

Press Release

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Oxford Instruments plc Announcement of Preliminary Results for the year to 31 March 2010

Improved profits and revenues

Oxford Instruments plc, a leading provider of high technology tools and systems for industry and research, today announces its Preliminary Results for the year to 31 March 2010.

Highlights:

- Order intake up 22.4% to a record £250 million (2009: £204.2 million)
- Revenue up 2.4% to £211.5 million (2009: £206.5 million)
- Adjusted profit before tax* up 7.2% to £11.9 million (2009: £11.1 million)
- Adjusted EPS* up 20.3% to 17.8p (2009: 14.8p)
- Profit before tax up £27.4 million to £18.1 million
- Net debt reduced to £10.4 million (2009: £28.3 million)
- Proposed final dividend held at 6.0p, giving a total dividend for the year of 8.4p
- Continued growth in the Group's research markets, particularly Asia, combined with strengthening in the Group's industrial markets during the year

* Adjusted figures are stated before amortisation of acquired intangibles, reorganisation costs, impairments and marking to market of hedging derivatives

Nigel Keen, Chairman of Oxford Instruments plc, said:

"The restructuring in 2008/09 and the new product technologies introduced in the past year served to ensure that we continued to perform to shareholder expectations. Now that global markets are recovering, we are confident these efficiency improvements and new products will deliver further growth in the current year and form a strong foundation from which we can deliver long term shareholder value."

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Number of pages: 20

Chairman's Statement

Our strategy is to generate shareholder value by being a leading provider of tools and systems used by customers who need to analyse and manipulate matter at the smallest scale. This covers both research and industrial markets and we operate in all regions around the world. This broad spread of customers and geographical markets has served to insulate us from the worst effects of the recession.

Despite the economic downturn, the Group performed well during the year. Revenue rose to £211.5 million (2009: £206.5 million) and adjusted profit before tax increased to £11.9 million (2009: £11.1 million). Adjusted earnings per share grew 20% to 17.8 pence supported by the strong underlying result and a lower tax charge of 27% (2009: 35%). Net debt reduced in the year by £17.9 million to £10.4 million.

In 2006 we announced a five year objective to double the size of the business and improve our margins significantly. We are now reporting on the fourth year of the plan. Recent recessionary pressures have inevitably impacted the timing, but we continue to make progress against this objective.

In the year just ended we had not predicted year on year growth; we expected efficiency improvements to be balanced by pricing pressure and market share gains to be balanced by declines in market size. Whilst industrial sales improved gradually through the year as we had predicted, research markets displayed faster than expected growth. As a result we are reporting both revenue and profits growth.

The Group is recommending a final dividend of 6 pence, bringing the total for the year to 8.4 pence (2009: 8.4 pence).

It has been a challenging year for our people. They have faced the uncertainties of the economic downturn and internal austerity measures and they have delivered against demanding targets. I thank each of them for their hard work and dedication.

The restructuring in 2008/09 and the new product technologies introduced in the past year served to ensure that we continued to perform to shareholder expectations. Now that global markets are recovering, we are confident these efficiency improvements and new products will deliver further growth against our objectives in the current year and form a strong foundation from which we can deliver long term shareholder value.

Nigel Keen Chairman
15 June 2010

Chief Executive's Statement

We pursue responsible development and deeper understanding of the world through science and technology. Innovation has always been at the heart of our culture and new products closely linked to customer needs, have been pivotal to our growth this year.

Oxford Instruments uses innovation to turn smart science into world class commercial products, meeting our customers' needs for advanced technological and service solutions. This strategy has enabled us to deliver improved profits and revenues this year. Notable features of our success have been continued growth in our research markets, particularly in Asia, and a strengthening of sales to the industrial markets we serve.

This growth has been realised through product introductions delivered by a more focused R&D programme which has allowed us to reduce our R&D spend without compromising our development objectives.

During the second half of the year we saw a recovery in those industrial markets which had been hit hardest by recession and we have maintained our market share. We continue to make progress against our margin improvement objectives. Trading Profit margins improved to 7.0% through efficiency improvements and economies of scale, which have counteracted the pricing pressures we have seen in certain areas.

Our order book grew to £102 million. Order in-take in the year was £250 million, a record for Oxford Instruments. This position was helped by the large contracts awarded to us in August and September 2009 by ITER, a multinational collaborative programme to prove the viability of a new form of carbon free energy production. Excluding ITER, order in-take increased by £5.4 million over the prior year.

During the year, we saw growth in the USA, and strong growth in Asia, offsetting some softness in the European markets. However, we experienced increased demand in all regions in the second half of the year. Our global reach continues to be one of our greatest strengths, with less than 5% of our turnover going to end-users in the UK.

