e2v technologies plc

Annual Report and Financial Statements 2011

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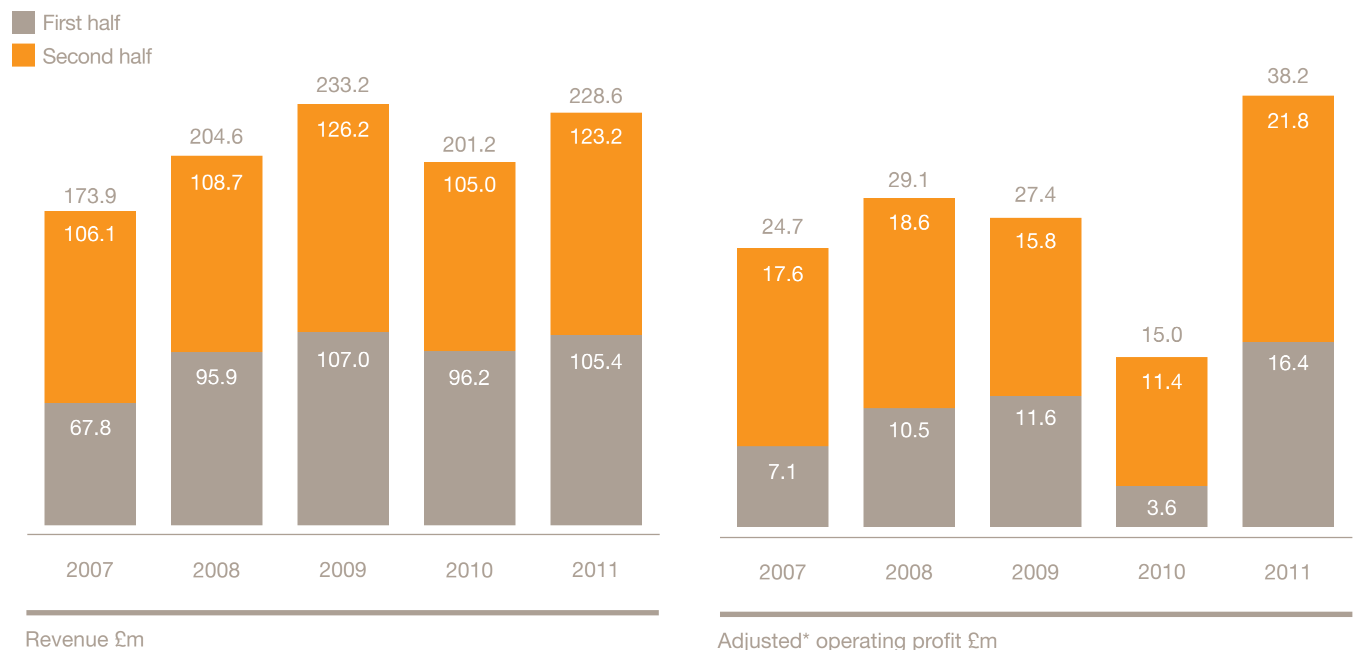
e2v delivers technology solutions for high performance systems and equipment at a component, sub-system and service level.



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Financial Highlights

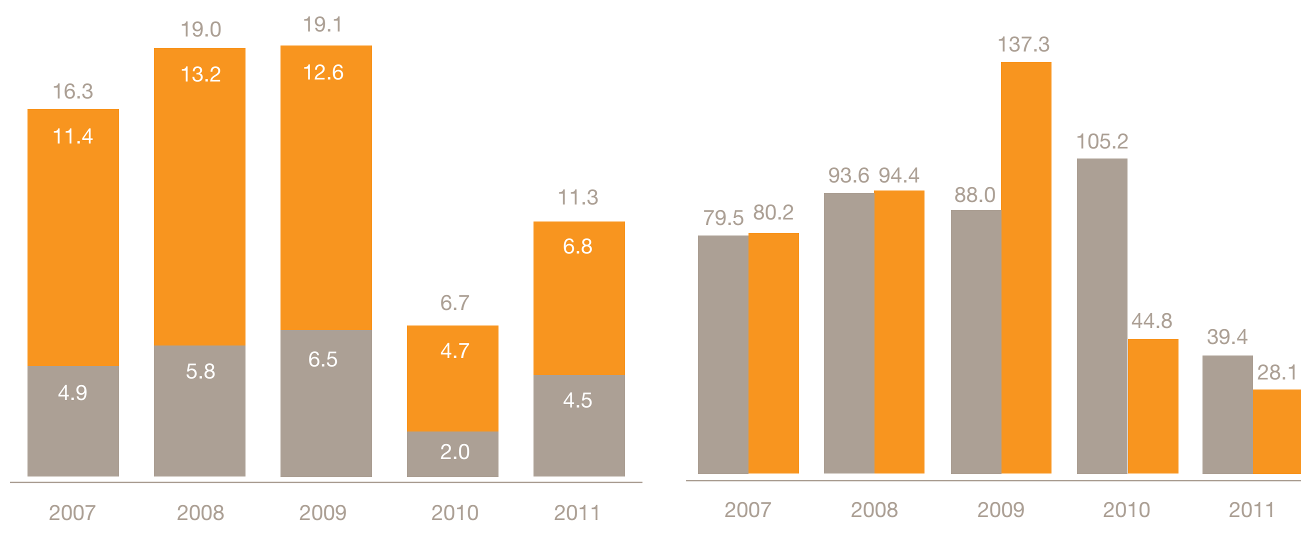
Results

- Over 9% underlying sales growth, 14% reported.
- Adjusted* operating margin at 17% – exceeding previous target.
- Restored progressive dividend programme.
- Good traction in new applications and geographies.
- Net borrowings of £28m, down from £45m last year.
- Order book of £137m (2010: £132m) for delivery in coming 12 months.

Strategy

- Revalidated strategy.
- Increased medium term growth targets:
  - Underlying revenue growth to above 10% per annum.
  - Adjusted* operating profit margin to c.17% per annum.

	2011 £m	2010 £m
Revenue	**228.6**	201.2
Adjusted* operating profit	**38.2**	15.0
Adjusted* profit before tax	**33.6**	9.4
Profit/(loss) before tax	**25.8**	(9.7)
Net borrowings (excluding debt issue costs)	**28.1**	44.8
Adjusted earnings per share**	**11.26 p**	6.67 p
Earnings/(loss) per share	**9.14 p**	(1.66)p
Dividend	**3.60 p**	– p



Adjusted** earnings per share pence

Net borrowings (excluding debt issue costs) £m

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** Adjusted earnings is profit before amortisation of acquired intangible assets and all exceptional items less tax where applicable.

