in setting remuneration policy. The members of the Committee are appointed by the Board.

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

The Chief Executive is invited to attend Remuneration Committee meetings as deemed appropriate, for example when consideration is being given to the performance of other Executive Directors and on significant Group wide changes in salary structure and terms and conditions affecting other employees at senior executive level. Further details of the Remuneration Committee are included in the Directors' Remuneration Report set out on pages 30 to 37.

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 and Group Finance Director are invited to attend all or part of any meetings or to present such reports as are required for the Committee to discharge its duties. The external auditors are invited to attend meetings of the Committee on a regular basis, including at the half year, at the planning stage before the audit and after the audit at the reporting stage. At least once a year the Committee meets with the external auditors without the Executive Directors present.

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

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

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

The 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. The Audit Committee reserves oversight responsibility for monitoring the independence and objectivity of the external auditors.

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

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

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

To fulfil its responsibility regarding the independence of the external auditors, the Audit Committee reviews the changes in key external audit staff in the external auditor's plan for the current year, the arrangements for day-to-day management of the audit relationship, a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest and the overall extent of non-audit services provided by the external auditors. In addition the 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 £50,000.

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

The Audit Committee is required to assist the 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
- 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 copies of the minutes of the Administration Committee.

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

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

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

Annual General Meeting (AGM)
The Annual General Meeting is an opportunity for the Board to meet shareholders. At its AGM, the Group complies with the provisions of the Combined Code relating to the disclosure of proxy votes, the separation of resolutions and the attendance of Committee Chairmen. The Group arranges for the Annual Reports and Financial Statements and related papers to be posted on its website and, where shareholders have elected to receive papers copies, posted to shareholders so as to allow at least 20 working days for consideration prior to the AGM. The next AGM will be held on 13 September 2011.

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

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

Once identified, mitigating action, where possible, is formulated and responsibility within the management team assigned. On a regular basis each business reviews and updates its risk summary which is then reported to the Chief Executive. If a material risk changes or arises, the Managing Director of the business reports this in writing to the Chief Executive at which time there is a discussion on the adequacy of the mitigating actions taken. Details of all major risks identified and the mitigating actions in place are reported to and reviewed by the Board. The Principal Risks review (page 13) gives an overview of the major risks and uncertainties faced by the Group.

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

Internal audit
The Group has an established process of internal audits of both financial and non-financial areas of all the Group's operating businesses and Head Office. Non-financial audits are overseen by the Board and financial audits are overseen by the Audit Committee.

- Non-financial audits are carried out in the areas of Operations, Human Resources, IT, Health and Safety and Research and Development. These audits are carried out by the Group functional heads (or their delegate). Audit cycles vary between one and four years dependent on the risk profile of that function in each operating business.
- Financial audits are carried out by members of the finance function who are qualified accountants. Approximately half of the audits are carried out by members of the Group finance team and half by the operating businesses' Finance Directors as it is felt that internal audits carried out on peer businesses allows a sharing of best practice. In Japan, internal audits are carried out by an external firm of auditors due to the significant language barrier and the Head Office treasury function is reviewed by external consultants. Financial internal audits occur on a three year cycle unless risk factors trigger a more frequent occurrence.

Following an internal audit, local management are asked to comment on any issues raised and put in place remedial action plans. On a bi-annual basis, a summary of the results of the non-financial audits is reported to the Board and a summary of the results of the financial audits is reported to the Audit Committee.

There is a review at least annually of the internal audit process which determines whether it continues to be fit for purpose or needs to be amended. It has been determined that it continues to be appropriate for internal audits to be carried out by Group personnel as it is felt that this is the most appropriate way for a business of the size and complexity of the Group.

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

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

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

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

- there is a formal schedule of matters reserved to the Board for decision; other than these matters, the Board delegates to the Chief Executive and reviews the delegation of authorities throughout the management structure;
- the Group's management structure comprises the General Committee whose members have Group wide financial responsibilities and to whom day-to-day responsibility for the management of the Group is delegated. The responsibility is based on the identification of separate businesses for each of the Group's activities, the heads of these businesses together with the Chief Executive, the Group Finance Director and certain other members of the senior management team form the Group's Executive Committee. There are clearly defined lines of management responsibilities at all levels up to and including the Group Board and the Group's accounting and reporting functions reflect this organisation;
- financial executives within Group businesses report to their own operational head but there is also a well established and acknowledged functional reporting relationship through to the Group Finance Director;
- the Board reviews strategic issues and options formally once a year during the annual strategic planning process and during the year as appropriate. In addition the Executive Directors maintain a three year planning model of the Group and its individual businesses;
- annual budgets are prepared for each of the Group's businesses which include monthly figures for turnover, profit, capital expenditure, cash flow and borrowings. The budgets are reviewed through the Group management structure and result in a Group financial budget which is considered and approved by the Board;
- the businesses prepare monthly management accounts which compare the actual operating result with both the budget and the prior year. The businesses also prepare rolling reforecasts for orders, turnover, operating profit and cash. Both are reviewed by the Board monthly;
- the Board approves all acquisition and divestment proposals and there are established procedures for the planning, approval and monitoring of capital expenditure;
- for all major investments the performance of at least the first twelve months against the original proposal is reviewed by the Board;
- each Group site, except for representative sales offices, is required to submit a self assessment internal control questionnaire 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 a manager in Head Office.
- financial internal audit visits are conducted by accountants from other parts of the Group and in Japan, due to language differences, 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;
- where required, action plans are drawn up by the businesses in conjunction with the Group Finance Director to remedy any significant control weaknesses that are identified from completion of the internal control questionnaire or as a result of the internal audit. The results of audit reviews are reported to local management, the Group Finance Director and the Audit Committee and checks on the progress of the action items arising are made;
- the Board receives regular updates on treasury, tax, property, pensions, insurance, litigation, human resources and health and safety matters;
- authorisation limits are set at appropriate levels throughout the Group; compliance with these limits is monitored by the Group Finance Director and internal audit;
- all requests to quote for substantial fixed price contracts are reviewed by the Chief Executive and/or the Group Finance Director to assess both technical and financial risk and to fix an appropriate balance between risk and reward. However, no procedure can guarantee the avoidance of losses on fixed price contracts of a technical nature; and
- with respect to the UK pension scheme the Group has its own trustee representatives, involves its own independent actuary with whom actuarial assumptions are reviewed, agrees the investment policy with 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
14 June 2011

Remuneration Committee
The Remuneration 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 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 Code, is Chairman of the Remuneration Committee. The Board considers that for a SmallCap company the Chairman's prime roles are: to procure an excellent strategy for the business; to recruit and retain the best available management team to execute this strategy; to put in place a Board of independent directors whose experience can add value to the work of the management; and to ensure that the business maintains the highest standard of corporate governance. Taking into consideration the size of the Company, the Board believes that in order to fulfil these obligations it is appropriate and necessary for the Chairman of the Board to also be Chairman of the Remuneration Committee.

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

The Chief Executive is invited to attend Remuneration Committee meetings as deemed appropriate, for example, 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 performance of the Committee is reviewed at least once a year as part of the wider Board evaluation process.

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 Combined Code on Corporate Governance (the Code) regarding best practice on the design of performance-related remuneration.

During the year the Committee:-

- set the performance targets for the bonus and long-term incentive awards
- calculated the bonus out-turn and the vesting of long-term incentives
- set the salary and bonus payments of the Executive Directors and reviewed their general terms and conditions of employment
- reviewed the bonus payments and pay packages for the Group as a whole
- received an update on any significant Group-wide changes in senior employees' salaries and terms and conditions
- considered senior executives' pension plans
- designed a new executive share option scheme
- consulted with shareholders
- consulted with the Committee's advisors and the Chief Executive.

The Committee takes independent advice from Hewitt New Bridge Street (a trading name of Aon Corporation). Aon Corporation also provided some insurance broking services to the Company during the year. The Committee also sought advice from Laytons, the Company's lawyer.

The report is divided into two parts:

- Part A: which is not subject to audit and explains the Company's current remuneration policy for Executive Directors and the executive management; and
- Part B: 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 2011, 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 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 pay related culture. When appropriate, the Chairman has contact with principal shareholders regarding remuneration policy.

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 and social issues. More generally, the Committee ensures that the overall remuneration policy does not encourage inappropriate operational risk.

The Committee reviews the Executive Directors' packages annually taking account of the level of remuneration paid to comparable positions in similar companies within the industry, 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. The policy for Executive Director remuneration can be summarised as follows:

Fixed Remuneration			**Performance-Related Remuneration**	
Base salary	**Benefits** E.g. car benefit, life & health insurance	**Pension** Defined contribution	**Annual Bonus** Measured over 1 year. Corporate financial measures and specific strategic objectives. Max 100% of salary for CEO & FD Max 75% of salary for Group Business Development Director	Long-Term Incentives Measured over 3 years. Executive Share Options – based on EPS performance, Long-Term Incentive Scheme – based on TSR performance,

Shareholding guideline of a minimum of 100% of base salary for Executive Directors
(to be built up by retaining shares on exercise of options granted from 2007 equal to a minimum of 50% of the net gain)

Base salary
The Committee reviews salaries annually. When setting Executive Directors' salaries, the Committee takes account of the Director's experience, performance and responsibilities as well as the performance of the Company and salary increases for employees generally. It also has regard to market data for comparable positions in similar companies within the industry.

For the salary year starting 1 July 2011, staff salaries are reviewed dependent on individual performance with annualised increases across the UK expected to average 2.5% for an on-target performer and 3% plus for performance that exceeds expectations. In order to appropriately reward excellence, there is no automatic upper limit on individual increases. In light of the increase in size and complexity of the Group and the improvement in its results, the salaries of the senior management team, including the Executive Directors, will be increased by 5% per annum reflecting the individual's strong performance.

Annual Bonus
Executive Directors and other employee groups are eligible to participate in a non-pensionable discretionary annual bonus. The Committee sets targets for Executive Directors and the executive management which are primarily based on the achievement of challenging corporate financial targets, with the balance payable for meeting specific strategic objectives.

For the year ended 31 March 2011, the bonus awarded was based against the following metrics: profit, cash generation and other strategic objectives. The level of payment for the year took account of the Company's exceptionally strong performance with order intake up 9.4%, adjusted PBT up 120.2% and net cash position of £13.1m reflecting the Company's continuing improvement in performance.

The on-target and maximum bonus potentials for the Executive Directors as well as the amount actually payable are set out below.

	On-Target Bonus (% of salary)	Maximum Bonus (% of salary)	Actual Bonus Payable for 2010/11 (% of salary)
Jonathan Flint	75%	100%	100%
Kevin Boyd	55%[1]	100%[2]	100%
Charles Holroyd	55%	75%	70%

1 On-Target Bonus increased to 75% for the financial year 2011/12

2 Maximum bonus potential increased from 75% in the financial year 2009/10

For the financial year to 31 March 2012 the target and maximum bonus potential of Executive Directors' annual bonuses will be unchanged except that the on-target bonus for Kevin Boyd has been increased from 55% to 75% and the structure will be similar to the year to 31 March 2011 with performance metrics including profit and cash generation.

Long-Term Incentive Schemes
The Company operates two discretionary plans to incentivise Executive Directors and employees:

- the Executive Share Option Scheme (ESOS); and
- the Senior Executive Long-Term Incentive Scheme (SELTIS).

Under the ESOS executives may be granted options to purchase shares at an exercise price based on the prevailing share price on the date of grant. Options may be exercised between three years and ten years from the date of grant subject to the achievement of performance conditions measured over three years. Under the SELTIS executives may be granted options to purchase shares at zero cost. Options may be exercised between three years and seven years from the date of grant subject to the achievement of performance conditions measured over three years. At the discretion of the Committee, the gain made on an option may be settled in the form of issuing fully paid up shares equivalent to the gain.

As set out below, the ESOS provides a focus on share price growth and measures performance using adjusted earnings per share. The SELTIS provides a focus on stock market out-performance through measuring Total Shareholder Return (TSR) relative to a comparator group of companies. The Remuneration Committee considers that the combination of these different plans and measures encourages shareholder value creation. When setting performance conditions at grant, the Committee considers the Company's internal financial planning, market forecasts and the business environment.

The ten-year life of the ESOS will expire prior to this year's AGM. Accordingly, the Committee has reviewed the policy for long-term incentives going forward and has concluded that the current policy in relation to long-term incentives, which has evolved over time, has provided an excellent link between reward and performance, together with a strong alignment of interest between executives and shareholders. However the current ESOS is about to reach the end of its ten-year life and a replacement scheme is being put forward for shareholder approval at this year's AGM.

Having reviewed the structure of long-term incentives and considered the various alternatives, the Committee believes that it would be appropriate to continue with the policy of awarding a mix of performance shares under the SELTIS (with a TSR performance condition) and share options under a replacement ESOS (with a stretching EPS performance condition). This provides a good focus on the outcomes of the Company strategy, namely sector-beating stock market returns together with sustainable improvements in long term profitability. The Committee considers that weighting the long-term incentive policy towards share options provides excellent ongoing alignment with shareholders, as the exercise price and EPS growth targets will be referenced off the current all-time-highs.