Emerging markets continue to offer excellent opportunities for the Group. We are maintaining our focus on developing our sales in China, India, Russia and Latin America. Investment by industry and governments in Asia in high technology research has meant a significant increase in demand for our tools and systems. We had an excellent year in China with orders up by 30% and sales from our factory in Shanghai up 210%. Indian markets also grew significantly, albeit from a smaller base. We experienced difficult trading conditions in Russia as a result of government cuts to research funding, but our business in the region is now beginning to show prospects of growth.

In response to the global downturn in industrial markets in the autumn of 2008 we initiated a restructuring programme which was completed in May 2009. This resulted in a reduction in headcount and the closure of two operating sites. This was achieved without significant loss of the skill base or reduction in turnover. As a result we saw an increase in Group sales per head of 17%. All businesses in the Group are now contributing profitably.

In the light of market conditions and difficulties in making accurate valuations through the recession, we did not make any acquisitions in the year. However, going forward the corporate environment is stabilising and we will assess appropriate acquisition targets to further our growth agenda.

People

Our staff responded well to the issues presented by the global recession. Last year we introduced a Group wide pay freeze in addition to enacting a number of other austerity measures. This year in line with many other UK companies we have announced proposals to close our UK and US Defined Benefit Pension schemes to future accrual. Our employees have faced this challenging environment with understanding and commitment. They have delivered against demanding targets and they have my respect and my thanks.

Sustainability

The Group is committed to using resources (including managing its travel requirements) efficiently in order to minimise the effect of its operational processes on the environment and in particular we have set the objective of reducing our global energy usage, relative to turnover, by 5% year on year. In 2009/10 we reduced our global electricity consumption by 6% when compared with the previous year.

Many of the Group's innovative products benefit the environment. For example our new cryogen free products which are used to create very cold environments have replaced the use of liquid helium which is a dwindling, non-renewable resource. Our products used to fabricate high brightness light emitting diodes (HBLEDs) and photovoltaic cells help reduce energy consumption. The biggest contribution to the environment may come with the progress towards fusion power where the Group is supplying superconducting wire which is a key component for the ITER project, which aims to provide a clean source of energy.

Outlook

This year we have seen the full benefit of our new product introductions of the last four years and the efficiency savings and cost reductions achieved in 2009. Our research markets are robust globally and show good growth which we expect to continue, particularly in Asia. Our industrial markets are showing clear signs of improvements and have now returned to close to their pre-recession levels.

These factors give us confidence that the current year will deliver further growth and form a strong foundation from which we can deliver long term shareholder value.

Jonathan Flint

Chief Executive

15 June 2010

Operational Review

Nanotechnology Tools

The Nanotechnology Tools sector comprises our NanoAnalysis, NanoScience and Plasma Technology businesses. These businesses produce our highest technology products and serve research customers in both the public and private sectors. Revenues were £101.8 million up 8% on last year and Trading Profit was £8.2 million (2009: £8.6 million), principally as a result of our continued progress in the plasma technology area despite facing pricing pressures.

Our NanoAnalysis business produces analysis tools which give precise chemical and structural data to users of electron microscopes. Our X-Max energy dispersive spectrometer, which incorporates novel large area silicon drift technology, continues to lead the market. With X-Max our customers can obtain data, on samples with greater sensitivity than any other product on the market. X-Max is used for example, in the semiconductor and electronics industries to detect defects caused by nano-scale particles. Markets for this business, which were weak in the first half of the year as customers delayed investment in capital equipment, strengthened markedly in the second half supported by increased research in the semi-conductor and nanotechnology sectors. Electron microscope unit sales are expected to rise over the next few years with the introduction of a new class of electron microscopes, which are able to sit on the bench top. These are smaller and more cost effective than floor mounted instruments and we are well positioned with the major manufacturers to ensure that our equipment also captures a significant share of this new market.

Our NanoScience business produces equipment for experimental research in the areas of very low temperature and very high magnetic fields. This business has shown good growth and improved efficiency this year. This has been achieved as a result of the restructuring programme in the prior year, supported by a sequence of successful new product introductions. In particular, the Triton200 product has generated sales above our expectations and has a strong order book. Triton enables our customers to reach the extremely low temperatures necessary for research in the physical sciences with far greater ease than ever before. As a result of the success of this product, NanoScience was a winner of a 2010 Queen's Award for Enterprise. This business has unique technical skills, useful to a number of new and emerging industries. Our new consultancy business within NanoScience offers access to our knowledge base in the creation of very high magnetic fields and very low temperatures and generates higher margins through the effective use of our world renowned expertise in these areas.