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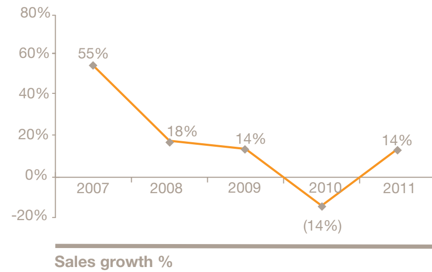
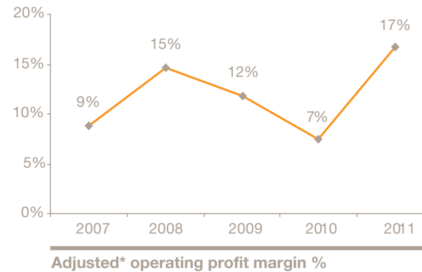
Key Performance Indicators (KPIs)

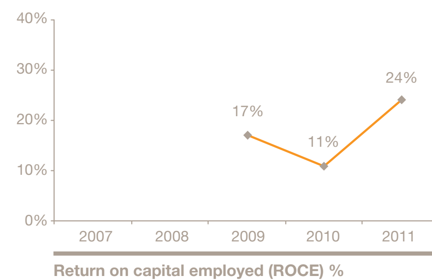
KPIs to monitor financial performance



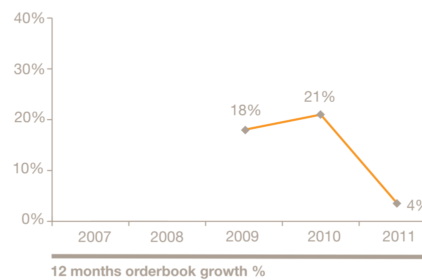
Sales growth %



Adjusted* operating profit margin %

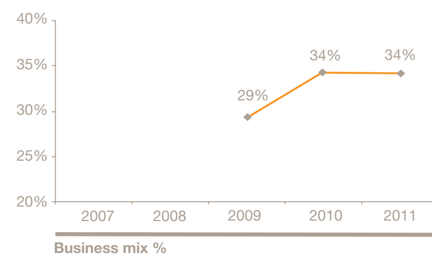


Return on capital employed (ROCE) %

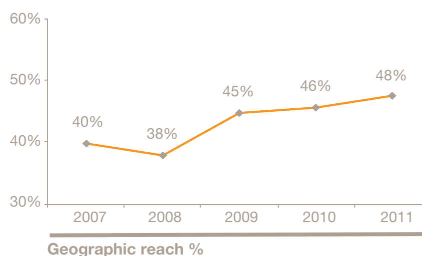


12 months orderbook growth %

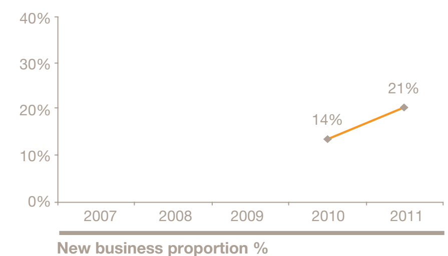
Targeted performance – Other KPIs



Business mix %



Geographic reach %



New business proportion %

Definitions

Sales growth	Percentage sales growth in year.
Operating profit margin	Percentage of adjusted* operating profit divided by sales in year.
Return on capital employed	Adjusted* operating profit divided by net operating assets along with intangibles at 31 March 2009 and acquired thereafter.
Order book growth	Percentage growth in order book for delivery in the coming 12 months over the year.
Business mix	Percentage of sales from sub-systems, solutions and contracts with greater than 20% of their value from engineering services in the year.
Geographic reach	Percentage of sales from regions outside Western Europe.
New business proportion	Percentage of sales from new products or new customers in last three years.

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Chairman's and Chief Executive's Statement

e2v has performed strongly in overall improving markets and has exceeded the targets for growth and profitability that we set for the Group back in July 2010. As a result we were pleased to be able to announce in April a return to full dividend significantly earlier than plan and we have increased our targets for underlying revenue growth and profitability.

We are pleased to report on our last financial year in which e2v has delivered a strong trading performance in improving markets overall and we believe that the business is well positioned to deliver further growth.

We have built on e2v's heritage as a speciality technology group so that we now provide specialist technology for high performance systems and equipment. Our portfolio has been selected for the platform it provides to achieve revenue growth and adjusted* operating profit margin performance. We are positioned as an attractive provider of enabling components, sub-systems and services within these worldwide specialist sectors.

In the last financial year we returned to growth, with underlying revenue increasing by over 9%. Our adjusted* operating profit also grew strongly to a margin of 17%, so exceeding our target.

We fully recognise the support given by shareholders during the recession and we are very aware of the importance that shareholders attach to dividends. We returned to paying dividends earlier than planned, with total dividends proposed for the year of 3.6p per share.

During the year, we have made progress on implementing the growth strategy that we announced last July. This strategy is intended to accelerate our growth in revenue above that of our overall markets. We will achieve this through repositioning our product offerings at a higher level in the value chain, our focus on the two new applications we introduced last year, and through geographic expansion, in particular in the US aerospace and defence and Asia.

We consider that our strategy has substantially expanded our addressed markets. We currently assess the scale of our global markets to be c.£3.7bn. Our markets are growing at c.6% currently, up from c.3% per annum last year. Given our growth initiatives, we envisage that the Group is capable of

Chris Geoghegan
Chairman

Keith Attwood
Chief Executive

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achieving an underlying revenue growth profile of more than 10% per annum over the next three years along with further upside potential and we believe that this strategy will permit us to continue with our dividend policy on a progressive basis.

Financial performance

The Group's revenue for last year increased 14% to £229m, reflecting over 9% underlying growth in revenue from our continuing products and a strong level of last time buy demand related to the closure of our front end fab facility in France.

Adjusted* operating profit improved considerably from £15m to £38m for the year, reflecting both the improvement of the cost base in the ongoing business and the benefit of incremental contribution from one-off business, including last time buy orders, estimated at £10m. This was also reflected in operating profit that improved to £30m (2010: loss £6m).

Adjusted** earnings per share were 11.26p (2010: 6.67p) and earnings per share were 9.14p (2010: loss 1.66p), from which the Board has proposed dividends for the year of 3.6p per share.

Our level of net borrowings has reduced by £17m in the year to £28m at 31 March 2011, reflecting the improved operating performance and a slow restart to capital expenditure, offsetting additional working capital to support the increasing level of activity and inventory to support last time buy orders.

The Group's total order book at 31 March 2011 was £167m (2010: £161m), an increase of 4%. Our order book for delivery over the coming 12 months also increased to £137m (2010: £132m) of which £8m is for the remaining last time buy orders (2010: one-off orders £12.5m) and so represents an underlying growth of 8%.

The Board

We welcomed to the Board as Non-Executive Directors Dr Krishnamurthy Rajagopal and Kevin Dangerfield. Our thanks are extended to Ian Godden, who resigned this year, for six years of service as a Non-Executive Director.

Our people

For our people, last year has been one of transition as we have mostly completed our major restructuring programme in the UK and France. The Board wishes to thank the staff for their positive support during its implementation and energy to deliver the growth in the business over this period.

Outlook

e2v has performed strongly in overall improving markets and has exceeded the targets for growth and profitability that we set for the Group back in July 2010. As a result we were pleased to be able to announce in April a return to full dividend significantly earlier than plan. We have revalidated our strategy and remain confident that this will deliver longer term growth for the Group.

Given our order cover for the coming 12 months and the current strength of our markets, we anticipate that the Group will show modest headline growth through continuing activities replacing the high level of one-off revenues last year.

Given the overall improving markets and the progress we have made in implementing our strategy, we announce today that we have increased our target for underlying revenue growth to above 10% per annum and adjusted* operating profit margin to c.17%.

Chris Geoghegan
Chairman

Keith Attwood
Chief Executive

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Business Review

Strategy overview

e2v delivers specialist technology for high performance systems and equipment at a component, sub-system and service level. Our business is built on two core technologies of firstly Radio Frequency (RF) and microwave products, sub-systems and solutions and secondly semiconductor based products and solutions.

The Group is organised into three divisions supported by group functions. The divisions deliver solutions targeted at specialist global application segments. The application segments we have chosen as our focus enable us to leverage our strong technology and market position to provide sub-systems and solutions, thereby expanding our addressable market. We are often a leader in these specific applications. In addition, the Group is focused on increasing our market share in both Asia and the US aerospace and defense sector, from a well established European base.