Under the requirements for the drafting of Company remuneration reports, we are required, where possible, to describe the performance conditions applying to awards to be made in the forthcoming year. These performance conditions will be set at the time awards are made under the new scheme. For the initial awards in 2011/12 to the Executive Directors, it is proposed that the Earnings Per Share targets in the ESOS will be increased by the addition of a CPI benchmark to the 5%-10% range. Accordingly, the range will require average annual EPS growth of CPI+5%-CPI+10% per annum for between 33.3% and 100% of the options to vest. It is proposed that the performance condition for the SELTIS Scheme will be consistent with the approach taken in prior years, i.e. based on a relative Total Shareholder Return. The performance conditions applying to the awards made January 2011 are set out on page 35.

Shareholding guidelines
The Committee, in 2007, established shareholding guidelines which encourage the Executive Directors to build up a shareholding equivalent in value to 100% of basic salary. Until the guideline is met in full whenever ESOS or SELTIS options granted after June 2007 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.

As at 31 March 2011, Jonathan Flint, Kevin Boyd and Charles Holroyd held shares in the Company valued at 106%, 86% and 219% of salary respectively. They are complying with the guidelines.

All-Employee Share Schemes
Up until 1 April 2008, the Company granted options under a SAYE scheme. The SAYE scheme is administered in accordance with Inland Revenue guidelines and there are no performance conditions attached to exercise.

The SAYE scheme has been replaced by a Share Incentive Plan (SIP) which since 1 April 2008 has been open to all UK permanent staff employed for at least six months. 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 72 matching shares.

Dilution limits
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 10 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.

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

	Contract Date	Notice Period	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 service contract of each Executive Director may be terminated on 12 months' notice in writing by either side, in accordance with current market practice, with the Company having a right to pay 12 months' salary in lieu of notice if it so determines. The Remuneration Committee's policy on early termination is to provide compensation which reflects the Company's contractual obligations (which do not include entitlement to bonus after the date of notification of termination), whilst recognising the principle of mitigation of losses.

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

Jonathan Flint holds positions as a member of the Council of the Institute of Physics and a member of the advisory board of the ISIS neutron spellation instrument. During the year he received fees of £850 from ISIS.

Kevin Boyd is a Non-Executive Director of Guidance Ltd. During the year he received fees of £16,875.

Independent Non-Executive Directors
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 6 months' notice. Imperialise Limited is paid a sum equivalent to the employer's national insurance contributions on these fees as it is responsible for the cost of national insurance on payments to Nigel Keen, whereas national insurance contributions in respect of the other Non-Executive Directors are made direct to the UK Inland Revenue. Nigel Keen's fees were increased to £127,000 per annum with effect from 25 February 2011, this being the first increase applied for three years. Nigel Keen also acts as Chairman to the Trustee of the Oxford Instruments Pension Scheme and with effect from the same date, it has been agreed that fees of £25,000 per annum for these services be also paid to Imperialise Limited. Accordingly Nigel Keen's fees as Chairman were £102,475 (2010: £100,000) and as Chairman to the Trustee were £20,458 (2010: £20,000) 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 £15,735.

Non-Executive Directors do not have service contracts but are appointed for an initial period of three years with subsequent reviews. They do not have a contract of employment and their appointment can be terminated without notice. Non-Executive Directors receive fixed fees, agreed by the full Board after reference to similar roles in an appropriate comparator group of companies, and reimbursement of expenses incurred in attending Board and other meetings. It is the Board's policy for the Non-Executive Directors to be paid a level of fee that reflects the time commitment and responsibilities of the role and is sufficient to attract individuals with appropriate knowledge and experience.

	Date of Appointment	Notice Period
Nigel Keen	25 February 2011	6 months
Mike Brady	1 August 2010	None
Mike Hughes	3 July 2010	None
Jock Lennox	1 April 2009	None
Bernard Taylor	13 November 2008	None

Mike Brady, Mike Hughes and Jock Lennox receive an additional fee of £5,000 per annum for acting as Deputy Chairman, Senior Independent Director and Chairman of the Audit Committee respectively.

PART B: The information in this part of the report has been audited

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

	Salary[4] £000	Benefits[1] £000	Annual Bonus £000	**Total Remuneration 2011 £000**	Total Remuneration 2010 £000	Pension Contribution 2011 £000
Jonathan Flint[2]	323	14	334	**671**	594	45
Kevin Boyd	223	14	230	**467**	364	31
Charles Holroyd	188	11	134	**333**	307	23[3]
Total	734	39	698	**1,471**	1,265	99

[1] Benefits comprise provision of a car or car allowance and health insurance.
[2] During the year the Company and Jonathan Flint purchased a house in joint ownership with the Company contributing £300,000. Jonathan Flint lives in the house and pays a full commercial rent amounting to £773.50 per month for use of the Company asset.
[3] Includes an additional Company pension contribution of £5,080 has been made since the year end to uplift the Company pension contribution into the Oxford Instruments Stakeholder Plan from 10% to 14% of base salary for the period from 1 August 2010 to 31 March 2011.
[4] 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 £290,362, £200,250 and £177,724 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.

Remuneration of the Chairman and Non-Executive Directors:
Remuneration paid to the Chairman and Non-Executive Directors during the year under review are set out below. They receive no other benefits.

	2011 £000	2010 £000
Nigel Keen, Chairman[1]	**116**	113
Mike Brady	**35**	35
Mike Hughes	**35**	35
Jock Lennox	**35**	34
Peter Morgan[2]	**0**	15
Bernard Taylor	**30**	30
Total	**251**	262

[1] Nigel Keen's fees above include a payment of £13,117 to Imperialise Limited in respect of employers' national insurance contributions. In addition, he received fees of £20,458 for his services as Chairman to the Trustee of the Oxford Instruments Pension Scheme together with a payment of £2,618 to Imperialise Limited in respect of employers' national insurance contributions.

[2] Peter Morgan resigned as a Non-Executive Director on 15 September 2009.

Outstanding Share Incentive Awards

As at the 31 March 2011, the outstanding options for Jonathan Flint, Kevin Boyd and Charles Holroyd under the ESOS, SELTIS and SAYE schemes were as follows:

Name	Scheme	**March 2011**	Movements during the Year			March 2010	Exercise Price	Share Price on Date of Grant	Date of Grant	Date for Earliest Exercise	Date for Latest Exercise
			Granted	Exercised (note 1)	Lapsed (note 2)						
Jonathan Flint	ESOS	55,000	55,000			0	£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
	ESOS	220,000				220,000	£1.35	£1.33	16/12/08	16/12/11	15/12/18
	ESOS	100,000				100,000	£2.32	£2.30	28/09/07	28/09/10	27/09/17
	ESOS	0		50,000		50,000	£2.10	£2.10	15/07/06	15/07/09	14/07/16
	ESOS	74,788		23,212		98,000	£2.19	£2.18	15/07/05	15/07/08	14/07/15
	SELTIS	27,500	27,500			0	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
	SELTIS	110,000				110,000	Nil	£1.33	16/12/08	16/12/11	15/12/15
	SELTIS	0		25,000	25,000	50,000	Nil	£2.71	26/07/07	26/07/10	25/07/14
Kevin Boyd	ESOS	38,000	38,000			0	£7.05	£7.02	07/01/11	07/01/14	06/01/21
	ESOS	95,000				95,000	£2.035	£2.03	17/12/09	17/12/12	16/12/19
	ESOS	150,000				150,000	£1.35	£1.33	16/12/08	16/12/11	15/12/18
	ESOS	0		40,000		40,000	£2.32	£2.30	28/09/07	28/09/10	27/09/17
	ESOS	0		33,333		33,333	£2.0375	£2.06	04/09/06	04/09/09	03/09/16
	SELTIS	19,000	19,000			0	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
	SELTIS	75,000				75,000	Nil	£1.33	16/12/08	16/12/11	15/12/15
	SELTIS	0		6,250	6,250	12,500	Nil	£2.71	26/07/07	26/07/10	25/07/14
Charles Holroyd	ESOS	31,000	31,000			0	£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
	ESOS	150,000				150,000	£1.35	£1.33	16/12/08	16/12/11	15/12/18
	ESOS	0		40,000		40,000	£2.32	£2.30	28/09/07	28/09/10	27/09/17
	ESOS	0		12,500		12,500	£2.10	£2.10	15/07/06	15/07/09	14/07/16
	ESOS	0		19,600		19,600	£2.19	£2.18	15/07/05	15/07/08	14/07/15
	ESOS	0		25,000		25,000	£2.18	£2.19	15/07/04	15/07/07	14/07/14
	ESOS	0		25,000		25,000	£1.875	£1.88	15/07/03	15/07/06	14/07/13
	SELTIS	15,500	15,500			0	£7.05	£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
	SELTIS	75,000				75,000	Nil	£1.33	16/12/08	16/12/11	15/12/15
	SELTIS	0		6,250	6,250	12,500	Nil	£2.71	26/07/07	26/07/10	25/04/14

[1] During the year Jonathan Flint, Kevin Boyd and Charles Holroyd exercised SELTIS and ESOS options on 17 September 2010 and 25 January 2011 when the mid market closing price on the date of exercise was 429.0p and 650.5p respectively. Charles Holroyd also exercised ESOS options on 29 September 2010 when the mid market closing price was 499.5p. The gain yielded on the exercise of options during the year for Jonathan Flint, Kevin Boyd and Charles Holroyd was £412,793, £326,823 and £538,198 respectively.

[2] Lapsed as performance conditions were not met.
The market price of the shares at 31 March 2011 was 700p. (2010: 269p) and the range during the year was 256p-736p (2010: 110p-275p).

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):

	ESO	SELTIS
December 2008	EPS growth – RPI + 5% p.a. (50% vesting) – RPI + 10% p.a. (100% vesting)[1]	TSR v FTSE Small Cap Index (excluding certain sectors[2]) – median (50% vesting) – upper quartile (100% vesting)
December 2009	EPS growth – 5% p.a. (33.3% vesting) – 10% p.a. (100% vesting)[1]	TSR v FTSE Small Cap Index (excluding certain sectors[2]) – median (33.3% vesting) – upper quartile (100% vesting)
January 2011	EPS growth – 5% p.a. (33.3% vesting) – 10% p.a. (100% vesting)[1]	TSR v FTSE Small Cap Index (excluding certain sectors[2]) – median (33.3% vesting) – 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 are Food & Drug Retailers, General Retailers, Banks, Non-life Insurance, Life Insurance, Real Estate, General Financial, Equity Investment Instruments and Non-equity Investment Instruments Sectors.

Achievement of performance conditions

The calculation of the TSR performance conditions were independently measured by Thomson Reuters for options granted prior to 2008 and are measured by Hewitt 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 2007 ESOS grants vested as to 100% and the 2007 SELTIS grants as to 50% because of the failure of the TSR performance condition.

Pension Plans

For UK employees and Executive Directors, the Company operates the Oxford Instruments Stakeholder 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 became closed to new accruals at the end of July 2010.

Defined Contribution Pension Arrangements (UK)

Employees and Executive Directors are offered membership of the Oxford Instruments Stakeholder Plan. Executive Directors can elect that contributions be made into a defined contribution plan of his or her choice in accordance with contractually agreed contribution rates. Under this arrangement only base salary is pensionable. Such contributions are treated as a non-salary benefit as they are paid directly to the pension plan and are not included in the calculation of bonus entitlements and share awards. 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.

Oxford Instruments Defined Benefit Pension Scheme

For UK based Executive Directors and employees employed prior to April 2001, a contributory pension, depending on length of service, of up to two thirds of pensionable salary is provided on retirement through the Oxford Instruments defined benefit pension scheme. This is a contracted-out contributory pension scheme which provides benefits based on earnings at or near retirement and is funded through a separate trust. Early retirement is possible on a reduced pension from age 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.

Executive Director Pension Arrangements

Under the terms of their service contracts Jonathan Flint and Kevin Boyd can ask the Company to contribute to a pension plan of their own choice. The Company contributes a maximum of 14% of base salary if matched by a contribution of 10% by the director. Cash bonuses are excluded from contribution calculations. From 1 April 2011, the maximum pension contributions per tax year is capped at £50,000 with the director contribution reducing first and then the Company contribution. Where the Company contribution exceeds £50,000 a balancing payment will be paid to the director which will be taxed in the usual way. During the year the Company contributed £45,167 (2010:£40,600) into a personal defined contribution pension plan in respect of Jonathan Flint and £31,450 (2010: £28,000) into the UK Oxford Instruments Stakeholder Pension Plan in respect of Kevin Boyd.