Our Plasma Technology business provides nanotechnology fabrication tools which are used to manipulate materials at the smallest level. These tools are used in research and advanced manufacturing applications. The business performed well in the year supported by strong research funding worldwide. The high brightness light emitting diode (HBLED) market continues to grow rapidly, driven by the need for backlighting flat screen television and computer displays. We manufacture equipment which is used in the fabrication of HBLEDs. As a result of this market opportunity we have increased our investment in sales and distribution for these products. The attractive nature of the HBLED market has resulted in pricing pressure from competitors anxious to maintain market share in this growing area. We have also seen increased sales of our ion beam products which are used to build up substrates at the molecular level. This increase has been driven by increasing applications for new sensors.

In 2008 our acquisition of Technology and Devices International Inc. brought to the Group a unique technology for Hydride Vapour Phase Epitaxy (HVPE) which offers an opportunity to produce HBLEDs using a new and more efficient process. We plan for prototypes to be with our customers later in the year. This new process will allow us to provide our customers with a new tool which is complementary to those we already produce and sell.

Industrial Products

The Industrial Products sector contains our Industrial Analysis, Superconducting Wire, and Magnetic Resonance businesses. Revenue dropped to £72.1 million (2009: £75.5 million), reflecting a full year of difficult trading conditions for Industrial Analysis. Trading Profit in this sector rose to £1.0 million (2009: £1.3 million loss) as a result of the efficiency measures implemented in the previous year.

Our Industrial Analysis business produces analytical equipment for industrial quality control and environmental monitoring. We continue to commit to the growing opportunity in hand-held instrumentation. We add value for customers by taking lab-based technologies and bringing them into

the workplace, as shown by our investment in portable Optical Emission Spectroscopy and Hand-Held X-ray fluorescence analysers. For example our Foundry Master Pro Optical Emission Spectroscopy instrument allows our customers to analyse steel components in situ. The Industrial Analysis business had a much improved second half, with the result benefitting from the restructuring programme. We are now seeing sustained, though gradual, improvement in demand from our industrial customers.

Our Superconducting Wire business is the world leader in the provision of wire for the MRI scanner market. It also provides very high specification superconducting wire to customers in the research field. Following a slow start to the year, demand for MRI wire strengthened significantly during the second half. In August 2009 we signed a contract with the European arm of the ITER procurement programme, to provide €40.7 million worth of superconducting wire over 3 years. In September 2009 we signed a contract to provide a further US\$7.7 million worth of superconducting wire to the US arm of ITER procurement. Significant investment has been made to increase capacity to cope with the additional throughput. This has been fully funded by a pre-payment from the customer.

Our Magnetic Resonance business produces bench top equipment which can be used to analyse industrial and food products, particularly oils and fats. This business has shown good growth, illustrated by a new contract to supply a large number of analysers to a Turkish agricultural cooperative to measure the oil content in sunflower seeds. We are also the leading provider of magnetic resonance analytical tools for the petrochemical industry which provides data used to improve the efficiency of oil extraction.

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 £39.0 million (2009: £37.9 million) and Trading Profit was £5.5 million (2009: £5.8 million).

The MRI Service businesses provide service and support to the MRI industry, offering magnet service, parts and accessories predominantly in North America and in Japan. The number of MRI systems which we service in North America increased during the year; we were also successful in expanding our helium-fill services to customers, which is a new growth area. In Japan we were successful in increasing the number of service contracts and made significant progress in expanding our technical support in a number of other Asian countries.

Our Austin Scientific business manufactures, services and refurbishes high quality cryogenic vacuum pumps, helium compressors and cold heads for customers in the semiconductor, medical and research sectors. A recovery in the marketplace in the second half of the year and internal efficiency improvements resulted in improved profitability.

Service revenues in Nanotechnology Tools fell slightly as a percentage of sales due to the decision taken to concentrate on the sale of new products rather than the refurbishment and sale of pre-owned Plasma Technology machines. In Industrial Products, service revenues increased relative to total sales as more service contracts were sold as market confidence began to return.

Financial Review

Trading Performance

Revenues for the year grew by 2.4% to £211.5 million (2009: £206.5 million). Growth was aided by favourable foreign exchange rates (£7.7 million) but impacted by adverse pricing, which we estimate to be £2.0 million, and a slight reduction in underlying volumes (£0.7 million).

Despite pricing pressure as a result of the economic downturn and an adverse sales mix due to the outperformance of our lower margin NanoScience business, gross margins only fell from 43.9% to 42.8% aided by efficiency improvements.

Trading profit increased by £1.6 million to £14.7 million (2009: £13.1 million), giving a 7.0% margin (2009: 6.3%). Of the growth in the year, net operating efficiencies contributed £4.2 million and favourable exchange rates a further £2.7 million. These gains were offset by £2.0 million adverse pricing, £3.0 million adverse mix and £0.3 million resulting from the downturn in volume.