Business structure

The Group is organised into three divisions that are supported by group functions:

RF power solutions (RFP)

High performance electron devices and sub-systems in three main application segments: radiotherapy, electronic countermeasures and Industrial processing systems (IPS) (formerly bulk materials processing).

High performance imaging solutions (HPI)

Advanced Charged Coupled Device (CCD) and Complementary Metal Oxide Semiconductor (CMOS) imaging sensors and cameras in three main application segments: machine vision, space imaging and scientific imaging.

Hi-rel semiconductor solutions (HRS)

High reliability semiconductors and services in two main application segments: aerospace and defence semiconductors and semiconductor lifecycle management under the Group's SLiM™ brand.

The three main product divisions have responsibility for product design and development, sales and customer service and work closely with the recently strengthened regional teams in the US and Asia.

Group functions cover:

- Global operations with responsibility for all manufacturing and supply chain activity across the three main manufacturing sites based in Chelmsford (UK), Grenoble (France) and Santa Clara (California, US).
- Support services including group marketing and technology, finance, commercial, IT and human resources.
- The remaining two non-core businesses which provide a range of professional sensing products for x-ray spectroscopy and gas sensing for automotive and environmental safety applications.

Market and growth profile

Last year OC&C assisted the Group to develop our implementation plans for our growth strategy and this included a review of our addressed markets. From 2008 to 2009 we consider that the addressed market fell to c.£2bn. The strategic plan we announced last July expanded this to over £3.5bn with a targeted growth rate of c.3% per annum. With improving end user markets, the markets are demonstrating increased underlying growth of c.6%. The specific growth initiatives and geographic expansion are better defined and with our growing confidence, we consider that we will grow faster than the overall market. We plan to achieve this through our move up the value chain including introduction of our two new applications in the last year and through expansion in our newer geographies by 2% to 4% per annum and 2% to 5% per annum respectively. We are therefore now targeting underlying revenue growth of at least 10% with further upside potential. Underlying revenue excludes one-off revenue in the year, arising mainly from last time buys on the Grenoble front end fab and non-core business and products (principally servicing the automotive sector).

Case Study

Expanding our US operations

To enable delivery of our expansion plans in North America, this year we established e2v aerospace & defense Inc. based in Santa Clara, CA; incorporating the QP Semiconductor business. It has the necessary US security clearances for classified defence work and will progressively act as the vehicle for e2v to supply and deliver into the US aerospace and defence market.

The new organisation is instrumental in the delivery of our SLiM™ programme and major US defence projects, for example our ongoing work with BAE Systems against the AN/ALE-55(V) fibre optic towed decoy system for use on the US Navy F/A-18E/F aircraft and with Ball Aerospace for defence imaging projects.

The e2v aerospace & defense inc. business is now growing with our expansion of sales, applications, engineering, assembly, test and after market resources; building upon our existing business and enabling us to be a strong technology solutions provider to the US aerospace and defence market.

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RF power solutions

Financials

Revenue grew by 4% to £82.1m (2010: £78.8m) and underlying revenue growth (excluding the non-core automotive alarms business) was 5%. Continued strong demand for new systems and spares in radiotherapy and industrial products more than offset the anticipated weakness in demand in Europe for electronic countermeasures. In respect of electronic countermeasures we now have good customer engagement building, which is driven by our ultra wideband Travelling Wave Tube (TWT) and Microwave Power Module (MPM).

The division's adjusted* operating profit was £12.8m (2010: £11.2m), an increase of 14%. This reflected the planned savings from headcount reduction and the benefit from specific programmes to improve efficiency and reduced warranty costs as well as the contribution from higher volumes and improved pricing on some low margin products.

The order book at 31 March 2011 was £73m (2010: £82m). The reduction reflected the run-out of multi-year radiotherapy orders and the anticipated decline in defence related orders, partially offset by increased industrial business, which has grown but typically has shorter order cycles than the radiotherapy and defence applications. The orders due for delivery in 12 months as at the 31 March 2011 were £54m (2010: £60m), down 10% in line with the total order book reflecting the changing mix in the order book.

Application segments

Radiotherapy

We deliver high performance, high reliability products and provide the continuity for long term spares requirements that our radiotherapy customers require. e2v is established as the market leader for the supply of magnetrons, thyratrons, modulators and services. Our principal customers are the radiotherapy system Original Equipment Manufacturers (OEMs) including Tomotherapy, Elekta, Varian and Siemens. Key drivers for the market include new equipment demand which is dependant on healthcare spending, whereas the underlying demand for spares is primarily driven by the installed base and the spares replacement cycle which can be between five to ten years after a new system is commissioned.

Last year the division's radiotherapy revenue grew strongly, in part reflecting some restocking by the OEMs but also increased demand for both new build equipment and spares. For the coming years we anticipate that spares revenue will grow in line with the past expansion of the installed base over the last five to ten years. Growth is anticipated to be driven by continued new build demand which accounts for approximately one third of the growth along with the growing installed base that underpins the other two thirds of the anticipated growth. We consider further upside potential is available from moving up the value chain if we were to develop two new RF generating sub-systems. These could include the next generation tunable S-band magnetron and modulator that offers a smaller, more flexible footprint than conventional approaches and provides an alternative to the principal alternative technology, klystrons, in high average and peak power applications.

Electronic countermeasures

We provide components and sub-systems for electronic countermeasure protection of high value air, land and naval platforms. e2v manufactures key components, such as magnetrons and coupled-cavity TWTs, and, at a sub-system level, MPMs as well as delivering design and development services. Our products are typically European originating, so are not restricted under the US's International Traffic in Arms Regulation (ITAR) which is a key advantage in our international markets. In the US, our operations are now authorised for defence programmes. Key customers are the system level OEMs, including BAE Systems, Selex Galileo, Raytheon, Saab, EADS and Thales. For some applications e2v also contracts directly with the end users or governmental laboratories through their technology groups.

Sales into electronic countermeasure applications reflected the anticipated lower demand in Europe. The engagement in the US is building with a further contract award within the ALE-55 programme as well as a new development contract for our ultra wideband TWT. Growth is anticipated to come in Europe from contracts to supply MPMs to two OEMs, one of which has been secured since the year end and from the two existing US programmes. Potential for faster growth may be achieved through contracts for sub-systems in the US, faster sub-system growth in Europe and developing markets such as India. e2v's unique technology, including the new ultra wideband TWT and the recently launched MPM, is gaining traction in Europe and the US because of the products size, weight and performance.

Case Study

A new approach to bulk material processing

e2v's new Industrial processing systems (IPS) group has secured orders for development work with our customers in the mining and offshore oil drilling sectors for bulk materials processing and is committed to significant investment in additional research, development and expanded production facilities. Backed by a grant of up to £6.2m from the Regional Growth Fund administered by the UK Department for Business Innovation and Skills, e2v will see the creation of more than 100 new jobs by 2014 together with supporting academic posts at our research partner, the University of Nottingham.

The proposed scope of this expansion is to accelerate availability of e2v's ProWave® products and services, offering a cleaner, greener, more efficient technology to the processing of bulk materials and supplanting traditional fossil fuel based technologies such as gas furnaces. The new technology is significantly more efficient in, for example, vermiculite processing, with overall energy consumption reduced by c.90%.

We successfully demonstrated our production-scale prototype ProWave® machine for vermiculite processing to members of The Vermiculite Association in April 2011.

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Industrial processing systems

Our novel application of microwave and high power RF to the processing of bulk materials delivers transformational economics in energy consumption and material yield in established sectors. Industrial processing systems can provide RF generators or complete systems, which include a RF generator, material handling system and process control. The current focus is applications for mining and drill cuttings decontamination, where we are providing an RF generator, and vermiculite processing, where e2v provides a complete system. Our customers for the mining and drill cuttings decontamination applications are leading players for each market and are protected through licensing arrangements. e2v has exclusively licensed key intellectual property for vermiculite processing and is free to address this sector.