Charles Holroyd is the only current Executive Director who is a member of the UK defined benefit pension scheme. His pensionable pay is capped at £123,600. Until the scheme closed to future accrual on 31 July 2010, the Company contributed to the scheme at a rate of 12.7% of pensionable salary and Charles Holroyd had chosen to contribute at a rate 16.3% for a 1/50th accrual rate and to enable him to take all benefits at the age of 65. The following table shows the compulsory member's contributions, the increase in accrued entitlement during the year in excess of inflation and the accrued entitlement at the end of the reporting period, together with the transfer value of the accrued pensions:

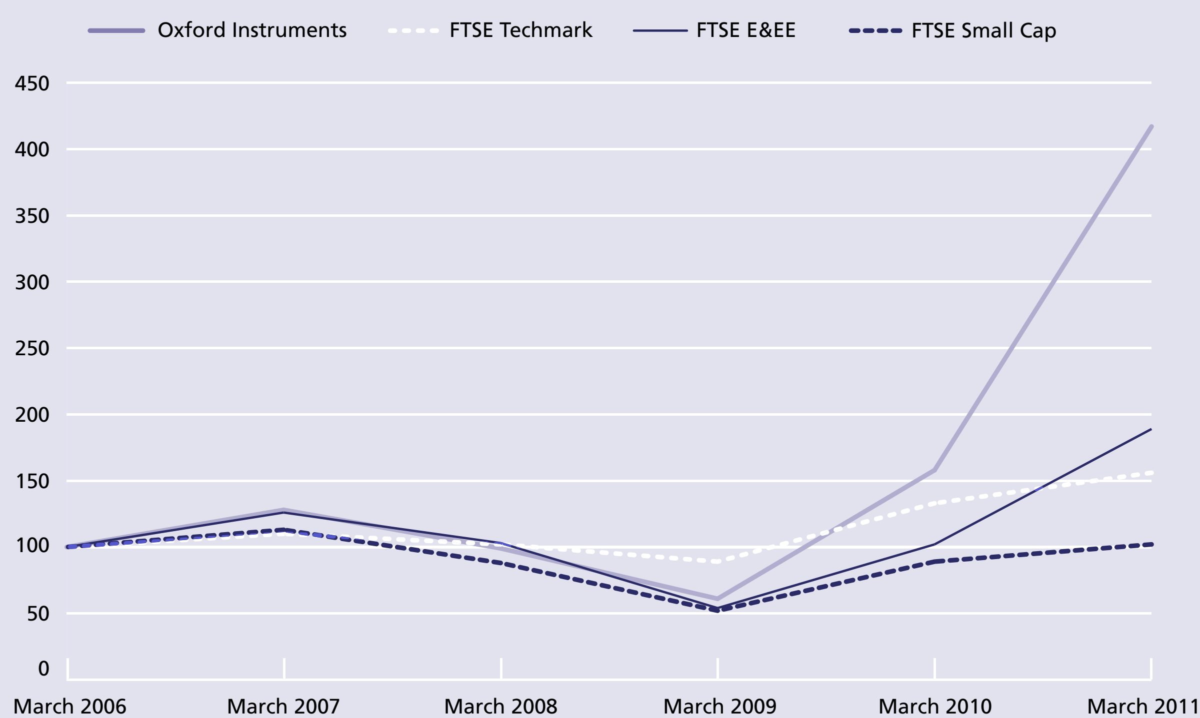
	Age as at 31 March 2011	Accrued years of service	Member's contributions during the year	Additional annual pension earned during the year	Additional annual pension earned during the year in excess of inflation	Accrued annual pension entitlement at year end
	Years	Years	£000	£000 pa	£000 pa	£000 pa
Charles Holroyd	55	11	7	1	-1	26

	Transfer value of additional pension earned during the year in excess of inflation	Transfer value of accrued pension 2011	Transfer value of accrued pension 2010	Change in transfer value over year less member contributions
	£000	£000	£000	£000
Charles Holroyd	-8	388	336	45

In July 2010 the UK defined benefit pension scheme closed to future accrual and Charles Holroyd became a deferred member. From 1 August 2010 to 31 March 2011, the Company has contributed £12,700, 10% of base salary, into the Oxford Instruments Stakeholder plan on his behalf. Prior to 1 April 2011, the anti-forestalling rules restricted the Company contribution into the Stakeholder plan to 10%. Since 1 April 2011, to align the Company contribution for Charles Holroyd with that made for the other Executive Directors, the Company has increased its contribution to 14% of base salary with a 10% contribution from Mr Holroyd (subject to the £50,000 cap referred to above) and has made a balancing Company contribution of £5,080 to increase the Company contribution from 10% to 14% for the year to 31 March 2011.

Death in Service Life Cover
There is death in service life cover for all employees in the UK, including the Executive Directors, of three times basic salary. This is an insured scheme provided through the Oxford Instruments Life Assurance Scheme. All employees have the option to purchase an additional level of cover of up to a further three times basic salary.

Performance graph
The graph below shows for the five years ended 31 March 2011 the Total Shareholder Return (TSR) on a holding of the Company's ordinary shares compared with a hypothetical holding of shares made up of shares of the same kind and number as those by reference to which the FTSE Small Cap, FTSE Techmark and FTSE Electronic and Electrical Equipment indices are calculated. These indices have been chosen as they are considered to be the most appropriate comparator groups for the Company. TSR has been calculated by reference to the relevant share price for each constituent company assuming dividends are reinvested.



Source: Thomson Financial Datastream

The graph above shows the value, at 31 March 2011, of £100 invested in Oxford Instruments plc on 31 March 2006 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 Small Cap Index over the same period.

This report was adopted by the Remuneration Committee at a meeting on 7 June 2011 and has been approved subsequently by the Board for submission to shareholders at the Annual General Meeting to be held on 13 September 2011.

Nigel Keen Chairman of the Remuneration Committee
14 June 2011

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

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

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

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 issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Kevin Boyd
Director
14 June 2011

Jonathan Flint
Director

We have audited the Financial Statements of Oxford Instruments plc for the year ended 31 March 2011 set out on pages 40 to 50. 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 38, 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 (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm

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 2011 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 22 to 29 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.-

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 38, in relation to going concern;
- the part of the Corporate Governance Statement on pages 22 to 29 relating to the company's compliance with the nine provisions of the June 2008- Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

S 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

14 June 2011

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 77 to 82.

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

The Financial Statements are prepared on a going concern basis based on the assessment made by the Directors as described in the Financial Review on page 9.

The Financial Statements were authorised for issuance on 14 June 2011.

(a) New accounting standards
In the current year, the Group has adopted the following new standards and interpretations:

- IFRS 3 (revised 2008), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate Financial Statements', IAS 28 'Investments in associates' and IAS 31 'Interests in Joint Ventures'. These changes have had no impact on the accounts for the year to 31 March 2011. However, as noted in note 30 various business combinations have arisen after the balance sheet date and so the standard will be relevant for the year to 31 March 2012.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the year ending 31 March 2011 but are not currently relevant for the group.

- Amendments to IFRS 2 – Group cash-settled Share-based Payment Transactions
- Amendments to IAS 39 – Eligible Hedged Items
- Amendments to IFRIC 9 and IAS 39 – Embedded Derivatives
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 – Distribution of Non-Cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

In addition to the above, amendments to a number of standards under the 2009 annual improvement project to IFRS, which are mandatory for the year ended 31 March 2011, have been adopted in the year. None of these amendments have had a material impact on the Group's Financial Statements.

(b) Basis of preparation
The Financial Statements are presented in pounds sterling 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 made in respect of the appropriateness of the Group accounting policies relate to:

- **Fair value measurements on business combinations**
  The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities. The key judgements involved are the identification and valuation of intangible assets which require the estimation of future cash flows and the selection of a suitable discount rate. (See Note 14)
- **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 14)
- **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 22.
- **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 accounts include the accounts of Oxford Instruments plc and its subsidiary companies adjusted to eliminate intra-group balances and any unrealised gains and losses or income and expenses arising from intra-Group transactions.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that 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.

(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.

(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 hedge item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the 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 quoted market price at the Consolidated Statement of Financial Position date, being the present value of the quoted forward price. The gain or loss on remeasurement to fair value of forward exchange contracts is recognised immediately in the 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 principle estimated economic lives used for this purpose are:

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

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 purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 31 March 2004, goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable intangible assets, other net assets, liabilities and contingent liabilities acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP.

The company 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 IFRS3.

Goodwill arising on acquisitions is stated at cost and allocated to cash-generating units that are anticipated to benefit from the combination. It is not amortised but is tested annually for impairment (see accounting policy l), 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 meets certain strict criteria for capitalisation. These criteria include demonstration of the technical feasibility of completing a new intangible asset that will be available for sale and that the asset will generate probable future economic benefits. Where expenditure meets the criteria, development costs are capitalised and amortised through the 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.

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

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

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

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

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

(j) Cash and cash equivalents
Cash and cash equivalents are carried in the Balance Sheet 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) Held for sale assets
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 (reorganisation costs) and impairment to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's net realisable value and it value in use. An asset's value in use represents the present value of the future cash flows expected to be derived from the asset or from the cash generating unit to which it relates. The present value is calculated using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset concerned.

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

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

(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the 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 the current and prior periods. That benefit is discounted to determine its present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method.

All actuarial gains and losses in calculating the Group's net obligation are recognised in the 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.

(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 is recognised on shipment, except for installation and service contracts. Revenue from installation is separately recognised on completion of the installation. Revenue from contracts for maintenance and support is recognised on a pro-rata basis over the contract period.

(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. 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.

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.

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. An 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.

(u) Dividends
Final dividends proposed by the board and unpaid at the end of the year are not recognised in the Financial Statements. Interim and final dividends are recognised when they are paid.

(v) Adopted IFRS not yet applied
The following standards and interpretations have been endorsed but are not yet effective and therefore have not yet been applied by the Group in these Financial Statements:

- Amendments to IAS 32 'Classification of Rights Issues' - requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' - deals with how entities should measure equity instruments issued in a debt for equity swap. It addresses the accounting for such a transaction by the debtor only.
- Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement'.
- IAS 24 'Related parties' - effective for periods commencing on or after 1 January 2011 - provides an exemption to all government related entities which is not applicable to the group, however the revised standard also amends the definition of a related party, which will be applicable.

In addition to the above, amendments to a number of standards and interpretations under the 2010 annual improvement project will become mandatory for the year ending 31 March 2012.

The Group has considered the impact of these new standards and interpretations in future periods on profit, earnings per share and net assets. None of the above standards or interpretations are expected to have a material impact.

Consolidated Statement of Income *year ended 31 March 2011*

	Notes	2011 £m	2010 £m
Revenue	2	**262.3**	211.5
Cost of sales		**(152.8)**	(120.9)
Gross profit		**109.5**	90.6
Trading expenses excluding cost of sales	3	**(81.4)**	(75.9)
Trading profit		**28.1**	14.7
Other operating income	5	**4.7**	-
Reorganisation costs and impairment	6	**(0.6)**	(0.4)
Amortisation of acquired intangibles		**(4.7)**	(4.1)
Operating profit		**27.5**	10.2
Expected return on pension scheme assets	22	**9.9**	7.9
Mark to market gain in respect of derivative financial instruments	1	**1.1**	10.7
Financial income		**11.0**	18.6
Interest payable on bank loans and overdrafts		**(1.2)**	(1.3)
Interest charge on pension scheme liabilities	22	**(10.6)**	(9.4)
Financial expenditure		**(11.8)**	(10.7)
Profit before income tax		**26.7**	18.1
Income tax credit/(expense)	10	**5.5**	(4.8)
Profit for the year attributable to equity shareholders of the parent		**32.2**	13.3

		pence	pence
Earnings per share			
Basic earnings per share	11	**65.3**	27.2
Diluted earnings per share	11	**63.6**	27.1
Dividends per share			
Dividends paid	12	**8.4**	8.4
Dividends proposed	12	**9.0**	8.4

Adjusted profit before tax is calculated as follows:

		£m	£m
Profit before income tax		**26.7**	18.1
Other operating income		**(4.7)**	-
Reorganisation costs and impairment		**0.6**	0.4
Amortisation of acquired intangibles		**4.7**	4.1
Mark to market gain in respect of derivative financial instruments		**(1.1)**	(10.7)
Adjusted profit before tax	1	**26.2**	11.9

		pence	pence
Adjusted earnings per share			
Basic earnings per share	1, 11	**41.5**	17.8
Diluted earnings per share	1, 11	**40.4**	17.8

Consolidated Statement of Comprehensive Income *year ended 31 March 2011*

	Notes	**2011 £m**	2010 £m
Profit for the year		**32.2**	13.3
Other comprehensive income/(expense)			
Foreign exchange translation differences		**(0.9)**	(3.8)
Actuarial gain/(loss) in respect of post retirement benefits	22	**14.4**	(22.8)
Net gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled		**0.3**	0.8
Tax on items recognised directly in equity	10	**(4.6)**	6.1
Tax recognised in respect of share options	10	**2.7**	-
Total other comprehensive income/(expense)		**11.9**	(19.7)
Total comprehensive income/(expense) for the year attributable to equity shareholders of the parent		**44.1**	(6.4)

Consolidated Statement of Changes in Equity *year ended 31 March 2011*

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2010	**2.5**	**21.6**	**0.2**	**4.1**	**23.8**	**52.2**
Total comprehensive income/(expense) attributable to equity shareholders of the parent	**-**	**-**	**0.2**	**(0.9)**	**44.8**	**44.1**
Transactions recorded directly in equity:						
- Credit in respect of employee service costs settled by award of share options	**-**	**-**	**-**	**-**	**0.4**	**0.4**
- Proceeds from shares issued	**-**	**0.9**	**-**	**-**	**-**	**0.9**
- Dividends paid	**-**	**-**	**-**	**-**	**(4.1)**	**(4.1)**
Total contributions by and distributions to equity shareholders	**-**	**0.9**	**-**	**-**	**(3.7)**	**(2.8)**
Balance at 31 March 2011	**2.5**	**22.5**	**0.4**	**3.2**	**64.9**	**93.5**

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2009	2.5	21.3	(0.3)	7.9	30.5	61.9
Total comprehensive income/(expense) attributable to equity shareholders of the parent	-	-	0.5	(3.8)	(3.1)	(6.4)
Transactions recorded directly in equity:						
- Credit in respect of employee service costs settled by award of share options	-	-	-	-	0.5	0.5
- Proceeds from shares issued	-	0.3	-	-	-	0.3
- Dividends paid	-	-	-	-	(4.1)	(4.1)
Total contributions by and distributions to equity shareholders	-	0.3	-	-	(3.6)	(3.3)
Balance at 31 March 2010	2.5	21.6	0.2	4.1	23.8	52.2

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 433,794 (2010: 493,594) of its own shares in an employee benefit trust. The cost of these shares is included within retained earnings.