As explained below, at the start of a financial year, the Group seeks to have 80% of its 12 month forecast foreign exchange transactional exposure hedged to give a high degree of certainty to the foreign exchange rates it will achieve. Due to the weakness in sterling during the year, the hedged rate was less favourable than spot rates. As a result trading profit was impacted by a loss on the settlement of currency hedges of £6.7 million in the year (2009: £8.3 million). Had the Group not hedged its foreign exchange exposure, trading profit margins would have been 10.1%.

Reported operating expenses fell by £1.7 million to £75.9 million (2009: £77.6 million). Of this reduction, £1.6 million was the decrease in the loss on the currency hedges described above (see note 3). The translation of overseas expenses at a weaker sterling exchange rate increased reported operating expenses by £3.2 million. On a constant currency basis, operating expenses fell by £3.3 million due to efficiencies resulting from the previous year's restructuring programmes offset by increased salary costs, increased headcount and R&D costs in those parts of the business that have seen marked revenue growth.

Reorganisation costs and impairment

As reported in last year's Report and Accounts the Group initiated an extensive restructuring programme in the year ended March 2009 which cost a total £9.1 million (£5.7 million in cash), of which £0.4 million fell into the year ended March 2010 (see note 5).

The restructuring programme has resulted in annualised savings of £11.0 million which, due to some savings being realised in the prior year has generated £9.0 million incremental savings year on year. Some of these cost savings are due to reduction in capacity, which will inevitably return as the global economy strengthens. However a proportion of these costs were structural and will not be reinstated.

Amortisation of acquired intangibles

Amortisation of acquired intangibles was broadly in line with the prior year at £4.1 million (2009: £4.3 million). No acquisitions were made in the year.

Financial income and expenditure

Within financial income and expenditure, total net interest payable was in line with the prior year at £1.3 million. The interest charge on pension scheme liabilities exceeded the expected return on pension scheme assets by £1.5 million, an increase 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 IAS39 to apply hedge accounting to the foreign exchange hedges cannot be justified. Accordingly the Group does not use hedge accounting for these derivatives. Net movements on marking to market such derivatives at the balance sheet date are disclosed in the income statement as Financial Income or Expenditure and excluded from our calculation of adjusted profit before tax (note 2).

Commodity hedging

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

Taxation

The underlying tax rate on the profit before tax before reorganisation costs and impairments, amortisation of acquired intangibles and marking to market of hedging derivatives, was 27% (2009: 35%). The rate has reduced due to all parts of the Group being profitable for tax purposes and therefore being able to offset all expenses against income.

The Group has tax losses of £43.1 million in the UK available to set off against future taxable profits from certain business streams. No deferred tax asset has been recognised in respect of these losses. A deferred tax asset of £12.9 million (2009: £11.3 million) has been recognised against certain temporary differences and US tax losses. Of this, £9.8 million (2009: £4.0 million) relates to the deficit in the pension schemes. A deferred tax liability of £6.7m (2009: £7.6 million) has been recognised. Of this, £5.6 million (2009: £7.1 million) relates to the intangible assets arising from past acquisitions. This liability will unwind as the intangible assets are amortised.

Earnings

After a tax charge of £4.8 million (2009: credit £2.6 million) the reported net profit for the financial year was £13.3 million (2009: loss £6.7 million). With a weighted average number of shares of 48.9 million (2009: 48.8 million), the basic earnings per share were 27.2 pence (2009: loss per share 13.9 pence).

Adjusted profit before tax (note 1), which we believe gives a better indication of the underlying performance of the business, grew by £0.8 million to £11.9 million which translates into an adjusted earnings per share of 17.8 pence (2009: 14.8 pence), an increase of 20%.

Dividends

The Group proposes a final dividend of 6.0 pence per share (2009: 6.0 pence), payable on 29 October 2010 to shareholders who are on the register as at 1 October 2010. This gives a total dividend for the year of 8.4 pence per share (2009: 8.4 pence). Dividend cover for the underlying business before reorganisation costs and impairments, amortisation of acquired intangibles and marking to market of hedging derivatives was 2.1 times (2009: 1.8 times).

Investment in research and development (R&D)

The total cash spent on research and development in the year was £13.1 million (2009: £16.3 million). A reconciliation between the cash spent and the amounts charged to the Income Statement is given below:

	2010	2009
	£ million	£ million
Total cash spent on research and development during the year	13.1	16.3
Less: amount capitalised	(4.0)	(6.4)
Add: amortisation of amounts previously capitalised	4.0	3.4
Research and development charged to the income statement	13.1	13.3

The net book value of capitalised R&D at the end of the financial year was £17.5 million (2009: £17.7 million).

Balance sheet

Non-current assets fell from £89.7 million to £85.0 million primarily due to the amortisation of acquired intangible assets.