During the year e2v has secured orders of c.£1m for development work with our customers in the mining and offshore drill cuttings decontamination sectors. Since the year end we have secured further orders, including one for an in-mine trial deployment. We have also demonstrated our vermiculite processing system to The Vermiculite Association, the global body which draws together miners, exfoliators and end users of this mineral. We are now exploring with a number of these companies conditions under which we could conduct trials on their production sites.

We are also developing a second generation product which will be smaller, less costly and more closely aligned with high power users in mining and drill cuttings decontamination applications.

Growth in vermiculite processing is anticipated to come from new installation and replacement markets which we consider to support the sale of c.30 systems per year. It is also anticipated that the development programmes for mining will progress to equipment orders for full scale production installation of a full system. Accelerated growth may be achieved through faster take up in the vermiculite market, deployment in drill cuttings decontamination and the possibility of applying the technology to one or two new markets.

In April 2011 e2v was pleased to announce that, subject to due diligence, we have been successful in our application for a £6.2m grant from the Regional Growth Fund. The grant will allow us to accelerate our Research and Development (R&D) programme in conjunction with the University of Nottingham and investment in the infrastructure that supports this opportunity for growth. It will also open up faster deployment for the technology into one or two further markets from amongst applications in food processing, bitumen and soil remediation.

Other applications

The remaining business in the division is principally focused on a range of applications in commercial and industrial markets including, radar for commercial shipping and industrial applications including, induction and dielectric welding, lasers and cargo screening along with satellite communication amplifiers.

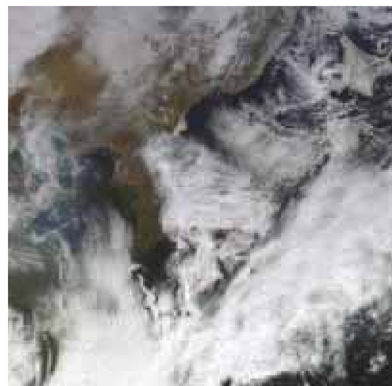
Revenue for the remaining business has shown strong growth reflecting recovery in industrial end user markets and increased pricing on selected low margin products.

High performance imaging solutions

Financials

Reported revenue increased by 21% to £64.9m (2010: £53.8m). This included one-off revenue of £17.5m (one-off revenue includes Last Time Buys (LTB) and recovery of the overdue orders related to the restructuring in Grenoble). Underlying revenue growth (excluding mainly the products subject to LTB) was 8%. Demand for machine vision cameras for process control applications in Asia was strong, more than offsetting a decline in space imaging, which experienced programme delays due to technical issues. Good progress has been made during the year on the recovery plan, although certain programmes remain challenging. Demand recovered in the second half for scientific imaging products. The remaining business benefited from LTB activity and underlying growth in the continuing portfolio, particularly e2v's second generation CMOS based dental sensors.

The division's adjusted* operating profit before taxation was £12.7m (2010: £0.5m), a significant increase of £12.2m. This was due to significantly higher volumes in part due to LTB activity, combined with cost savings from the restructuring plan which will be completed with the closure of the Grenoble front end fab in June 2011. R&D spend was maintained in line with the prior year level.



Case Study

South Korea's first weather satellite

South Korea's first weather satellite was launched in June 2010 and on board are the first CMOS imaging sensors packaged and space qualified at e2v. It is in geostationary orbit 36,000 km from Earth carrying three payloads dedicated to meteorology applications, ocean observation and telecommunications. The CMOS imaging sensors we supplied equip the Geostationary Ocean Colour Instrument, a multi-spectrum camera that gathers high quality ocean meteorological data including on typhoons and dust movement.

The project is the result of a collaboration between the Korean Aerospace Research Institute and Astrium in France. The CMOS image sensors were the result of close work between Astrium, Institut Supérieur de l'Aéronautique et de l'Espace and e2v.

The imaging arrays will provide multi-spectral data to detect, monitor, quantify and predict short term changes in the coastal ocean environment around Korea, for marine science research and applications purposes.

The sensors are amongst the first CMOS sensors in an operational mission in geostationary orbit.

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The order book at 31 March 2011 was £54m (2010: £47m), which includes LTB orders of £7.8m (2010: one-off £10.5m) following the decision to close the front end fab in Grenoble. The order book relating to space activities was £34m (2010: £23m), up 48% reflecting order intake and programme delays. The orders due for delivery in 12 months as at 31 March 2011 were £46m (2010: £43m), up 7%.

Application segments

Machine vision

Our camera platforms provide sensitive, high speed performance for high end inspection processes where quality and reliability are key customer requirements for applications such as semiconductor and electronics manufacturing inspection, food and beverage processing, ophthalmology and document imaging. Our products include line scan cameras for high end machine vision and optical coherence tomography ophthalmological applications based on CCD sensor technology. Each end user markets has specialised inspection equipment suppliers that are e2v's customers, including Carl Zeiss, Meditec, Canon Optopol and Orbotech, and there are a large number of integrators which we access via distributors and our agents.

Sales in machine vision have grown significantly with strong demand for cameras for process control applications in Asia. The increased sales resources in Asia provide a platform to support these important and growing markets. Growth is anticipated to be achieved by the expansion of our Asian markets and the widening machine vision product portfolio for which we intend to launch our own line of high end CMOS cameras in the coming year. The upside potential for accelerated customer demand would arise from earlier adoption of e2v's product range including the new CMOS high end cameras.

Space imaging

We have a long established heritage of providing reliable, high performance, high quality space qualified imaging sensors and arrays for space science and astronomy applications and high speed, high resolution sensors for Earth observation satellites. Countries wish to maintain independent observation capabilities and the increasing investment in monitoring climate change are driving a growing demand for new observation satellite programmes. We have a strong position in Europe for these CCD sensors and our product remains attractive for this application due to the long proven performance in flight. We are also developing our own CMOS based technology platform. The main end users are worldwide space agencies including NASA, ESA and CNES as well as the prime satellite manufacturers including Astrium, TAS, Boeing and Lockheed.

Delays to project milestones have resulted in lower revenue than the prior year due to the technical nature of the programmes which typically involve significant development work and testing. Good progress has been made on a number of programmes where the development phase is now nearing completion, although certain programmes remain challenging. Growth is underpinned by delivery against secured major European projects. The upside potential would be achieved through earlier projects in the US and securing projects in India and China.

Scientific imaging

Our high performance sensors are particularly well suited for use in high end cameras used in scientific instruments. The market for high end scientific cameras is currently highly concentrated with three manufacturers Andor, Hamamatsu and Roper, all of whom we support. e2v has a significant market share, proprietary technology and has strong relationships with these major customers.

In the first half scientific imaging experienced lower demand due to one major customer that moved to a second source during the prior financial year. In the second half demand recovered strongly. It is anticipated that growth will be by the introduction of new higher performance sensors for the top-end applications. The adoption of our CMOS sensors for mid-range systems has the potential for further accelerating growth.

Other applications

e2v supports a range of other specialist applications for its technology including CMOS dental intra-oral sensors and CMOS area array sensors for use in automatic data collection systems including 2D barcode reading. From 1 April 2011 the thermal imaging product line has been transferred to the High performance imaging solutions division.

Underlying growth has come from the continuing portfolio including the CMOS dental sensors and thermal imaging cameras. Growth is anticipated from new customers for the e2v CMOS dental sensors, the launch of a hand held thermal imaging camera for the security market and from demand for 2D bar code reading that is replacing laser technology and facilitating new applications. The possibility for higher rates of customer demand due to the strength of the product offering and a dental system designed for the Asian market offer a base for upside potential.