Consolidated Statement of Financial Position *as at 31 March 2011*

	Notes	2011 £m	2010 £m
Assets			
Non-current assets			
Property, plant and equipment	13	**23.6**	22.8
Intangible assets	14	**41.6**	49.3
Deferred tax assets	15	**17.4**	12.9
		82.6	85.0
Current assets			
Inventories	16	**46.6**	39.3
Trade and other receivables	17	**52.5**	60.2
Current income tax recoverable		**1.3**	0.9
Derivative financial instruments	19	**1.0**	0.8
Cash and cash equivalents		**24.5**	11.2
		125.9	112.4
Total assets		**208.5**	197.4
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	20	**2.5**	2.5
Share premium		**22.5**	21.6
Other reserves		**0.4**	0.2
Translation reserve		**3.2**	4.1
Retained earnings		**64.9**	23.8
		93.5	52.2
Liabilities			
Non-current liabilities			
Bank loans	21	**10.5**	19.6
Other payables	23	**0.1**	0.9
Retirement benefit obligations	22	**11.7**	35.1
Deferred tax liabilities	15	**4.1**	6.7
		26.4	62.3
Current liabilities			
Bank loans	21	**0.1**	0.1
Bank overdrafts	19	**0.8**	1.9
Trade and other payables	23	**76.5**	69.1
Current income tax payables		**3.4**	2.6
Derivative financial instruments	19	**1.1**	4.3
Provisions	24	**6.7**	4.9
		88.6	82.9
Total liabilities		**115.0**	145.2
Total liabilities and equity		**208.5**	197.4

The Financial Statements were approved by the Board of Directors on 14 June 2011 and signed on its behalf by:

Jonathan Flint
Director

Kevin Boyd
Director

Consolidated Statement of Cash Flows *year ended 31 March 2011*

	2011 £m	2010 £m
Profit for the year	**32.2**	13.3
Adjustments for:		
Income tax (credit)/expense	**(5.5)**	4.8
Net financial expense/(income)	**0.8**	(7.9)
Other operating income	**(4.7)**	-
Reorganisation costs and impairment	**0.6**	0.4
Amortisation of acquired intangibles	**4.7**	4.1
Depreciation of property, plant and equipment	**4.0**	3.8
Amortisation and impairment of capitalised development costs	**5.4**	4.0
Earnings before interest, tax, depreciation and amortisation	**37.5**	22.5
Cost of equity settled employee share schemes	**0.4**	0.5
Restructuring costs paid	**-**	(3.2)
Cash payments to the pension scheme more than the charge to operating profit	**(5.6)**	(3.4)
Operating cash flows before movements in working capital	**32.3**	16.4
Increase in inventories	**(8.2)**	(0.4)
Decrease/(increase) in receivables	**7.4**	(3.7)
Increase in payables and provisions	**8.8**	11.2
(Decrease)/increase in customer deposits	**(1.1)**	9.3
Cash generated from operations	**39.2**	32.8
Interest paid	**(0.8)**	(1.1)
Income taxes paid	**(3.1)**	(0.6)
Net cash from operating activities	**35.3**	31.1
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**0.1**	0.2
Proceeds from sale of available for sale equity securities	**-**	0.7
Acquisition of subsidiaries, net of cash acquired	**(0.1)**	(2.4)
Acquisition of property, plant and equipment	**(5.8)**	(3.6)
Capitalised development expenditure	**(3.0)**	(4.0)
Net cash used in investing activities	**(8.8)**	(9.1)
Cash flows from financing activities		
Proceeds from issue of share capital	**0.9**	0.3
Repayment of borrowings	**(19.1)**	(12.2)
Increase in borrowings	**10.0**	-
Dividends paid	**(4.1)**	(4.1)
Net cash from financing activities	**(12.3)**	(16.0)
Net increase in cash and cash equivalents	**14.2**	6.0
Cash and cash equivalents at beginning of the year	**9.3**	3.6
Effect of exchange rate fluctuations on cash held	**0.2**	(0.3)
Cash and cash equivalents at end of the year	**23.7**	9.3

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

Increase in cash and cash equivalents	**14.2**	6.0
Effect of foreign exchange rate changes on cash and cash equivalents	**0.2**	(0.3)
	14.4	5.7
Cash outflow from decrease in debt	**19.1**	12.2
Cash inflow from increase in debt	**(10.0)**	-
Movement in net cash/borrowing in the year	**23.5**	17.9
Net borrowing at start of the year	**(10.4)**	(28.3)
Net cash/(borrowing) at the end of the year	**13.1**	(10.4)

1 RECONCILIATION BETWEEN PROFIT AND ADJUSTED PROFIT

	2011 £m	2010 £m
Profit before income tax	**26.7**	18.1
Other operating income	**(4.7)**	-
Reorganisation costs and impairment	**0.6**	0.4
Amortisation of acquired intangibles	**4.7**	4.1
Mark to market gain in respect of derivative financial instruments	**(1.1)**	(10.7)
Adjusted profit before income tax	**26.2**	11.9
Share of taxation	**(5.7)**	(3.2)
Adjusted profit	**20.5**	8.7

Adjusted earnings per share	**pence**	pence
Basic	**41.5**	17.8
Diluted	**40.4**	17.8

Adjusted figures are stated before other operating income, amortisation of acquired intangibles, reorganisation costs and impairment and mark to market gains in respect of derivative financial instruments.

The tax credit during the year was £5.5m. In calculating the share of tax attributable to adjusted profit before tax a tax charge relating to the adjusting of items of £0.1m and a one-off recognition of deferred tax assets relating to the Group's UK businesses of £11.3m have been excluded. In future years part of this deferred tax asset will unwind as tax losses are utilised or if recognition criteria change. The Group intends to exclude this unwinding effect from the calculation of the share of tax attributable to adjusted profit before tax in the years in which it arises.

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

See note 11 for details of the number of shares used in the calculation of earnings per share.

2 SEGMENT INFORMATION

The group has eight operating segments. 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.

These operating segments have been aggregated 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. The group's internal management structure and financial reporting systems differentiate the operating segments on the basis of these economic characteristics and accordingly present these as three separate reportable segments as 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 Group's highest technology products serving research customers in both the public and private sectors.

- The Industrial Products segment contains a group of businesses supplying high technology products and components manufactured in medium volume for industrial customers.

- The Service segment contains the Group's service business as well as service revenues from other parts of the Group.

Segment results include items directly attributable to a segment as well as those which can be allocated on reasonable basis. Inter-segment pricing is determined on arm's length basis.

No asset information is presented below as this information is not allocated to operating segments in reporting to the Group's Board of Directors.

a) Analysis by Business

Year to 31 March 2011

	Nanotechnology Tools £m	**Industrial Products £m**	**Service £m**	**Total £m**
External revenue	**121.4**	**95.6**	**45.3**	**262.3**
Inter-segment revenue	**0.4**	**2.0**	**0.1**	
Total segment revenue	**121.8**	**97.6**	**45.4**	
Segment trading profit	**14.6**	**5.9**	**7.6**	**28.1**

Year to 31 March 2010

	Nanotechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	101.5	71.0	39.0	211.5
Inter-segment revenue	0.3	1.1	-	
Total segment revenue	101.8	72.1	39.0	
Segment trading profit	8.2	1.0	5.5	14.7

Reconciliation of reportable segment profit

	2011 £m	2010 £m
Profit for reportable segments	**28.1**	14.7
Other operating income	**4.7**	-
Reorganisation costs and impairment	**(0.6)**	(0.4)
Amortisation of acquired intangibles	**(4.7)**	(4.1)
Financial income	**11.0**	18.6
Financial expenditure	**(11.8)**	(10.7)
Profit before income tax	**26.7**	18.1

Depreciation, amortisation and impairment and capital expenditure arise in the following segments:

	2011 Depreciation £m	**2011 Amortisation £m**	**2011 Capital expenditure £m**	2010 Depreciation £m	2010 Amortisation £m	2010 Capital expenditure £m
Nanotechnology Tools	**1.9**	**2.6**	**3.7**	2.0	1.5	1.3
Industrial Products	**1.5**	**2.8**	**1.5**	1.2	2.5	2.0
Service	**0.2**	**-**	**0.1**	0.1	-	0.1
Unallocated Group items	**0.4**	**4.7**	**0.5**	0.5	4.1	0.2
Total	**4.0**	**10.1**	**5.8**	3.8	8.1	3.6

Amortisation of Research and Development costs is included in arriving at segment trading profit. Amortisation of acquired intangibles is included below segment trading profit 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

	2011 £m	2010 £m
USA	**66.8**	54.4
Rest of Europe	**46.4**	34.2
Rest of Asia	**32.8**	25.2
UK	**24.4**	24.5
Japan	**28.6**	23.2
China	**38.1**	22.4
Germany	**13.1**	17.2
Rest of World	**12.1**	10.4
Total	**262.3**	211.5

Non current Assets (excluding deferred tax)

	2011 £m	2010 £m
UK	**29.8**	30.4
Germany	**16.9**	19.8
USA	**10.1**	13.1
Rest of Europe	**8.1**	8.6
Japan	**0.1**	0.1
China	**0.2**	0.1
Total	**65.2**	72.1

3 TRADING EXPENSES EXCLUDING COST OF SALES

	2011 £m	2010 £m
Selling and marketing costs	**39.9**	36.1
Administration and shared services	**23.3**	20.0
Research and development (note 4)	**17.6**	13.1
Foreign exchange loss	**0.6**	6.7
	81.4	75.9

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

Auditor's remuneration	**2011** £'000	2010 £'000
Audit of these Financial Statements	**112**	107
Amounts received by auditors and their associates in respect of:		
Audit of Financial Statements of subsidiaries pursuant to legislation	**198**	188
Other services relating to tax	**18**	7
Other services	**26**	6
Total fees paid to auditor and its associates	**354**	308

4 RESEARCH AND DEVELOPMENT

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

	Nanotechnology Tools £m	Industrial Products £m	2011 Total £m	Nanotechnology Tools £m	Industrial Products £m	2010 Total £m
Research and development expense charged to the consolidated statement of income	**9.7**	**7.9**	**17.6**	6.5	6.6	13.1
Less: depreciation of R&D related fixed assets	**(0.5)**	**(0.1)**	**(0.6)**	(0.5)	(0.1)	(0.6)
Add: amounts capitalised as fixed assets	**2.2**	**0.1**	**2.3**	0.6	-	0.6
Less: amortisation of R&D costs previously capitalised as intangibles	**(2.6)**	**(2.8)**	**(5.4)**	(1.5)	(2.5)	(4.0)
Add: amounts capitalised as intangible assets	**1.9**	**1.1**	**3.0**	3.2	0.8	4.0
Total cash spent on research and development during the year	**10.7**	**6.2**	**16.9**	8.3	4.8	13.1

5 OTHER OPERATING INCOME

	2011 £m	2010 £m
Shareholder earnout no longer required	**0.6**	-
Curtailment gains	**4.1**	-
	4.7	-

During the year, the Group recognised other operating income of £0.6m in relation to a shareholder earnout provided at the time of the acquisition of Technologies and Devices Inc. and which is no longer required.