Net working capital (excluding derivative financial instruments) reduced by £10.7 million in the year to £25.5 million. Of this £10.2 million relates to the ITER deposit described below.

Inventory turns increased by 0.2 to 3.1 while debtor days increased from 58 days to 59 days.

Announcement of Preliminary Results for the year to 31 March 2010

Net assets of the Group fell from £61.9 million to £52.2 million principally due to the £14.9 million (net of deferred tax) increase in the defined benefit pension deficit.

Pensions

The Group has defined benefit pension schemes in the UK and the USA. Both have been closed to new entrants since 2001. The total deficit, before tax, under IAS19 on these pension schemes increased in the year by £20.7 million to £35.1 million with a corresponding deferred tax asset of £9.8 million.

Assets of the schemes at 31 March 2010 were £157.6 million (2009: £125.0 million). The increase in the deficit is primarily due to a decrease in the discount rate applied to liabilities, which is based on corporate bond yields.

The latest triennial actuarial valuation of the UK scheme was carried out as at 31 March 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 10 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, the payment to the pension fund will be similarly increased.

In April 2010 the Group informed its employees that it proposes to close both its UK and US schemes to future accrual and has entered a consultation period which will end in August 2010. In making the proposal the Group is seeking to mitigate the risk of pension fund liabilities rising. The alternative pension arrangements offered to the employees are cash neutral to the Group.

Cash

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by £2.2 million to £22.5 million. Working capital in the year reduced by £16.4 million compared with a reduction of £1.4 million in the prior year. This was aided by a contract prepayment of £10.2 million from Fusion for Energy, the European contracting body for the ITER programme. In the year £3.6 million was spent on inventory and capital equipment for the ITER programme. ITER shipments will begin in the first half of 2010/11.

Net cash flow from operating activities was £31.1 million, an increase of £16.7 million on the prior year.

Net debt at the year-end was £10.4 million (2009: net debt of £28.3 million). The Group has a committed £50 million revolving credit facility that expires in July 2012 and overdraft and other facilities of £13.8 million.

Employees

The average number of people employed during the year decreased by 190 to 1,341 over the prior year as a result of the restructuring programme.

Average sales per employee increased by 17% to £158k.

Share price

The closing mid-market price of the ordinary shares at the end of the financial year was £2.69, compared with £1.10 at the beginning of the year. The highest and lowest prices recorded in the financial year were £2.75 and £1.10 respectively.

Key Performance Indicators

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

	2010	2009
Revenue growth		
As reported	+2.4%	+17.0%
At constant currencies	-1.3%	-2.1%
Return on sales		
Trading profit as a percentage of revenue	7.0%	6.3%
R&D		
R&D cash spend as a percentage of revenue	6.2%	7.9%

Risks to be managed

There are a number of risks and uncertainties which may have a material effect of the Oxford Instruments Group.

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

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

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

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

A significant proportion of Oxford Instruments' profit is made in foreign currencies and we will therefore continue to have exposure to exchange rate fluctuations going forward. We aim to mitigate this risk by natural hedges where possible and the use of forward contracts.

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. While this policy mitigates some risks it also increase the risk of failures in the supply chain impacting sales.

We rely on the purchase of a number of commodity materials and, when prices rise, we cannot always pass on this cost directly to customers. We enter into hedging contracts for the most significant of these, copper.

Our calculated pension deficit is sensitive to changes in the actuarial assumptions that may have an appreciable effect on the reported pension deficit.

Going concern

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

The relatively diverse nature of the Group together with its current financial strength provides a solid foundation. The Directors have reviewed the Group's forecasts and believe that the Group will be able to operate within its existing debt facility which expires in July 2012. This review also considered financial risk management objectives including hedging arrangements, capital management and exposures to credit and liquidity risks.

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
15 June 2010

Consolidated Statement of Income year ended 31 March 2010

	Notes	2010 £m	2009 £m
Revenue	3	211.5	206.5
Cost of sales		(120.9)	(115.8)
Gross profit		90.6	90.7
Trading expenses excluding cost of sales	4	(75.9)	(77.6)
Trading profit		14.7	13.1
Reorganisation costs and impairment	6	(0.4)	(6.8)
Amortisation of acquired intangibles		(4.1)	(4.3)
Operating profit		10.2	2.0

Bank interest receivable		-	0.2
Expected return on pension scheme assets		7.9	9.6
Mark to market gain in respect of derivative financial instruments	2	10.7	-
Financial income		18.6	9.8

Interest payable on bank loans and overdrafts		(1.3)	(1.5)
Interest charge on pension scheme liabilities		(9.4)	(10.3)
Mark to market loss in respect of derivative financial instruments	2	-	(9.3)
Financial expenditure		(10.7)	(21.1)