Case Study

A growing demand for automated inspection

The demand for automated imaging based inspection systems for product and food quality inspection is growing, specifically in the Asia Pacific region, with forecast ongoing growth of 10% p.a., where our business is supported by our expanding operations in the region.

e2v's industrial inspection cameras are used across a variety of markets, including flat screen quality inspection, where they are ideal for high speed repeatable inspection looking for pixel level faults.

The superior quality of e2v's industrial inspection cameras, combined with increasing capabilities, including the integration of colour and near infrared detection to increase the accuracy of food sorting processes, have made them a leading choice for system integrators in the Asia Pacific region, where challenging climatic conditions, including high ambient temperatures and humidity demand a robust, high quality camera system.

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Hi-rel semiconductor solutions

Financials

Reported revenue increased by 23% to £62.7m (2010: £50.9m). Underlying revenue growth (excluding one-off revenue and non-core products) was 19%. The semiconductor lifecycle management contract for the 68K series microprocessor on the Eurofighter Typhoon programme secured revenue estimated at £30m over the next ten years of which £14m has been delivered during the current year. The European test and assembly business also grew offsetting lower assembly and test activity in the US operations which was due to lower demand principally from European end users.

The division's adjusted* operating profit was £15.6m (2010: £6.7m), an increase of 133%. This was due to the higher volumes and margins principally due to the 68K contract for Eurofighter Typoon and one-off revenue in the first half, as well as anticipated cost savings from the restructuring in Grenoble and lower R&D spend reflecting the re-prioritisation of R&D. This is part of our strategy for the managed withdrawal from the smart sensor market for sensor signal conditioning Application Specific Integrated Circuits (ASICs) and Application Specific Standard Products (ASSPs) provided mainly to the automotive industry.

The order book at 31 March 2011 was £35m (2010: £29m). The increase includes £2m of orders related to the 68K processors for the Eurofighter programme. The orders for delivery within 12 months as at 31 March 2011 were £33m (2010: £26m which included c.£2m of one-off orders).

Application segments

Aerospace and defence semiconductors

We provide high reliability semiconductors, analogue to digital convertors and packaging and test services that meet the demanding specifications of our aerospace and defence customers and have an established reputation for providing long term support. We partner with Freescale Semiconductor and Everspin, to provide a range of high reliability versions of their standard products. We provide market leading package and screening options and redesigned End of Life (EOL) military specification integrated circuits. The routes to market for the semiconductor components are generally through distributors and we have strong relationships with two of the major worldwide component distributors, Arrow and Avnet. There are also some direct sales to major defence primes.

Revenue from aerospace and defence semiconductors relating to the European test and assembly business grew offsetting lower assembly and test activity in the US operations reflecting lower demand principally from its European end users. We currently have market leading positions which should underpin future growth, in addition we are also seeking to secure a further partnership with a semiconductor OEM, the ongoing development and redesign programmes and with the possibility for acquisition of strategic EOL products. The potential for further growth is anticipated to be achieved through the support provided into the SLiM™ programmes.

Semiconductor lifecycle management

SLiM™ is a new approach to obsolescence management for our aerospace and defence customers, which provides a longer term proactive approach for managing critical components in aerospace and defence systems, and offers the potential for lower cost and reduced risk over the lifetime of the assets. The defence primes have long term support and maintenance commitments to ensure that the high value military assets they supply continue to perform throughout their life. Semiconductor obsolescence management is a particularly significant and costly issue that needs to be managed within these lifetime support programmes. Our capabilities in design of semiconductors, as well as providing packaging and test services, can extend the availability of otherwise obsolete semiconductors providing our customers with the security of supply of the components they require. The customers for SLiM™ are the large defence primes, including to date Raytheon Space and Airborne systems and European OEMs on the Eurofighter Typhoon programme.

The ongoing successful obsolescence mitigation programme for the 68K series microprocessors demonstrates the value of the SLiM™ approach to managing obsolescence. In the US we have partnered with Raytheon Space and Airline Systems to provide semiconductor lifecycle management services to support the F15 radar system with a five year contract with an estimated value of £3m. We are also developing a broad range of other programmes with Raytheon and other leading US based OEMs with potential contract value of c.£35m over five years. Growth is anticipated from contracts with OEMs and we are targeting five contract wins per year with a gradual start to supply of product and also, as referred to above, we are seeking to secure a further partnership with a semiconductor OEM. We anticipate that there is the upside potential for further growth from faster take up of supply by the OEMs and securing a further additional partnership with a semiconductor OEM.

Other applications

The other applications are in the smart sensor market for sensor signal conditioning ASICs and ASSPs for applications in industrial automation, industrial detectors, automotive safety and security, engine management and climate control applications. These are not considered to be strategic products and are we now managing our exit from these non-core product lines.

Case Study

SLiM™

Global defence platforms need supporting for ever longer periods of time and with that comes the need to mitigate against the obsolescence of critical components. e2v's SLiM™ programme is addressing this problem, offering through-life support to the supply of hi-rel semiconductor components. The latest example is for the F15 fighter, first delivered in 1974, and with over 1,000 aircraft since sold to customers around the World. e2v has partnered with Raytheon Space and Airborne Systems to support the F15's radar system for the next five years.

This partnership will see e2v supporting at least 200 systems per year over the next five years. It is anticipated that other F15 sub-system suppliers may also take advantage of this approach and that this type of service agreement will become the norm for defence platforms.

* Adjusted operating profit is before amortisation of acquired intangible assets and operating exceptional items. Adjusted profit before tax is before amortisation of acquired intangible assets and all exceptional items.

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Corporate centre

The corporate centre comprised a portfolio of businesses based in the UK and Switzerland covering thermal imaging, x-ray detectors, gas sensors and air quality sensors. The review of the portfolio of these businesses has been completed during the year. From 1 April 2011, the thermal cameras product line will be reported as part of our High performance imaging division. The remaining businesses are confirmed as non-core activities. These non-core businesses, representing 6% of the Group's turnover, have achieved reported growth of c.4% and breakeven in the year after the allocation of corporate costs.

Financial overview

Revenue and adjusted* operating profit by division were as follows:

	Revenue		Adjusted* operating profit	
	2011 £m	2010 £m	**2011 £m**	2010 £m
RF power solutions	**82.1**	78.8	**12.8**	11.2
High performance imaging solutions	**64.9**	53.8	**12.7**	0.5
Hi-rel semiconductor solutions	**62.7**	50.9	**15.6**	6.7
Other businesses	**18.9**	17.7	**–**	(0.1)
	228.6	201.2	**41.1**	18.3
Corporate centre			**(2.9)**	(3.3)
			38.2	15.0

Review of trading performance

The Group's reported revenue increased by 14% compared with the last financial year, with underlying revenue growth of over 9%. There was growth across all of the divisions. By geographical spread, revenue grew in North America, Asia Pacific, Continental Europe and the Rest of World with lower sales in UK. Geographic reach reflects the proportion of sales outside Western Europe (including UK) and increased to 48% in line with our strategy to grow in these markets.

New business in the year from new products or customers over three years, made up approximately 21% of revenue, an increase of seven percentage points in the year. Business mix, which reflects the percentage of sales from sub-systems and solutions was 34%.

Adjusted* gross profit increased by 42% to £86.7m (2010: £61.2m) and represented 38% of revenue (2010: 30%). The improved gross margin reflects the increased volumes and the planned reduction in the fixed cost base as a result of the nearly complete restructuring programme. These cost savings were on plan and completion of the plan in the coming year should offset the margin contribution, estimated at £10m, arising from one-off revenue in the year.