During the year, the Group's defined benefit pension schemes in the UK and US were closed to future accrual. This gave rise to a curtailment gain under IAS19 as the majority of members' accrued benefits are no longer linked to future salary growth.

6 REORGANISATION COSTS AND IMPAIRMENT

	2011 £m	2010 £m
Impairment of carrying value of assets	**(0.6)**	-
Restructuring costs	**-**	(0.4)
	(0.6)	(0.4)

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

In the prior year, the Group concluded the restructuring programme started in the previous year. This resulted in additional redundancy and related costs at sites in Japan, France, Finland and the UK of £0.4m.

7 PERSONNEL COSTS

	2011 £m	2010 £m
Wages and salaries	**56.6**	51.6
Social security costs	**6.0**	5.1
Charge in respect of defined benefit pension schemes	**0.8**	1.9
Contributions to defined contribution pension plans	**2.9**	2.0
Charge in respect of employee share options	**0.4**	0.5
	66.7	61.1

Directors' emoluments are disclosed in the Directors' Remuneration Report on pages 30 to 37 of this Annual Report.

8 EMPLOYEES

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

	2011 Number	2010 Number
Production	**740**	584
Sales and marketing	**332**	366
Research and development	**207**	184
Administration and shared services	**219**	207
Total average number of employees	**1,498**	1,341

9 SHARE OPTION SCHEMES

The Group operates four share option schemes.

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

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

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

Both the Executive Share Option scheme and Senior Executive Long Term Incentive Scheme are subject to performance conditions which can be found in the Directors' Remuneration Report on pages 30 to 37.

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

Administrative expenses include a charge of £0.4m (2010: £0.5m) in respect of the cost of providing share options. The cost is calculated by estimating the fair value of the option at grant date and spreading that amount over the vesting period.

Fair values are determined using an internal calculation based on 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 internal performance conditions. This means that the TSR performance conditions have been incorporated into the calculation of the fair value as a discount in calculating the fair value.

For options granted in 2010 and 2011, 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	
	2011	2010	**2011**	2010
Fair value at measurement date	**£2.975**	£0.784	**£2.479**	£0.494
Share price	**£7.050**	£2.030	**£7.050**	£2.030
Exercise price	**£nil**	£nil	**£7.050**	£2.035
Expected volatility	**47.0%**	44.2%	**37.6%**	35.3%
Expected option life (expressed as weighted average life used in the modelling)	**3 years**	3 years	**6 years**	6 years
Expected dividend yield	**1.2%**	4.1%	**1.2%**	4.1%
Risk free interest rate	**1.5%**	1.7%	**2.4%**	3.0%
Performance condition discount in respect of TSR condition	**56.3%**	56.3%	**n/a**	n/a

The options existing at the year end were as follows:

	2011 Number of shares	Exercise Price	Period when Exercisable	2010 Number of shares
Options subsisting at the year end on unissued ordinary shares				
Executive Share Option Schemes				
July 2000	-	£1.83	01/04/10 – 21/12/10	125
July 2003	15,751	£1.875	01/04/10 – 15/07/13	87,000
July 2004	15,118	£2.18	01/04/10 – 15/07/14	84,750
July 2005	91,012	£2.19	01/04/10 – 15/07/15	182,742
July 2006	30,975	£2.10	01/04/10 – 15/07/16	159,350
September 2006	-	£2.038	01/04/10 – 04/09/16	33,333
September 2007	168,904	£2.32	28/09/10 – 28/09/17	397,500
December 2007	2,000	£1.925	18/12/10 – 18/12/17	2,000
December 2008	821,000	£1.35	16/12/11 – 16/12/18	844,000
December 2009	661,500	£2.035	17/12/12 – 17/12/19	667,500
January 2011	463,800	£7.05	07/01/14 - 07/01/21	-
Save As You Earn				
December 2004	-	£1.65	01/04/10 – 31/07/10	10,809
December 2005	-	£2.02	01/02/11 – 31/07/11	59,601
December 2006	-	£1.83	01/04/10 – 31/07/10	11,661
December 2006	99,752	£1.73	01/02/12 – 31/07/12	104,450
Total options subsisting on unissued ordinary shares	2,369,812			2,644,821
Percentage of issued share capital	4.7%			5.3%
Options subsisting at the year end on existing ordinary shares held in trust				
Senior Executive Long Term Incentive Scheme				
December 2005	-	Nil	01/04/10 – 25/07/12	9,800
July 2006	-	Nil	25/07/09 – 25/07/13	6,250
July 2007	-	Nil	25/07/10 – 25/07/14	87,500
December 2008	260,000	Nil	16/12/11 – 18/12/15	260,000
December 2009	160,000	Nil	17/12/12 – 18/12/16	160,000
January 2011	62,000	Nil	07/01/14 – 07/01/18	-
Total options subsisting on existing ordinary shares held in trust	482,000			523,550

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

	Weighted Average exercise price 2011	Number Of Options 2011	Weighted Average exercise price 2010	Number Of Options 2010
Outstanding at the beginning of the period	£1.55	3,168,371	£1.58	3,314,120
Granted during the year	£6.22	525,800	£1.64	827,500
Forfeited during the year	£1.92	(36,398)	£1.79	(141,266)
Exercised during the year	£1.94	(667,385)	£1.27	(233,777)
Lapsed during the year	£1.45	(138,576)	£1.87	(598,206)
Outstanding at the year end	£2.32	2,851,812	£1.55	3,168,371
Exercisable at the year end	£2.23	323,760	£1.99	749,871

10 INCOME TAX EXPENSE

Recognised in the Consolidated Statement of Income

	2011 £m	2010 £m
Current tax expense		
Current year	**6.1**	2.8
Adjustment in respect of prior years	**(0.5)**	(0.8)
	5.6	2.0
Deferred tax expense		
Origination and reversal of temporary differences	**0.9**	2.0
Recognition of deferred tax not previously recognised	**(11.9)**	-
Adjustment in respect of prior years	**(0.1)**	0.8
	(11.1)	2.8
Total tax (credit)/expense	**(5.5)**	4.8
Reconciliation of effective tax rate		
Profit before income tax	**26.7**	18.1
Income tax using the UK corporation tax rate of 28%	**7.5**	5.1
Effect of:		
Tax rates other than the standard rate	**0.4**	-
Change in rate at which deferred tax recognised	**(0.2)**	-
Non-taxable income and expenses	**0.2**	0.3
Tax incentives not recognised in the Consolidated Statement of Income	**(0.7)**	(0.3)
Temporary differences not recognised for deferred tax	**-**	0.1
Recognition of deferred tax not previously recognised	**(11.9)**	-
Effect of previous tax losses now utilised	**(0.2)**	(0.4)
Adjustment in respect of prior years	**(0.6)**	-
Total tax (credit)/expense	**(5.5)**	4.8
Taxation recognised directly in equity		
Current tax – relating to employee benefits	**(1.5)**	(0.9)
Deferred tax - relating to employee benefits	**6.0**	(5.5)
Deferred tax – relating to share options	**(2.7)**	-
Deferred tax – relating to cash flow hedges	**0.1**	0.3
	1.9	(6.1)

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011, and a further reduction to 26% in the rate applicable from 1 April 2011 was substantively enacted on 29 March 2011. This will reduce the company's future current tax charge accordingly. The deferred tax asset at balance sheet date has been calculated based on the rate of 26% substantively enacted at the balance sheet date. 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 company's future current tax charge and reduce the company's deferred tax asset accordingly.

11 EARNINGS PER SHARE

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

	2011 Shares Million	2010 Shares Million
Weighted average number of shares outstanding	**49.7**	49.4
Less shares held by Employee Share Ownership Trust	**(0.4)**	(0.5)
Weighted average number of shares used in calculation of earnings per share	**49.3**	48.9

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

	2011 Shares million	2010 Shares million
Weighted average number of ordinary shares per basic earnings per share calculations	**49.3**	48.9
Effect of shares under option	**1.4**	0.3
Weighted average number of ordinary shares per diluted earnings per share calculations	**50.7**	49.2

12 DIVIDENDS PER SHARE

The following dividends per share were paid by the Group:

	2011 pence	2010 pence
Previous year interim dividend	**2.40**	2.40
Previous year final dividend	**6.00**	6.00
	8.40	8.40

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

	2011 pence	2010 pence
Interim dividend	**2.52**	2.40
Final dividend	**6.48**	6.00
	9.00	8.40

The interim dividend was not provided for at the year end and was paid on 7 April 2011. The final proposed dividend of 6.48 pence per share (2010: 6.0 pence) was not provided at the year end and will be paid on 27 October 2011 subject to authorisation by the shareholders at the forthcoming Annual General Meeting.

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
Balance at 1 April 2009	16.3	42.5	7.5	66.3
Additions	-	3.1	0.5	3.6
Disposals	(0.3)	(5.7)	(1.0)	(7.0)
Effect of movements in foreign exchange rates	(0.2)	(1.1)	(0.1)	(1.4)
Balance at 31 March 2010	15.8	38.8	6.9	61.5
Balance at 1 April 2010	**15.8**	**38.8**	**6.9**	**61.5**
Additions	**2.1**	**2.5**	**1.2**	**5.8**
Disposals	**-**	**(0.6)**	**(0.5)**	**(1.1)**
Effect of movements in foreign exchange rates	**(0.2)**	**(0.5)**	**-**	**(0.7)**
Balance at 31 March 2011	**17.7**	**40.2**	**7.6**	**65.5**
Depreciation and impairment losses				
Balance at 1 April 2009	4.0	32.7	6.1	42.8
Depreciation charge for the year	0.4	2.9	0.5	3.8
Disposals	(0.3)	(5.7)	(0.9)	(6.9)
Effect of movements in foreign exchange rates	(0.1)	(0.9)	-	(1.0)
Balance at 31 March 2010	4.0	29.0	5.7	38.7
Balance at 1 April 2010	**4.0**	**29.0**	**5.7**	**38.7**
Depreciation charge for the year	**0.7**	**3.0**	**0.3**	**4.0**
Disposals	**-**	**(0.1)**	**(0.4)**	**(0.5)**
Effect of movements in foreign exchange rates	**-**	**(0.3)**	**-**	**(0.3)**
Balance at 31 March 2011	**4.7**	**31.6**	**5.6**	**41.9**
Carrying amounts				
At 1 April 2009	12.3	9.8	1.4	23.5
At 31 March 2010 and 1 April 2010	**11.8**	**9.8**	**1.2**	**22.8**
At 31 March 2011	**13.0**	**8.6**	**2.0**	**23.6**

14 INTANGIBLE ASSETS

	Goodwill £m	Customer Related Acquired intangibles £m	Technology Related Acquired Intangibles £m	Development Costs £m	Total £m
Cost					
Balance at 1 April 2009	15.2	4.0	29.6	27.1	75.9
Additions	-	-	-	4.0	4.0
Disposals	-	-	-	(1.1)	(1.1)
Reclassification	-	0.5	(0.5)	-	-
Effect of movements in foreign exchange rates	(0.5)	-	(1.1)	(0.4)	(2.0)
Balance at 31 March 2010	14.7	4.5	28.0	29.6	76.8
Balance at 1 April 2010	**14.7**	**4.5**	**28.0**	**29.6**	**76.8**
Additions	**-**	**-**	**-**	**3.0**	**3.0**
Disposals	**(0.1)**	**-**	**-**	**-**	**(0.1)**
Effect of movements in foreign exchange rates	**(0.1)**	**-**	**(0.4)**	**(0.3)**	**(0.8)**
Balance at 31 March 2011	**14.5**	**4.5**	**27.6**	**32.3**	**78.9**
Amortisation and impairment losses					
Balance at 1 April 2009	1.3	2.5	7.8	9.4	21.0
Amortisation charge for the year	-	0.3	3.8	4.0	8.1
Disposals	-	-	-	(1.1)	(1.1)
Reclassification	-	1.1	(1.1)	-	-
Effect of movements in foreign exchange rates	-	(0.1)	(0.2)	(0.2)	(0.5)
Balance at 31 March 2010	**1.3**	**3.8**	**10.3**	**12.1**	**27.5**
Balance at 1 April 2010	**1.3**	**3.8**	**10.3**	**12.1**	**27.5**
Amortisation and impairment charge for the year	**-**	**0.2**	**4.5**	**5.4**	**10.1**
Effect of movements in foreign exchange rates	**-**	**-**	**(0.1)**	**(0.2)**	**(0.3)**
Balance at 31 March 2011	**1.3**	**4.0**	**14.7**	**17.3**	**37.3**
Carrying amounts					
At 1 April 2009	13.9	1.5	21.8	17.7	54.9
At 31 March 2010 and 1 April 2010	**13.4**	**0.7**	**17.7**	**17.5**	**49.3**
At 31 March 2011	**13.2**	**0.5**	**12.9**	**15.0**	**41.6**

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 CGU's as follows:

	2011 £m	2010 £m
Nanotechnology Tools		
NanoScience	**2.4**	2.4
NanoAnalysis	**3.4**	3.4
Plasma Technology	**-**	0.1
Industrial Products		
Industrial Analysis	**3.5**	3.5
Magnetic Resonance	**2.3**	2.3
Service		
Austin Scientific	**1.6**	1.7
	13.2	13.4

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

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

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

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

The post tax weighted average costs of capital used for Nanotechnology Tools, Industrial Products and Service in impairment testing are 10.9%, 10.4% and 9.9% 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 increases in the discount rate and forecast cash flows. Sensitivity analysis has been carried out by reference to both of these assumptions. This demonstrated that an impairment would only be required if there was an increase in the discount rates by 15% or a 40% 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, it is not considered possible that any reasonable change to the key assumptions would generate a different impairment test outcome to the one included in these Financial Statements.