Profit/(loss) before income tax		18.1	(9.3)
Income tax (expense)/credit	7	(4.8)	2.6
Profit/(loss) for the year attributable to equity shareholders of the parent		13.3	(6.7)

		pence	pence
Earnings per share			
Basic earnings/(loss) per share	8	27.2	(13.9)
Diluted earnings/(loss) per share	8	27.1	(13.9)
Dividends per share			
Dividends paid	9	8.4	8.4
Dividends proposed	9	8.4	8.4

Adjusted profit before tax is calculated as follows:

		£m	£m
Profit/(loss) before income tax		18.1	(9.3)
Reorganisation costs and impairment		0.4	6.8
Amortisation of acquired intangibles		4.1	4.3
Mark to market (gain)/loss in respect of derivative financial instruments		(10.7)	9.3
Adjusted profit before tax	2	11.9	11.1

		pence	pence
Adjusted earnings per share			
Basic earnings per share	8	17.8	14.8
Diluted earnings per share	8	17.8	14.8

Consolidated Statement of Comprehensive Income year ended 31 March 2010

	Note	2010 £m	2009 £m
Profit/(loss) for the year		13.3	(6.7)
Other comprehensive (expense)/income			
Foreign exchange translation differences		(3.8)	5.6
Actuarial (loss)/gain in respect of post retirement benefits		(22.8)	6.4
Net gain/(loss) on effective portion of changes in fair value of cash flow hedges, net of amounts recycled		0.8	(0.6)
Tax on items recognised directly in equity	7	6.1	(1.6)
Total other comprehensive (expense)/income		(19.7)	9.8
Total comprehensive (expense)/income for the year attributable to equity shareholders of the parent		(6.4)	3.1

Consolidated Statement of Changes in Equity year ended 31 March 2010

	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
Balance at 1 April 2008	2.5	21.2	0.1	2.3	36.4	62.5
Total comprehensive (expense)/income attributable to equity shareholders of the parent	-	-	(0.4)	5.6	(2.1)	3.1
Transactions recorded directly in equity:						
- Credit in respect of employee service costs settled by award of share options	-	-	-	-	0.3	0.3
- Proceeds from shares issued	-	0.1	-	-	-	0.1
- Dividends paid	-	-	-	-	(4.1)	(4.1)
Total contributions by and distributions to equity shareholders	-	0.1	-	-	(3.8)	(3.7)
Balance at 31 March 2009	2.5	21.3	(0.3)	7.9	30.5	61.9

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

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

The Group holds 493,594 (2009: 569,394) 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 2010

	2010 £m	2009 £m
Assets		
Non-current assets		
Property, plant and equipment	22.8	23.5
Intangible assets	49.3	54.9
Deferred tax assets	12.9	11.3
	85.0	89.7
Current assets		
Inventories	39.3	39.9
Trade and other receivables	60.2	57.6
Current income tax recoverable	0.9	0.6
Derivative financial instruments	0.8	0.2
Cash and cash equivalents	11.2	13.3
	112.4	111.6
Total assets	197.4	201.3
Equity		
Capital and reserves attributable to the Company's equity shareholders		
Share capital	2.5	2.5
Share premium	21.6	21.3
Other reserves	0.2	(0.3)
Translation reserve	4.1	7.9
Retained earnings	23.8	30.5
	52.2	61.9
Liabilities		
Non-current liabilities		
Bank loans	19.6	31.8
Other payables	0.9	1.0
Retirement benefit obligations	35.1	14.4
Deferred tax liabilities	6.7	7.6
	62.3	54.8
Current liabilities		
Bank loans	0.1	0.1
Bank overdrafts	1.9	9.7
Trade and other payables	69.6	53.3
Current income tax payables	2.6	1.8
Derivative financial instruments	4.3	12.4
Provisions	4.4	7.3
	82.9	84.6
Total liabilities	145.2	139.4
Total liabilities and equity	197.4	201.3

The financial statements were approved by the Board of Directors on 15 June 2010 and signed on its behalf by:

Jonathan Flint
Director

Kevin Boyd
Director

Consolidated Statement of Cash Flows year ended 31 March 2010

	2010 £m	2009 £m
Profit/(loss) for the year	13.3	(6.7)
Adjustments for:		
Income tax expense/(credit)	4.8	(2.6)
Net financial (income)/expense	(7.9)	11.3
Reorganisation costs and impairment	0.4	6.8
Amortisation of acquired intangibles	4.1	4.3
Depreciation of property, plant and equipment	3.8	3.8
Amortisation of capitalised development costs	4.0	3.4
Earnings before interest, tax, depreciation and amortisation	22.5	20.3
Cost of equity settled employee share schemes	0.5	0.3
Restructuring costs paid	(3.2)	(2.5)
Cash payments to the pension scheme more than the charge to the Consolidated Statement of Income	(3.4)	(1.9)
Operating cash flows before movements in working capital	16.4	16.2
Increase in inventories	(0.4)	(0.2)
(Increase)/decrease in receivables	(3.7)	3.6
Increase/(decrease) in payables and provisions	11.2	(3.6)
Increase in customer deposits	9.3	1.6
Cash generated from operations	32.8	17.6
Interest paid	(1.1)	(1.5)
Income taxes paid	(0.6)	(1.7)
Net cash from operating activities	31.1	14.4
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	0.2	0.2
Proceeds from sale of available for sale equity securities	0.7	3.1
Proceeds from disposal of product line	-	0.3
Interest received	-	0.2
Acquisition of subsidiaries, net of cash acquired	(2.4)	(4.4)
Acquisition of property, plant and equipment	(3.6)	(3.6)
Capitalised development expenditure	(4.0)	(6.4)
Net cash used in investing activities	(9.1)	(10.6)
Cash flows from financing activities		
Proceeds from issue of share capital	0.3	0.1
Repayment of borrowings	(12.2)	(2.6)
Dividends paid	(4.1)	(4.1)
Net cash from financing activities	(16.0)	(6.6)
Net increase/(decrease) in cash and cash equivalents	6.0	(2.8)
Cash and cash equivalents at beginning of the year	3.6	7.2
Effect of exchange rate fluctuations on cash held	(0.3)	(0.8)
Cash and cash equivalents at end of the year	9.3	3.6

Recognition of changes in cash and cash equivalents to movement in net debt

Increase/(decrease) in cash and cash equivalents	6.0	(2.8)
Effect of foreign exchange rate changes on cash and cash equivalents	(0.3)	(0.8)
Cash outflow from decrease in debt	5.7	(3.6)
Effect of foreign exchange rate changes on borrowings	12.2	2.6
Movement in net borrowings in the year	-	(9.5)
Net borrowing at start of the year	17.9	(10.5)
Net borrowing at the end of the year	(28.3)	(17.8)
	(10.4)	(28.3)

Notes on the Financial Statements

1 BASIS OF PRESENTATION OF ACCOUNTS

This preliminary statement has been prepared under the same accounting policies as those used to prepare the 2010 Annual Report and Accounts.

The principal exchange rates to sterling used were:

Year end rates

	2010	2009
US Dollar	1.52	1.43
Euro	1.12	1.08
Yen	142	142

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

Average translation rates 2009

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

2 RECONCILIATION BETWEEN PROFIT AND ADJUSTED PROFIT

	2010 £m	2009 £m
Profit/(loss) before income tax	18.1	(9.3)
Reorganisation costs and impairment	0.4	6.8
Amortisation of acquired intangibles	4.1	4.3
Mark to market (gain)/loss in respect of derivative financial instruments	(10.7)	9.3
Adjusted profit before income tax	11.9	11.1
Share of taxation	(3.2)	(3.9)
Adjusted profit	8.7	7.2

Adjusted earnings per share	pence	pence
Basic	17.8	14.8
Diluted	17.8	14.8

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

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

See note 8 for details of the number of shares used in the calculation of earnings per share.

3 SEGMENT INFORMATION

Information is presented in the consolidated financial statements in respect of the Group's three business segments being the primary basis of the Group's segmental reporting, namely Nanotechnology Tools, Industrial Products and Service. These segments reflect the internal reporting provided to the Chief Operating Decision Maker (considered to be the Group's Board of Directors) on a regular basis and are the level at which performance is monitored and resources allocated.

These segments comprise groups of similar products and services, a summary of which is provided below:

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

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

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

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

Year to 31 March 2009

	Nanotechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	93.8	75.1	37.6	206.5
Inter-segment revenue	0.4	0.4	0.3	
Total segment revenue	94.2	75.5	37.9	
Segment trading profit/(loss)	8.6	(1.3)	5.8	13.1

Reconciliation of reportable segment profit

	2010 £m	2009 £m
Profit for reportable segments	14.7	13.1
Reorganisation costs and impairment	(0.4)	(6.8)
Amortisation of acquired intangibles	(4.1)	(4.3)
Financial income	18.6	9.8
Financial expenditure	(10.7)	(21.1)
Profit/(loss) before income tax	18.1	(9.3)

4 TRADING EXPENSES EXCLUDING COST OF SALES

	2010 £m	2009 £m
Selling and marketing costs	36.1	36.4
Administration and shared services	20.0	19.6
Research and development (note 5)	13.1	13.3
Foreign exchange loss	6.7	8.3
	75.9	77.6