Expenditure on R&D has marginally increased to £12.4m (2010: £12.1m). The rate of spend has increased in the second half of the year as the investment in the key programmes is accelerating with the focus on the programmes supporting the growth opportunities. These programmes include the MPM development, the next generation of the high power RF generator for use in IPS, and product lines that are anticipated to be launched in the coming year including the high end CMOS camera for machine vision.

Selling and distribution costs increased by 7% to £16.3m (2010: £15.2m) reflecting the costs associated with the expansion of the sales and distribution function in the US and Asia and incentive payments which flow from the strong performance of sales and order intake.

Administrative expenses decreased to £26.7m (2010: £40.0m). Administrative expenses include a number of the items added back to adjusted* operating profit of £7.0m (2010: £21.1m) detailed below. The remaining administrative expenses of £19.7m (2010: £19.0m) increased by 4% (£0.7m) with cost savings from the restructuring having been offset by planned expenditure to support our growth strategy including deployment of IT systems.

Adjusted* operating profit

The adjusted* operating profit is considered to reflect more accurately the underlying performance of the business and is calculated as follows:

	2011 £000	2010 £000
Operating profit/(loss)	**30,489**	(6,037)
Amortisation of acquired intangible assets	**5,826**	8,600
Business improvement programme expenses	**2,496**	18,682
Last time build inventory provision	**774**	–
Fair value gains on foreign exchange contracts	**(1,341)**	(2,489)
Profit on the sale of Lincoln site	**–**	(3,739)
Adjusted* operating profit	**38,244**	15,017

Adjusted* operating profit increased to £38.2m (2010: £15.0m) and represented 17% of revenue (2010: 7%). The July 2010 target for adjusted* operating profit margin was 15% to be delivered in 18 months. The Group has exceeded this target some 12 months ahead of schedule. Return on capital employed (adjusted* operating profit divided by net operating assets along with intangibles at 31 March 2009 and acquired thereafter) increased to 24% (2010: 9%) reflecting the improved level of profitability of the Group.

Amortisation of acquired intangible assets of £5.8m (2010: £8.6m) has reduced from the prior year and reflects a number of intangible assets recognised on the acquisition of Grenoble and QP Semiconductor Inc. which are now fully amortised. The Group has carried out its annual impairment reviews and considers that there is no further impairment of acquired intangible assets as at 31 March 2011.

The business improvement programme expenses reported within this year were £2.5m (2010: £18.7m) and were as anticipated in the restructuring programmes. A last time build programme, principally in support of machine vision and space imaging product lines, commenced during the year to manufacture products that will no longer be manufactured once the front end fab in Grenoble is closed in June 2011. A provision of £0.8m has been made for these products in line with the Group's accounting policy.

* Adjusted operating profit is before amortisation of acquired intangible assets and operating exceptional items. Adjusted profit before tax is before amortisation of acquired intangible assets and all exceptional items.

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Overall the Group's policy is to put in place forward contracts to sell surplus currencies based on its trading forecasts, with the level of coverage decreasing over the next 12 months. The mark to market adjustment on this cover amounted to a gain of £1.3m (2010: £2.5m) and is described as fair value gains on foreign exchange contracts. The gain reflects the fair value of the forward US$ contracts held by the Group as at the 31 March 2011, which extend over a period of 12 months to March 2012.

Finance charges

Net finance costs before exceptional items were £4.6m (2010: £5.7m), a reduction of 19% compared with the prior year reflecting the lower level of borrowing during the year.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The movement in the fair value gain of the interest rate swaps held by the Group was negligible (2010: gain of £0.1m). The interest rate swaps held by the Group at 31 March 2011 provide cover for over 65% of the Group's borrowings.

Taxation

The tax charge for the year is £6.3m (2010: credit £7.5m). The effective tax rate on reported profit for the year ended 31 March 2011 amounts to 24.5% including adjustments relating to prior years. The tax charge in the current year has benefited from tax credits for R&D in the UK and France of £2.3m (2010: £2.3m).

The Group generated profits in the UK and US which are subject to tax at 28% and c.40% (including state taxes) respectively. In France, where the standard rate of tax is c.34% the Group made profits, compared to losses in the prior year. French tax losses totaling £10m that were carried back to prior periods last year have been relieved against current year tax payments. In addition the loss of £4m arising in the prior year in France has been relieved against this year's taxable profits. There remains £10m of the French restructuring provision which is only deductible as the expense is incurred.

The effective tax rate on adjusted* profit before tax is 29% including adjustments relating to prior years. The Group is reviewing its tax strategy this year, to ensure that as it expands into new markets the Group's approach to management of taxation remains efficient.

Profit for the year

The profit for the year is £19.5m (2010: loss £2.2m). The return to profitability underlines the significant progress made by the Group during the last year. As a result of the significant improvement in profits, we have restored our progressive dividend programme with an interim dividend of 1.2p per share, paid on 27 May 2011, and a proposed final dividend of 2.4p per share.

Currency

The manufacturing operations in the UK, France, US and Switzerland sell through the Group's global sales and distribution network, and are therefore subject to transactional and translational risks particularly in relation to the US dollar which accounts for 39% (2010: 35%) of the Group's sales. Where US dollars are forecast to exceed US dollar costs, the surplus US dollars are sold under foreign exchange contracts to cover costs incurred in the UK and France in accordance with the Group's hedging policy. In the year ended 31 March 2011, US dollars were sold under exchange contracts at an average rate of $1.62 = £1 (2010: $1.76 = £1).

For the year ended 31 March exchange rates applied were:

	Average		Year end	
	2011	2010	**2011**	2010
US dollar	**1.55**	1.59	**1.61**	1.51
Euro	**1.17**	1.13	**1.13**	1.12

The Group repaid its US dollar borrowings during the year and currently all of the Group's borrowings are in Sterling.

Cash flow and net borrowings

At 31 March 2011, net borrowings amounted to £28.1m (2010: £44.8m), a reduction of £16.7m since 31 March 2010. The net cash inflow generated from operations was £36.6m, a decrease of £3.4m over the year ended 31 March 2010. The higher levels of profit in the year have been offset by funding the planned payments of £12.7m associated with restructuring along with the increase in inventory supporting the restructuring programmes and revenue growth. The final instalment of £2m for the sale of the Lincoln site was received during the year. Investment in tangible fixed assets and software increased although at a lower level than planned, to £9.4m (2010: £3.1m), maintaining the manufacturing and support infrastructure but also starting the investment in the facilities to support growth primarily in the UK for IPS and the expansion in US and Asia.

There was the payment of the balance of costs of £1.2m associated with the equity raise completed in the prior year and on the 15 November 2010 the Company purchased 2,400,000 of its own shares at a price of 90p to hedge part of the potential obligations under long term incentive plans.

Borrowing facilities

The Group's banking facilities expire in December 2012. In January, the Group agreed changes to the financial covenants in these banking facilities. The primary result of these changes was to return the control of timing of declaration of any dividends to the Board.

£10m of the term loans is repayable on 31 December 2011 with the balance being repayable on 31 December 2012. The facilities are available to the Group in full until 31 December 2012. We plan to refinance these facilities in the first half of the financial year ending 31 March 2012.

Interest is payable at 275bps over the interbank rates when the ratio of consolidated net borrowings to consolidated EBITDA is below 2:1. Interest rate swaps are in place in accordance with the Group's hedging policy.