15 DEFERRED TAX

Movements in deferred tax assets and liabilities were as follows:

	Property, plant and equipment	Inventory	Employee benefits	Intangible assets	Tax losses	Other	Total
Balance 31 March 2009	3.5	1.2	4.6	(12.3)	2.1	4.6	3.7
Recognised in income	(1.3)	0.1	0.7	1.3	(0.6)	(3.0)	(2.8)
Recognised in equity	-	-	5.5	-	-	(0.3)	5.2
Foreign exchange	-	(0.1)	(0.1)	0.3	-	-	0.1
Balance 31 March 2010	**2.2**	**1.2**	**10.7**	**(10.7)**	**1.5**	**1.3**	**6.2**
Recognised in income	**0.9**	**0.5**	**(0.6)**	**3.2**	**7.1**	**(0.1)**	**11.0**
Recognised in equity	**-**	**-**	**(3.9)**	**-**	**-**	**(0.1)**	**(4.0)**
Foreign exchange	**-**	**-**	**-**	**0.1**	**-**	**-**	**0.1**
Balance 31 March 2011	**3.1**	**1.7**	**6.2**	**(7.4)**	**8.6**	**1.1**	**13.3**

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

		Assets		Liabilities		Net
	2011	2010	**2011**	2010	**2011**	2010
	£m	£m	**£m**	£m	**£m**	£m
Gross assets/(liabilities)	**20.8**	17.2	**(7.5)**	(11.0)	**13.3**	6.2
Offset	**(3.4)**	(4.3)	**3.4**	4.3	**-**	-
Net assets/(liabilities)	**17.4**	12.9	**(4.1)**	(6.7)	**13.3**	6.2

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

	2011	2010
	£m	£m
Deductible temporary differences	**0.5**	2.2
Tax losses	**1.3**	12.7
	1.8	14.9

Tax losses with a tax value of £0.3m expire in 2021. The remaining tax losses do not expire under current tax legislation. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available in the subsidiaries concerned against which the Group can utilise the brought forward tax losses.

No deferred tax liability has been recognised in respect of £27.6m (2010: £48.7m) 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 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the deferred tax asset which has been included in the figures above.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reductions from 26 per cent to 23 per cent, if these applied to the deferred tax balance at 31 March 2011, would be to further reduce the deferred tax asset by approximately £1.7m.

16 INVENTORIES

	2011	2010
	£m	£m
Raw materials and consumables	**14.3**	10.2
Work in progress	**19.7**	14.1
Finished goods	**12.6**	15.0
	46.6	39.3

The amount of inventory recognised as an expense comprises cost of sales.

17 TRADE AND OTHER RECEIVABLES

	2011	2010
	£m	£m
Trade receivables	**43.0**	53.1
Less provision for impairment of receivables	**(0.7)**	(0.7)
Net trade receivables	**42.3**	52.4
Prepayments and accrued income	**3.8**	2.1
Other receivables	**6.4**	5.7
	52.5	60.2

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:

	2011	2010
	£m	£m
UK	**14.6**	16.3
Continental Europe	**5.6**	10.4
North America	**12.7**	14.6
Japan	**9.2**	10.5
Rest of World	**0.9**	1.3
	43.0	53.1

The ageing of trade receivables at the reporting date was:

	2011	2010
	£m	£m
Current (not overdue)	**25.6**	33.8
Less than 31 days overdue	**7.0**	8.7
More than 30 days but less than 91 days overdue	**5.4**	6.1
More than 90 days overdue	**5.0**	4.5
	43.0	53.1

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:

	2011	2010
	£m	£m
Balance at start of year	**0.7**	0.5
Increase in allowance	**-**	0.2
Balance at end of year	**0.7**	0.7

18 FINANCIAL RISK MANAGEMENT

The Group's multinational operations and debt financing expose it to a variety of financial risks. In the course of its business, the Group is exposed to foreign currency risk, interest rate risk, liquidity risk, commodity risk and credit risk. Financial risk management is an integral part of the way the Group is managed. Financial risk management policies are set by the Board of Directors. These policies are implemented by a central treasury 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 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 2011 amount to £0.5m (2010: £3.4m) and those recognised as an asset amount to £0.7m (2010: £0.7m).

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 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 majority of the Group's borrowings attract floating rates of interest and therefore the Group's principal interest rate risk is a cash flow risk. In May 2008 the Group entered into an interest rate swap in order to manage its exposure to interest rate movements. Under the terms of the swap, the Group pays fixed interest of 4.1% on the notional amount of £14.8m and receives three months Sterling LIBOR.

The fair value of interest rate swaps entered into as at 31 March 2011 is estimated as a liability of £0.6m (2010: £0.9m). These amounts are based on market estimates of equivalent instruments at the Consolidated Statement of Financial Position date. These interest rate swaps are not designated as cash flow hedges, for hedge accounting purposes, and consequently they are accounted for at fair value through profit or loss. A credit of £0.3m was made to the Consolidated Statement of Income in the period (2010: nil).

In April 2011, the Group closed out its position on the aforementioned interest rate swap for a settlement value of £0.6m.

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 2011 are set out in note 21.

Credit Risk
Credit risk arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial assets such as cash balances, derivative financial instruments, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts recognised in the 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. 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.

Exposure to credit risk
The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at 31 March 2011 was £73.9m (2010: £70.0m).

	2011	2010
	£m	£m
Trade receivables	**42.3**	52.4
Other receivables	**6.4**	5.7
Cash and cash equivalents	**24.5**	11.2
Forward exchange contracts	**0.7**	0.7
	73.9	70.0

The maximum exposure to credit risk for trade receivables is discussed in note 17.

Other receivables include £0.9m (2010: £2.6m) in respect of VAT and similar taxes which are not past due.

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

At 31 March 2011, the Group had outstanding commodity hedge contracts with a fair value of £0.3m (2010: £0.1m) that were designated and effective as cash flow hedges of committed and highly probable forecast transactions. Fair value movements of these contracts have been deferred in equity until the hedged transaction takes place. These contracts all mature within one year of the Consolidated Statement of Financial Position date.

A £0.2m gain net of tax (2010: £0.5m gain) has been deferred in equity as at 31 March 2011 in respect of these contracts. A gain of £0.3m (2010: £0.2m 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 2011.

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

The Board encourages employees to hold shares in the Company. As well as various share option plans (full details of which are given in note 9), 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. It is envisaged that no further options will be offered under the Save as You Earn (SAYE) option scheme.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. 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. There were no changes to the Group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements. To assist the Board in capital management earnings per share is regularly reported to them.

19 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 2011 £m	Fair Value 2011 £m	Carrying Amount 2010 £m	Fair Value 2010 £m
Assets carried at amortised cost					
Trade receivables		**42.3**	**42.3**	52.4	52.4
Other receivables		**6.4**	**6.4**	5.7	5.7
Cash and cash equivalents		**24.5**	**24.5**	11.2	11.2
Assets carried at fair value					
Derivative financial instruments:					
Assets					
Foreign currency contracts	**2**	**0.7**	**0.7**	0.7	0.7
Copper hedging contracts	**2**	**0.3**	**0.3**	0.1	0.1
		1.0	**1.0**	0.8	0.8
Liabilities carried at fair value					
Liabilities					
Foreign currency contracts	**2**	**(0.5)**	**(0.5)**	(3.4)	(3.4)
Interest rate swaps	**2**	**(0.6)**	**(0.6)**	(0.9)	(0.9)
		(1.1)	**(1.1)**	(4.3)	(4.3)
Liabilities carried at amortised cost					
Unsecured bank borrowing		**(10.0)**	**(9.1)**	(19.0)	(18.1)
Secured bank borrowing (note 21)		**(0.6)**	**(0.6)**	(0.7)	(0.7)
Trade and other payables		**(76.6)**	**(76.6)**	(70.0)	(70.0)
Bank overdraft		**(0.8)**	**(0.8)**	(1.9)	(1.9)

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 the fair value.

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

Maturity of financial liabilities

31 March 2011

	Carrying Amount £m	**Contractual cash flows £m**	**Due Within one year £m**	**Due 1 – 5 years £m**	**Due More than 5 years £m**
Bank overdrafts	**0.8**	**0.8**	**0.8**	**-**	**-**
Bank borrowing	**10.6**	**11.9**	**0.4**	**11.1**	**0.4**
Trade and other payables	**76.6**	**76.6**	**76.5**	**0.1**	**-**
Foreign exchange contracts	**0.5**	**1.0**	**0.7**	**0.3**	**-**
Interest rate swaps	**0.6**	**0.6**	**0.6**	**-**	**-**
	89.1	**90.9**	**79.0**	**11.5**	**0.4**

31 March 2010

	Carrying Amount £m	Contractual cash flows £m	Due Within one year £m	Due 1 – 5 years £m	Due more than 5 years £m
Bank overdrafts	1.9	1.9	1.9	-	-
Bank borrowing	19.7	20.6	0.4	19.7	0.5
Trade and other payables	70.0	70.0	69.1	0.9	-
Foreign exchange contracts	3.4	4.0	3.5	0.5	-
Interest rate swaps	0.9	1.0	0.5	0.5	-
	95.9	97.5	75.4	21.6	0.5

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

	Carrying Amount 2011 £m	Carrying amount 2010 £m
Variable rate instruments		
Financial assets	**24.5**	11.2
Financial liabilities	**(10.8)**	(20.9)
Fixed rate instruments		
Financial liabilities	**(0.6)**	(0.7)

Bank overdraft
The bank overdrafts are repayable on demand. Bank overdrafts carry interest rates of 2.65% in the UK, 3% in Europe and LIBOR+ 3.5% in Japan.

Sensitivity analysis
The Group has estimated the impact of the change to the fair value of its financial instruments and the translation of currency profits and assets on the 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
- 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[1] £m	5% increase in copper Prices £m	5% decrease in copper prices £m
At 31 March 2011					
Impact on Consolidated Statement of Income	**0.3**	**2.4**	**(2.4)**	**-**	**-**
Impact on equity	**0.3**	**2.4**	**(2.4)**	**0.1**	**(0.1)**
At 31 March 2010					
Impact on Consolidated Statement of Income	0.2	3.7	(3.7)	-	-
Impact on equity	0.2	3.7	(3.7)	0.1	(0.1)

[1] Of the effect on the Consolidated Statement of Income, £4.2m (2010: £3.1m) would have been recognised on the 'Mark to Market' line (see Note 1).

20 CALLED UP SHARE CAPITAL

Issued and fully paid ordinary shares:

	2011 **Number of shares**	2010 Number of shares
At the beginning of the year	**49,567,328**	49,409,351
Issued for cash	**607,585**	157,977
At the end of the year	**50,174,913**	49,567,328

	2011 Number of Shares	**2011 £m**	2010 Number of Shares	2010 £m
Authorised				
Ordinary shares of 5p each	**58,000,000**	**2.9**	58,000,000	2.9
Allotted, called up and fully paid				
Ordinary shares of 5p each	**50,174,913**	**2.5**	49,567,328	2.5

	Number of shares	Aggregate nominal value	Consideration per share
New issues of ordinary shares of 5p each during the year			
Exercise of Savings Related Share Options	73,732	£3,687	£1.65-£2.02
Exercise of Executive Share Options	370,149	£18,507	£1.83-£2.32
Exercise of Executive Share Options –share appreciation rights	163,704	£8,185	£0.05

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

21 BORROWINGS

At 31 March 2011 the Group had borrowings with a book value of £10.6m (2010: £19.7m).

In December 2010, the Group refinanced its borrowing facilities and agreed a committed revolving credit facility with a club of three banks. The new facility, which will last for four years, is for £50 million and is extendable to £70 million by mutual consent. The facility replaces the previous revolving credit facility that was put in place in July 2007.

The facility carries a floating interest rate of LIBOR plus a margin of between 1.625% and 2.75% depending on the level of net debt in relation to earnings (current margin is 1.625%). All necessary conditions precedent and covenants were met at 31 March 2011. The next repricing of the LIBOR element of the loan after the year end is on 28 April 2011. Thereafter the repricing of the LIBOR element occurs at 1, 2, 3 or 6 months at the Group's option. The undrawn amount of the facilities at 31 March 2011 was £40.0m (2010: £31.0m under previous facility).