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

5 RESEARCH AND DEVELOPMENT

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

	2010			Nanotechnology Tools £m	Industrial Products £m	2009 Total £m
	Nanotechnology Tools £m	Industrial Products £m	Total £m			
Total cash spent on research and development during the year	8.2	4.9	13.1	8.4	7.9	16.3
Less: amount capitalised	(3.2)	(0.8)	(4.0)	(3.7)	(2.7)	(6.4)
Add: amortisation of amounts previously capitalised	1.5	2.5	4.0	1.1	2.3	3.4
Research and development charged to Consolidated Statement of Income	6.5	6.6	13.1	5.8	7.5	13.3

6 REORGANISATION COSTS AND IMPAIRMENT

	2010 £m	2009 £m
Profit on disposal of Oxford Diffraction Ltd	-	3.4
Loss on disposal of MBE product line	-	(1.0)
Restructuring costs	(0.4)	(8.7)
	(0.4)	(6.3)
Impairment of carrying value of ARKeX Ltd	-	(0.5)
	(0.4)	(6.8)

During the 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.

Restructuring costs in the year to 31 March 2009 comprise rationalisation of activities at sites in Oxfordshire and High Wycombe UK, Chicago US, Espoo Finland, Uedem and Ismaning Germany, and Hobro Denmark. Costs comprise redundancy and related charges of £5.5m, inventory impairments of £1.8m, capitalised research and development impairments of £1.0m and fixed asset impairments of £0.4m.

The Group disposed of its 22% holding in Oxford Diffraction Ltd on 4 April 2008 resulting in a profit of £3.4m. The final part of the consideration of £0.7m was received on 15 December 2010.

On 22 September 2008 the Group disposed of the Molecular Beam Epitaxy (MBE) product line to Riber SA for a cash consideration of £0.3m with a resulting loss on disposal of £1.0m.

In the year to 31 March 2009 the Group recognised an impairment charge of £0.5m against the cost of its investment in and loans to ARKeX Ltd.

7 INCOME TAX EXPENSE

Recognised in the Consolidated Statement of Income

	2010 £m	2009 £m
Current tax expense		
Current year	2.8	1.0
Adjustment in respect of prior years	(0.8)	(0.3)
	2.0	0.7
Deferred tax expense		
Origination and reversal of temporary differences	2.0	(4.4)
Write off of deferred tax previously recognised	-	0.8
Adjustment in respect of prior years	0.8	0.3
	2.8	(3.3)
Total tax expense/(income)	4.8	(2.6)
Reconciliation of effective tax rate		
Profit/(loss) before income tax	18.1	(9.3)
Income tax using the UK corporation tax rate of 28%	5.1	(2.6)
Effect of:		
Tax rates in foreign jurisdictions	-	(0.6)
Non-tax deductible expenses	0.3	0.3
Profit on disposal of held for sale assets	-	(0.8)
Tax incentives not recognised in the Consolidated Statement of Income	(0.3)	-
Temporary differences not recognised for deferred tax	0.1	0.2
Effect of current tax losses not utilised	-	0.7
Effect of previous tax losses now utilised	(0.4)	(0.6)
Write off of deferred tax previously recognised	-	0.8
Total tax expense/(income)	4.8	(2.6)
Taxation recognised directly in equity		
Current tax – relating to employee benefits	(0.9)	-
Deferred tax - relating to employee benefits	(5.5)	1.8
Deferred tax – relating to cash flow hedges	0.3	(0.2)
	(6.1)	1.6

8 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:

	2010 Shares million	2009 Shares million
Weighted average number of shares outstanding	49.4	49.4
Less shares held by Employee Share Ownership Trust	(0.5)	(0.6)
Weighted average number of shares used in calculation of earnings per share	48.9	48.8

8 EARNINGS PER SHARE (CONTINUED)

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

	2010 Shares million	2009 Shares million
Weighted average number of ordinary shares per basic earnings per share calculations	48.9	48.8
Effect of shares under option	0.3	0.2
Weighted average number of ordinary shares per diluted earnings per share calculations	49.2	49.0

9 DIVIDENDS PER SHARE

The following dividends per share were paid by the Group:

	2010 pence	2009 pence
Previous year interim dividend	2.4	2.4
Previous year final dividend	6.0	6.0
	8.4	8.4

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

	2010 pence	2009 pence
Interim dividend	2.4	2.4
Final dividend	6.0	6.0
	8.4	8.4

The final proposed dividend of 6.0 pence per share (2009: 6.0 pence) will not be provided for until authorised by shareholders at the forthcoming Annual General Meeting.

10 REPORT AND ACCOUNTS

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2010 or 2009. Statutory accounts for 2009 have been delivered to the registrar of companies, and those for 2010 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985 in respect of the accounts for 2009 nor a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2010.

The Company is registered in England Number 775598.

11 THE ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday, 14 September 2010 at 2.30 pm at Group Head Office, Tubney Woods, Abingdon, Oxfordshire, OX13 5QX.