The facility is subject to the following key covenants as at 31 March 2011:

	Covenant	Actual
Consolidated net debt : Consolidated EBITDA	<2.50 : 1	0.6 : 1
Consolidated EBITA : Consolidated net interest payable	>3.50 : 1	14.6 : 1
Net operating cash flow : Debt service	n/a	n/a

If the leverage ratio (defined as the ratio of consolidated net debt to consolidated EBITDA) is above 1.25:1 then the Group is also required to comply with a cash cover covenant (defined as the ratio of net operating cash flow to debt service).

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Restructuring

The overall restructuring programme that was announced in October 2009 has progressed in line with our plan. The UK restructuring programme has been completed and the last part of the French restructuring plan will be completed with the closure of the front end fab in June 2011. The total cost of the restructuring programme is now anticipated to be £24m with the remaining payments of up to £11.3m being made through to December 2012.

Central functions

The divisions are supported by group operations and central group functions including group marketing and technology, finance, commercial, IT and human resources.

Sales

Our sales activities are undertaken from sales offices in seven locations, supporting e2v's divisions through managing customer relationships and our global network of distributors and representatives. In the year we opened new offices in China, Japan and South Korea. Since 1 April 2011 the three divisions are responsible for their specific sales teams.

Operations

The group operations function is responsible for the main manufacturing sites in Chelmsford (UK), Grenoble (France), Santa Clara (California, US), as well as the smaller sites in the UK and Switzerland. Group operations are also responsible for supply chain and procurement and have a dedicated purchasing office in Taipei. Group operations are responsible for maintaining the manufacturing facilities whilst controlling spend on tangible fixed assets. The facility that we have secured in China includes provision for assembly activities and its fit out has commenced.

Central functions

The costs of the central functions are allocated to the divisions. The central costs, excluding exchange differences, of £1.5m (2010: £2.6m) are the costs relating specifically to the management of e2v technologies plc and are not allocated. The reduction in unallocated cost in part reflects lower professional fees than the prior year which included the refinancing and the external advice on our strategy review.

Key performance indicators (KPIs)

Our KPIs to monitor financial performance have been covered in detail in this Business Review. The table below provides a summary of our KPIs. Non-financial KPIs are discussed in detail in the Corporate Responsibility Review and include, customer satisfaction, number of reportable accidents in the year, percentage reduction in our carbon footprint and Business in the Community (BiTC) Environmental Index.

	2011 %	2010 %
Sales growth	**14%**	(14%)
Adjusted* operating profit margin	**17%**	7%
Return on capital employed	**24%**	9%
12 month order book growth	**4%**	21%
Business mix	**34%**	34%
Geographic reach	**48%**	46%
New business proportion	**21%**	14%

* Adjusted operating profit is before amortisation of acquired intangible assets and operating exceptional items. Adjusted profit before tax is before amortisation of acquired intangible assets and all exceptional items.

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	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Revenue[1]					
RF power solutions	**82,113**	78,781	83,739	75,776	69,639
High performance imaging solutions	**64,913**	53,814	65,224	60,578	53,096
Hi-rel semiconductor solutions	**62,667**	50,936	53,323	39,826	28,044
All other	**18,886**	17,716	30,907	28,427	23,146
Total revenue	**228,579**	201,247	233,193	204,607	173,925
Adjusted[2] operating profit	**38,244**	15,017	27,440	29,092	24,653
Amortisation of acquired intangible assets	**(5,826)**	(8,600)	(8,628)	(7,310)	(6,047)
Impairment of acquired intangible assets	**–**	–	(26,127)	–	–
Impairment of plant and equipment	**–**	–	(2,500)	–	–
Business improvement programme costs	**(2,496)**	(18,682)	(6,826)	(1,996)	–
Last time build inventory provision	**(774)**	–	–	–	–
Profit on sale of Lincoln site	**–**	3,739	–	–	–
Fair value gains/(losses) on foreign exchange contracts	**1,341**	2,489	(2,894)	(357)	–
Acquisition and integration costs	**–**	–	–	–	(1,055)
Profit/(loss) before tax and net finance costs	**30,489**	(6,037)	(19,535)	19,429	17,551
Net finance charges	**(4,657)**	(3,683)	(8,870)	(5,682)	(3,835)
Profit/(loss) before tax	**25,832**	(9,720)	(28,405)	13,747	13,716
Income tax (charge)/credit	**(6,340)**	7,454	7,106	(1,948)	(4,048)
Profit/(loss) for the year attributable to equity holders of the parent company	**19,492**	(2,266)	(21,299)	11,799	9,668
Basic earnings/(loss) per share[3]	**9.14p**	(1.66)p	(21.75)p	12.23p	10.40p
Adjusted[4] basic EPS[3]	**11.26p**	6.67p	19.08p	19.03p	16.31p
Interim dividend proposed/paid	**1.20p**	nil	2.70p	2.45p	2.20p
Final dividend proposed	**2.40p**	nil	nil	5.25p	4.75p
Cash generated from operations	**36,595**	40,001	43,048	29,669	19,539
Net debt (net of debt issue costs)	**26,696**	41,660	136,199	93,198	78,657
Average employee numbers	**1,481**	1,666	1,714	1,828	1,621

(1) 2010 segment revenues have been updated to take account of the divisional restructure effective 1 April 2010. Prior periods have not been updated.
(2) Adjusted operating profit is before amortisation of acquired intangible assets and operating exceptional items.
(3) EPS have been updated to take account of the rights issue during the year ended 31 March 2010.
(4) Adjusted earnings is profit/(loss) for the year before amortisation of acquired intangible assets and all exceptional items less tax effect.

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Board of Directors

1. Chris Geoghegan
Chairman

Chris joined the e2v Board as Chairman in October 2009. He has over 30 years of experience in the aerospace industry having spent most of his career in the commercial aircraft sector and was appointed one of three chief operating officers of BAE Systems plc. Chris was a key player in the growth and establishment of Airbus as Managing Director of the Airbus Company and a member of the executive board of Airbus Industrie. He also has substantial experience in the military aerospace sector, having been responsible for BAE Systems' European defence joint ventures and its defence electronics companies. He is currently the Chairman of Hampson Industries plc and senior independent director of Kier Group plc, Volex Group plc and SIG plc and a past president of the Society of British Aerospace Companies.

2. Keith Attwood
Chief Executive

Keith joined the Group as Managing Director in 1998, having previously worked at a senior level within the telecommunications, defence and aerospace sectors. Keith led a management buy out of e2v from Marconi plc in 2002 and subsequently floated the Company on the London Stock Exchange in 2004. He is former Chairman of the CBI East of England Regional Council and is currently Chairman of the CBI Education and Skills Committee.

3. Charles Hindson
Group Finance Director

Charles joined the e2v Board in May 2009. Charles' last role was Chief Executive, and prior to that Group Finance Director, of Filtronic plc, a UK listed specialist electronics manufacturing group. Previously, he was Finance Director at Eutelstat S.A. and held various positions with the BT Group, British Gas plc, Price Waterhouse and 3i plc.

4. Anthony Reading MBE
Senior Independent Non-Executive Director

Tony was appointed to the Board in 2004. He was an executive director of Tomkins plc and Chairman and Chief Executive of Tomkins Corporation, USA, for eleven years, until the end of 2003. He is currently a non-executive director of Laird plc and Taylor Wimpey plc, and previously a non-executive director of George Wimpey plc and Spectris plc.

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5. Kevin Dangerfield

Independent Non-Executive Director

Kevin was appointed to the Board in January 2011. He is currently Chief Financial Officer of The Morgan Crucible Company plc. He has held a number of senior appointments including European Finance Manager for Virgin Retail Europe Group from 1996 to 1998 before becoming firstly Northern Europe Division Finance Manager in 1998 and then Group Finance Operations Manager for London International Group plc from 1998 to 2000. Kevin was then Group Financial Controller with The Morgan Crucible Company plc from 2000 to 2006 before being appointed to his current role.