Borrowings with a book and fair value of £0.6m (2010: £0.7m) relate to a mortgage made available to Oxford Instruments Analytical GmbH (formerly Worldwide Analytical Systems AG) in respect of a property in Uedem, Germany of which £0.1m is repayable within one year. The borrowing is denominated in Euro and carries a fixed rate of 4.6% until 2011. It is repayable in instalments of £0.1m per year until 2011 and in instalments of £50k per year until 2021.

22 RETIREMENT BENEFIT OBLIGATIONS

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

During the year, the Group's defined benefit plans in the UK and the US were closed to future accrual.

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 2011 £m	**USA 2011 £m**	**Total 2011 £m**	UK 2010 £m	USA 2010 £m	Total 2010 £m
Present value of funded obligations	**177.1**	**7.7**	**184.8**	183.7	9.0	192.7
Fair value of plan assets	**(166.5)**	**(6.6)**	**(173.1)**	(151.7)	(5.9)	(157.6)
Recognised liability for defined benefit obligations	**10.6**	**1.1**	**11.7**	32.0	3.1	35.1

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

	UK 2011 £m	**USA 2011 £m**	**Total 2011 £m**	UK 2010 £m	USA 2010 £m	Total 2010 £m
Benefit obligation at the beginning of the year	**183.7**	**9.0**	**192.7**	131.1	8.3	139.4
Interest on obligation	**10.2**	**0.4**	**10.6**	8.9	0.5	9.4
Current service cost	**0.6**	**0.2**	**0.8**	1.5	0.4	1.9
Contributions paid by plan participants	**-**	**-**	**-**	0.1	-	0.1
Benefits paid	**(3.6)**	**(0.3)**	**(3.9)**	(4.1)	(0.3)	(4.4)
Actuarial (gain)/loss on obligation	**(11.3)**	**0.4**	**(10.9)**	46.2	0.5	46.7
Curtailment gains	**(2.5)**	**(1.6)**	**(4.1)**	-	-	-
Exchange rate adjustment	**-**	**(0.4)**	**(0.4)**	-	(0.4)	(0.4)
Benefit obligation at the end of the year	**177.1**	**7.7**	**184.8**	183.7	9.0	192.7

The benefit obligation under the UK pension scheme was reduced by approximately £10.6m during the year following the Government's decision to move from RPI to CPI as the measure of inflation used in pension calculations. The Group expects that as a result of these changes, and subject to the existing caps, CPI will be used to calculate the increase of pensions in deferment. Pensions in payment will, subject to the cap, continue to be indexed in line with RPI.

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

	UK 2011 £m	USA 2011 £m	Total 2011 £m	UK 2010 £m	USA 2010 £m	Total 2010 £m
Fair value of plan assets at the beginning of the year	**151.7**	**5.9**	**157.6**	119.8	5.2	125.0
Expected return on plan assets	**9.5**	**0.4**	**9.9**	7.6	0.3	7.9
Contributions by employers	**5.9**	**0.5**	**6.4**	5.0	0.3	5.3
Contributions paid by plan participants	**-**	**-**	**-**	0.1	-	0.1
Benefits paid	**(3.6)**	**(0.3)**	**(3.9)**	(4.1)	(0.3)	(4.4)
Actuarial gain on assets	**3.0**	**0.5**	**3.5**	23.3	0.6	23.9
Exchange rate adjustment	**-**	**(0.4)**	**(0.4)**	-	(0.2)	(0.2)
Fair value of plan assets at the end of the year	**166.5**	**6.6**	**173.1**	151.7	5.9	157.6

Expense recognised in the Consolidated Statement of Income

	2011 £m	2010 £m
Current service cost	**0.8**	1.9
Interest on obligation	**10.6**	9.4
Expected return on plan assets	**(9.9)**	(7.9)
Total – defined benefit	**1.5**	3.4
Contributions to defined contribution schemes	**2.9**	2.0
	4.4	5.4

The actual gain on plan assets was £13.4m (2010: £31.8m gain).

The Group expects to contribute approximately £4.2m to defined benefit plans in the next financial year.

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

	2011 £m	2010 £m
Cost of sales	**1.5**	1.8
Selling and marketing costs	**0.8**	0.8
Administration and shared services	**0.7**	0.7
Research and development	**0.7**	0.6
Financial income	**(9.9)**	(7.9)
Financial expenditure	**10.6**	9.4
	4.4	5.4

Actuarial gains and losses shown in the Consolidated statement of Comprehensive income

	2011 £m	2010 £m
Actuarial gain/(loss)	**14.4**	(22.8)

Cumulative actuarial gains reported in the Consolidated Statement of Comprehensive Income since 1 April 2004, the transition date to IFRS, are £10.8m (2010: £3.6m cumulative actuarial losses).

History of experience gains and losses are as follows:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of benefit obligations	**184.8**	192.7	139.4	161.0	165.9
Fair value of plan assets	**(173.1)**	(157.6)	(125.0)	(139.8)	(135.1)
Recognised liability for defined benefit obligations	**11.7**	35.1	14.4	21.2	30.8
Difference between the expected and actual return:					
Amount £m	**3.5**	23.9	(27.2)	(7.3)	(2.0)
% of scheme assets	**2%**	15%	(22%)	(5%)	(1%)
Experience (losses)/gains on scheme liabilities:					
Amount £m	**10.9**	(46.7)	33.6	14.4	24.1
% of the present value of the scheme liabilities	**6%**	24%	(24%)	(9%)	(15%)

Defined benefit scheme - United Kingdom
A full actuarial valuation of the UK plan was carried out as at 31 March 2009 and has been updated to 31 March 2011 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 2011 %	As at 31 March 2010 %
Discount rate	**5.6**	5.6
Rate of salary increase	**n/a**	3.9
Rate of increase to pensions in payment (pre 1997)	**2.4**	2.4
Rate of increase to pensions in payment (post 1997)	**3.2**	3.2
Rate of inflation	**2.7**	3.4
Mortality – pre and post-retirement – males and females	**94% of SP1A tables (97% for females) – year of birth: medium cohort (min annual improvement of 1%)**	94% of SP1A tables (97% for females) – year of birth: medium cohort (min annual improvement of 1%)

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

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

	2011	2010
Pre-retirement – males	**23.0**	22.9
Pre-retirement – females	**25.2**	25.2
Post-retirement – males	**21.6**	21.5
Post-retirement – females	**23.9**	23.8

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

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

	Long-term rate of return expected at 31 March 2011 %	**Value at 31 March 2011 £m**	Long-term rate of return expected at 31 March 2010 %	Value at 31 March 2010 £m
Equities	**7.9**	**64.3**	8.0	53.2
Corporate bonds	**5.6**	**45.8**	5.6	41.6
Gilts	**4.4**	**33.7**	4.5	31.3
Cash	**4.4**	**13.5**	4.5	15.4
Alternative	**7.2**	**9.2**	7.3	10.2
		166.5		151.7

Defined benefit scheme - United States
A full actuarial valuation of the US plan was carried out as at 1 January 2005 which for reporting purposes has been updated to 31 March 2011 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 2011 %	As at 31 March 2010 %
Discount rate	**5.75**	5.75
Rate of salary increase	**n/a**	3.00
Rate of increase to pensions in payment	**0.00**	0.00
Rate of inflation	**3.00**	3.00
Mortality – pre and post-retirement	**2011 IRS prescribed mortality - optional combined table for small plans, male and female**	2009 IRS prescribed mortality – optional combined table for small plans, male and female

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

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

	Long term rate of return expected at 31 March 2011 %	**Value at 31 March 2011 £m**	Long term rate of return expected at 31 March 2010 %	Value at 31 March 2010 £m
Equities	**9.2**	**3.5**	9.2	3.0
Bonds	**6.1**	**2.9**	6.1	2.6
Property and other	**8.4**	**0.2**	8.4	0.3
		6.6		5.9

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.

23 TRADE AND OTHER PAYABLES

	2011 **£m**	2010 £m
Trade payables	**29.7**	25.5
Advances received	**16.5**	18.2
Social security and other taxes	**1.5**	1.4
Accrued expenses and deferred income	**27.4**	21.9
Other creditors (including deferred consideration)	**1.5**	3.0
	76.6	70.0
Amounts due after more than one year – other creditors	**(0.1)**	(0.9)
	76.5	69.1

Deferred consideration relates to amounts payable in respect of acquisitions made during prior years. During the year, deferred consideration of £0.1m was paid in respect of the 2008 acquisition of Link Nordiska AB.

24 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Warranties £m	Restructuring £m	Other £m	**Total** **£m**
Balance at 1 April 2010	3.3	0.1	1.5	**4.9**
Provisions made during the year	4.4	-	0.3	**4.7**
Provisions used during the year	(2.0)	-	-	**(2.0)**
Provisions released during the year	(0.4)	(0.1)	(0.4)	**(0.9)**
Balance at 31 March 2011	**5.3**	**-**	**1.4**	**6.7**

Warranty provisions reflect the Group's standard terms and conditions. In general these apply for a year and, as a result, the majority of the provision is expected to be utilised within a twelve-month period. Restructuring provisions relate to the rationalisation of activities across the Group (see note 6). Other provisions relate to various obligations including obligations in respect of onerous leases and obligations to employees in Japan on termination of their employment.

25 OPERATING LEASES

Leases

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

	2011 **£m**	2010 £m
Less than one year	**2.2**	2.2
Between one and five years	**2.7**	1.9
	4.9	4.1

During the year ended 31 March 2011 £2.2m was recognised as an expense in the Consolidated Statement of Income in respect of operating leases (2010: £2.2m).

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

26 CAPITAL COMMITMENTS

During the year ended 31 March 2011, 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 £0.1m (2010: £0.1m).

27 CONTINGENCIES

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

28 RELATED PARTIES

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

Transactions with key management personnel are disclosed in the Directors' Remuneration Report on pages 30 to 37. 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 £0.1m (2010: £0.1m) 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 Ltd at the year end was nil (2010: nil).

29 PRINCIPAL GROUP ENTITIES

	Equity owned by the company %	Country of Incorporation	Principal Activity
Oxford Instruments Industrial Products Holdings Ltd	100	England	Holding
Oxford Instruments Holdings Europe Ltd	100	England	Holding
Oxford Instruments Overseas Holdings Ltd	100	England	Holding
Oxford Instruments Overseas Holdings 2008 Ltd	*100	England	Holding
Oxford Instruments Nanotechnology Tools Holdings Ltd	100	England	Holding
Oxford Instruments Overseas Marketing Ltd	*100	England	Marketing
Oxford Instruments Industrial Products Ltd	*100	England	Trading
Oxford Instruments Nanotechnology Tools Ltd	*100	England	Trading
Oxford Instruments America Inc	*100	USA	Distribution
Oxford Instruments OST Holdings LLC	*100	USA	Holding
Oxford Instruments OST Asset Co LLC	*100	USA	Holding
Oxford Instruments MRI Service LLC	*100	USA	Trading
Oxford Instruments Superconductivity Wire LLC	*100	USA	Trading
Oxford Instruments (Tennessee) Inc	*100	USA	Holding
Oxford Instruments Holdings Inc	*100	USA	Holding
Oxford Instruments Holdings 2008 Inc	*100	USA	Holding
Austin Scientific Company	*100	USA	Trading
Oxford Instruments X-Ray Technology Inc	*100	USA	Trading
Oxford Superconducting Technology	*100	USA	Trading
Oxford Instruments (Shanghai) Company Ltd	*100	China	Trading
Oxford Instruments HKL Technologies A/S	*100	Denmark	Trading
Oxford Instruments Analytical Oy	*100	Finland	Trading
Technologies and Devices Inc	*100	USA	Trading
Oxford Instruments SAS	*100	France	Distribution
Oxford Instruments GmbH	*100	Germany	Distribution
VeriCold Technologies GmbH	*100	Germany	Manufacturing
Oxford Instruments Analytical GmbH (formerly Worldwide Analytical Systems AG)	*100	Germany	Manufacturing
Oxford Instruments KK	*100	Japan	Distribution
Oxford Instruments Pte Ltd	*100	Singapore	Marketing

Equity owned by the Company represents issued ordinary share capital.

A full list of the Group companies as at 31 March 2011 is available for inspection at the Company's registered office.

With the exception of holding companies, all the above companies are engaged in the research, development, manufacture and sale of high technology tools and systems. Equity owned by subsidiary companies is indicated by an asterisk (*). All the above companies are included in the Group accounts.

30 SUBSEQUENT EVENTS

The interim dividend of 2.52p per share (total cost £1.2m) was paid after the year end. In addition on 14 June 2011 the Directors proposed a final dividend of 6.48p per ordinary share (total cost £3.2m). The total amount of £4.4m has not been provided for and there are no income tax consequences.

The Group made two acquisitions on 13 June 2011 details of which are given below. Some of the disclosure required by IFRS3 has been omitted since due to the timing of the acquisitions the initial accounting is incomplete at the date of this publication.

Omicron NanoTechnology GmbH

The Group acquired 100% of the share capital of Omicron NanoTechnology for a net cash consideration of €32.4m. Omicron NanoTechnology specialises in the manufacture of very high end microscopes for nanotechnology research and is headquartered in Taunusstein, Germany.

Omniprobe, Inc.

The Group acquired 100% of the share capital of Omniprobe, Inc. for a net cash consideration of $20m. Omniprobe, Inc. designs and manufactures nano-manipulators for use within scanning electron microscopes and is headquartered in Dallas, USA.

31 EXCHANGE RATES

The principal exchange rates to sterling used were:

Year end rates

	2011	2010
US Dollar	**1.60**	1.52
Euro	**1.13**	1.12
Yen	**133**	142

Average translation rates 2011

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

Average translation rates 2010

	US Dollar	Euro	Yen
Quarter 1 2010	1.55	1.13	150
Quarter 2 2010	1.64	1.14	153
Quarter 3 2010	1.62	1.11	145
Quarter 4 2010	1.56	1.12	142

Parent Company Balance Sheet *as at 31 March 2011*

	Notes	2011 £m	2010 £m
Fixed assets			
Tangible assets	c	**0.7**	0.6
Investments in subsidiary undertakings	d	**127.2**	61.8
		127.9	62.4
Current assets			
Debtors (including £40.0m (2010: £99.8m) due after more than one year)	e	**47.3**	102.2
Cash at bank and in hand		**9.8**	3.1
		57.1	105.3
Creditors: amounts falling due within one year			
Bank loans and overdrafts		**(13.8)**	(0.6)
Other creditors	f	**(22.1)**	(18.8)
		(35.9)	(19.4)
Net current assets		**21.2**	85.9
Total assets less current liabilities		**149.1**	148.3
Creditors: amounts falling due after more than one year			
Bank loans	g	**(10.0)**	(19.0)
Provisions for liabilities and charges	h	**(0.2)**	(0.2)
Net assets		**138.9**	129.1
Share capital	i	**2.5**	2.5
Share premium account	i	**22.5**	21.6
Other reserves	i	**7.7**	7.7
Profit and loss account	i	**106.2**	97.3
Equity shareholders' funds		**138.9**	129.1

The Financial Statements were approved by the Board of Directors on 14 June 2011 and signed on its behalf by:

Jonathan Flint
Director

Kevin Boyd
Director

Company number: 775598

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 S408 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 note 19 to the consolidated 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 j for the additional disclosures required by FRS 17.

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

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.

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

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

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

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

b) Profit for the year
The Company's profit for the financial year was £12.6m (2010: £7.8m).

The auditor's remuneration comprised £112,000 (2010: £107,000) for statutory audit.

The average number of people employed by the Company (including Directors) during the year was 42 (2010: 42). All of these individuals were involved in administration.

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

	2011	2010
	£m	£m
Wages and salaries	**4.5**	3.7
Social security costs	**0.6**	0.4
Other pension costs	**0.2**	0.2
	5.3	4.3

The share based payment expense was £nil (2010: £nil).

Full details of the emoluments paid to Directors can be found in the Directors' Remuneration Report on pages 30 to 37.

c) Tangible fixed assets

	Land and Buildings £m	Motor Vehicles £m	Computer Equipment £m	Total £m
Cost				
Balance at 1 April 2010	-	0.2	3.4	3.6
Additions	0.3	0.1	0.1	0.5
Disposals	-	(0.1)	-	(0.1)
Balance at 31 March 2011	**0.3**	**0.2**	**3.5**	**4.0**
Depreciation				
Balance at 1 April 2010	-	0.1	2.9	3.0
Charge for year	-	-	0.3	0.3
Balance at 31 March 2011	**-**	**0.1**	**3.2**	**3.3**
Net book value				
At 31 March 2010	-	0.1	0.5	0.6
At 31 March 2011	**0.3**	**0.1**	**0.3**	**0.7**

d) Investments

	Investments in subsidiary Undertakings £m	Other Investments £m	Total £m
Cost or valuation			
Balance at 1 April 2010	77.5	0.3	77.8
Additions	65.4	-	65.4
Balance at 31 March 2011	**142.9**	**0.3**	**143.2**
Amortisation			
Balance at 1 April 2010	15.7	0.3	16.0
Balance at 31 March 2011	**15.7**	**0.3**	**16.0**
Net book value at 31 March 2010	61.8	-	61.8
Net book value at 31 March 2011	**127.2**	**-**	**127.2**

Other investments at 31 March 2011 comprise:

Investment	Principal activity	Percentage of company owned
ARKeX Limited	Supply of gravity-gradiometry exploration and related services to the oil, gas and minerals industries	9.3%

The addition to subsidiary investments of £65.4m relates to investments in Oxford Instruments Industrial Products Holdings Limited and Oxford Instruments Nanotechnology Tools Holdings Limited, as well as £0.4m in relation to the awarding of share options to employees of subsidiary companies.

e) Debtors

	2011 £m	2010 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**43.2**	101.7
Other debtors	**2.4**	-
Prepayments and accrued income	**0.7**	-
Deferred tax asset	**0.6**	-
Tax recoverable	**0.4**	0.5
	47.3	102.2

Amounts owed by subsidiary undertakings includes £40.0m (2010: £99.8m) due after more than one year.

f) Other creditors

	2011 £m	2010 £m
Trade creditors	**0.1**	0.3
Amounts owed to subsidiary undertakings	**16.8**	12.5
Tax, social security and sales related taxes	**0.9**	0.9
Other financial liabilities	**1.2**	3.6
Accruals and deferred income	**3.0**	1.1
Other creditors	**0.1**	0.4
	22.1	18.8

g) Creditors: amounts falling due after one year
Details of the bank loans are included in note 21.

h) Provisions for liabilities and charges

	Vacant lease Provision £m
Balance at 1 April 2010	0.2
Utilised during the year	-
Balance at 31 March 2011	**0.2**

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

The amounts of deferred tax assets are as follows:

	Recognised		Unrecognised	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Excess of depreciation over corresponding capital allowances	**0.6**	-	**-**	0.8
Carried forward tax losses	**-**	-	**-**	-
Other timing differences	**-**	-	**-**	0.1
	0.6	-	**-**	0.9

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.

i) Reserves

	Share Capital £m	Share Premium Account £m	Capital Redemption Reserve £m	Other Reserves £m	Profit and Loss Account £m	Total £m
Balance at 1 April 2010	2.5	21.6	0.1	7.6	97.3	129.1
Retained profit for the year	-	-	-	-	12.6	12.6
Proceeds from shares issued	-	0.9	-	-	-	0.9
Share options awarded to employees of subsidiaries	-	-	-	-	0.4	0.4
Dividends paid	-	-	-	-	(4.1)	(4.1)
Balance at 31 March 2011	**2.5**	**22.5**	**0.1**	**7.6**	**106.2**	**138.9**

Details of issued, authorised and allotted share capital are included in Note 20.

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 9.

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

j) Pension commitments

Defined Benefit scheme

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

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

During the year the Group's defined benefit plan in the UK was closed for future accrual.

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 22. The contributions paid by the Company to the Oxford Instruments Pension Scheme were less than £0.1m (2010: £0.1m).

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 £0.1m (2010: £0.1m). There were no outstanding contributions at the end of the financial year (2010: £nil).

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

l) Commitments

	2011 **£m**	2010 £m
Operating leases which expire:		
Within one year	-	0.1
	-	0.1

There were no capital commitments as at 31 March 2011 (2010: £nil).

m) Subsequent events
See note 30 for details of dividends paid or declared after the Balance Sheet date.

n) 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 30 to 37. 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 £0.1m (2010: £0.1m) 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 Ltd at the year end was nil (2010: nil).

Historical Financial Summary

	2007	2008	2009	2010	**2011**
	£m	£m	£m	£m	**£m**
Consolidated Statement of Income					
Revenue	161.6	176.5	206.5	211.5	**262.3**
Trading profit	8.3	10.6	13.1	14.7	**28.1**
Other operating income	-	-	-	-	**4.7**
Reorganisation costs and impairment	(5.2)	0.7	(6.8)	(0.4)	**(0.6)**
Amortisation of acquired intangibles	(1.1)	(2.9)	(4.3)	(4.1)	**(4.7)**
Operating profit	2.0	8.4	2.0	10.2	**27.5**
Net financing income/(costs)	(0.7)	(3.4)	(11.3)	7.9	**(0.8)**
Profit/(loss) before taxation	1.3	5.0	(9.3)	18.1	**26.7**
Income tax (expense)/credit	(2.8)	(2.3)	2.6	(4.8)	**5.5**
(Loss)/profit for the year	(1.5)	2.7	(6.7)	13.3	**32.2**
Adjusted profit before tax*	7.5	9.5	11.1	11.9	**26.2**
Consolidated Statement of Financial Position					
Property, plant and equipment	21.5	22.4	23.5	22.8	**23.6**
Intangible assets	18.1	44.0	54.9	49.3	**41.6**
Available for sale equity securities	0.6	0.6	-	-	**-**
Deferred and current tax	10.3	1.5	2.5	4.5	**11.2**
Inventories	25.6	34.9	39.9	39.3	**46.6**
Trade and other receivables	45.6	54.1	57.6	60.2	**52.5**
Held for sale assets	7.0	-	-	-	**-**
Trade and other payables	(40.4)	(48.6)	(54.3)	(70.0)	**(76.6)**
Net assets excluding net cash	88.3	108.9	124.1	106.1	**98.9**
Cash and cash equivalents	2.8	7.2	3.6	9.3	**23.7**
Bank borrowings	(1.0)	(25.0)	(31.9)	(19.7)	**(10.6)**
Net cash	1.8	(17.8)	(28.3)	(10.4)	**13.1**
Provisions and other items	(3.5)	(7.4)	(19.5)	(8.4)	**(6.8)**
Retirement benefit obligations	(30.8)	(21.2)	(14.4)	(35.1)	**(11.7)**
Net assets employed/capital and reserves attributable to the company's equity holders	55.8	62.5	61.9	52.2	**93.5**
Cash flow					
Net cash from operating activities	5.2	(0.1)	14.4	31.1	**35.3**
Net cash from investing activities	(9.7)	(15.1)	(10.6)	(9.1)	**(8.8)**
Net cash from financing activities	(5.1)	19.4	(6.6)	(16.0)	**(12.3)**
Net increase/(decrease) in cash equivalents	(9.6)	4.2	(2.8)	6.0	**14.2**
	pence	pence	pence	pence	**pence**
Per ordinary share					
Earnings – continuing	(3.2)	5.6	(13.9)	27.2	**65.3**
Adjusted earnings *	9.6	11.7	14.8	17.8	**41.5**
Dividends	8.4	8.4	8.4	8.4	**9.0**
Employees					
Average number of employees	1,388	1,501	1,531	1,341	**1,498**

* Before other operating income, amortisation of acquired intangibles, reorganisation costs and impairment and mark to market gains or losses in respect of certain derivatives.

Financial calendar

2 March 2011	Ordinary shares quoted ex-dividend
4 March 2011	Record date for interim dividend
13 March 2011	Dividend reinvestment (DRIP) last date for election
31 March 2011	Financial year end
7 April 2011	Payment of interim dividend
14 June 2011	Announcement of preliminary results
14 June 2011	Announcement of final dividend
Late July	Publication of Annual Report
13 September 2011	Annual General Meeting
28 September 2011	Ordinary shares quoted ex-dividend
30 September 2011	Record date for final dividend
2 October 2011	DRIP Date
27 October 2011	Payment of final dividend
March 2012	Ordinary shares quoted ex-dividend
March 2012	Dividend reinvestment (DRIP) last date for election
March 2012	Record date for interim dividend
31 March 2012	Financial year end

Administrative enquiries concerning shareholdings

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

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.

Freepost RLYX-GZTU-KRRG, SAS
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: www.capitaregistrars.com/international

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 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
E-mail 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.

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.

Capita Share Dealing Services

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

There's no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade "real time" at a known price which will be given to you at the time you give your instruction. To deal on-line or by telephone all you need is your surname, Investor Code (IVC*) reference number, full postcode and your date of birth. Your Investor Code can be found on a recent share certificate, statement or tax voucher. 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 2011

Size of shareholding	Number of Holders	% of total	Total holding	% of total
Up to 5,000 shares	2,358	89.86	1,509,894	3.01
5,001 to 50,000 shares	168	6.40	2,485,701	4.95
50,001 to 200,000 shares	59	2.25	6,699,411	13.35
Over 200,000 shares	39	1.49	39,479,907	78.69
Total	2,624	100.00	50,174,913	100.00

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