6. Jonathan Brooks

Independent Non-Executive Director

Jonathan is a non-executive director of AVEVA Group plc, an LSE-listed engineering IT software provider to the plant, power and marine industries and Xyratex Limited, a NASDAQ-listed provider of enterprise class data storage sub-systems and network technology. He is also Chairman of Picochip Inc., a venture capital-backed company developing wireless processors and a non-executive director of Skrill Holdings Ltd, a provider of online payment systems. Between 1995 and 2002, he was Chief Financial Officer and a director of ARM Holdings plc. Jonathan was appointed to the Board in 2004.

7. Dr. Krishnamurthy Rajagopal

Independent Non-Executive Director

Krishnamurthy joined the Board in November 2010 and has considerable experience of senior engagement in global engineering operations and in the supply of materials, equipment and services to the global semiconductor and other high technology industries. He is currently Chairman of both UMIP Ltd and HHV Pumps Ltd and a non-executive director of Spirax-Sarco Engineering plc, Bodycote plc and WS Atkins plc. He was an executive director of the BOC Group plc and is a Fellow of the Royal Academy of Engineering. Dr. Rajagopal is a past Commissioner with the Audit Commission, an appointment he held for three years.

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Corporate Responsibility Review

At e2v we strongly believe that we should consider the interests of the global community when conducting our business, ensuring that we function in an ethical and responsible way at all times. This involves ensuring compliance with our statutory requirements and considering the impact of our activities on society and the environment at large, as well as acting responsibly towards our customers, suppliers, employees, shareholders and communities.

Investors

e2v promotes two way communication with current and potential investors.

Our policy is to:

- Ensure timely delivery of information in line with regulatory requirements.
- Provide information in paper format whilst promoting the electronic provision of information via our investor relations website.
- Make additional presentations to investors and analysts as required.
- Retain a financial PR consultant to ensure all communication is timely, appropriate and in accordance with best practice.

Case Study

e2v gets social

As part of e2v's objective to make use of social media to communicate more effectively with our stakeholders, including global media and potential and existing employees, we are now to be found tweeting all of our latest news (twitter.com/e2v) alongside pages on Facebook and LinkedIn. Not forgetting videos on YouTube showing some of our technologies in action. Try searching for 'fire fighter proof thermal imaging' to see our Argus camera under severe operational abuse, including from a water cannon.

Social media was also used to great effect in spreading the news that we were holding an apprentice open day at our Whoosh! Learning Centre, contributing to a high application level from over 100 people.

Links to these and other sites and an RSS feed can be found on our homepage, e2v.com, with a separate investor RSS feed from our investor pages.

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Employees

e2v recognises the importance of people to its ongoing success. Its competitiveness in the market is dependent on employing the right people with the right skills in the business.

Our policy is to:

- Comply with all legislation relating to employee relations in the countries in which we operate.
- Maintain an equal opportunities policy in line with, and going beyond, regulations.
- Comply with, and where possible exceed, health and safety regulations.
- Maintain a learning and development programme for employees, constantly improving business performance through talent management and organisation succession planning, including graduate and apprentice schemes.
- Facilitate and encourage two way communications at e2v, including a secure whistle-blowing process and regular employee survey.
- Maintain and benchmark a policy ensuring e2v offers competitive work packages.
- Create a great working environment where people want to work.
- Encourage all employees to live the Group's key values.
- Maximise employee engagement through listening to all of our employees and proactively improving how we work together.

Community

e2v operates in the heart of local communities. The business is also an integral part of those communities across all e2v locations. As a consequence e2v recognises the responsibility that comes with this position.

Our policy is to:

- Make a positive contribution and show consideration to our neighbours and the community in which we operate.
- Support local organisations through charitable giving.
- Promote an open, two way dialogue with local communities and stakeholders.
- Support local schools and learning institutions.
- Support learning and development in the local community.

Environment

e2v continues to focus on minimising any adverse impact on the environment stemming from both the activities of the company and its employees.

Our policy is to:

- Maintain operational and management systems to facilitate compliance with environmental legislation.
- Encourage all persons working on behalf of the Group, through training and communications, to take personal responsibility to minimise their adverse impact on the environment and to contribute towards meeting Group objectives and targets.
- Encourage environmentally sound design practices at all stages of product lifecycles.
- Seek all practical ways to reduce emissions to land, sea, air and water through responsible management of our business processes.
- Manage energy usage and greenhouse gas emissions for efficiency and minimal waste, through appropriate investment in process controls and continuous improvement plans.
- Use best available techniques to minimise waste, by preventing, reducing, re-using or recovering (including recycling) waste material.

Supply chain

e2v works to build long term relationships with its suppliers and customers, encouraging ethical and environmental considerations in all its dealings.

Our policy is to:

- Assess all potential suppliers against an ethical and environmental questionnaire prior to being added to our supplier lists.
- Communicate and treat our suppliers and customers with fairness and courtesy as dictated by our internal values.
- Work with all of our customers and suppliers regarding environmental initiatives, encouraging them to help us to jointly reduce the environmental impact of our work.
- Work in partnership with our suppliers to enhance the quality and performance of the items they supply.
- Work in partnership with our customers to develop and improve both e2v's products and the systems in which our products are incorporated.

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Case Study

Environmental awareness and measurement

Business in the Community (BiTC) is a business led charity with a growing membership of 850 companies, including many FTSE100, which advises, supports and challenges companies to create a sustainable future for people and the planet and to improve business performance against Corporate Responsibility (CR) based objectives.

This year the average Environmental Index score for participants was 83%. e2v has been measuring performance against BiTC's Environmental Index since 2008 and we made our second full submission in 2011, achieving a score of 95% and taking the business into the platinum band. Plans are now underway for measurement against BiTC's full CR Index.

Latest initiatives at e2v include the launch of our UK Cycle to Work Scheme, in conjunction with Cyclescheme UK. Participation in the scheme allows employees to benefit from tax and national insurance savings against the hire of bike and safety equipment.

Investors

- e2v's membership of the FTSE4Good Index, the responsible investment index calculated by global index provider FTSE Group, was renewed in 2011.
- The Group continues to consider timely and accurate communications with analysts and investors as a priority.
- e2v held an investor and analyst day in July 2010, where the Group's Strategic Plan for Growth was presented.

Communication channels to investors continue to include: the Annual General Meeting (where shareholders have an opportunity to question the Board), half-year and full-year results presentations, and interim trading updates and Regulatory News Statements, as appropriate. Online channels include an investor area to e2v's website, which was updated in 2011. In addition, the Group responds to individual requests for information.

Employees

e2v's core values remain a cornerstone to the way in which we work and relate to each other, attracting and retaining the right people to maintain the ongoing health and success of the business. We endeavour to deliver an environment where all our employees feel proud to work for us and understand the importance of embracing the values, of:

- Integrity
- Connectivity
- Innovation
- Raising the bar

The Group completed an employee action survey during the period and is focused on undertaking various actions to address the key priorities identified.

Our Smart Thinking Award & Recognition Scheme (STARS) remains an important means by which we recognise employees who make valuable suggestions or who perform above and beyond their normal responsibilities, with instant and quarterly awards available to celebrate the achievements of both individuals and teams. To support the Group's customer centric focus, an additional award recognising excellence in a customer-first approach (both internal and external) has been introduced.

We are also committed to developing all of our people and have a comprehensive, innovative and high quality learning and development programme in place. A management modular development programme is being rolled out across the organisation to support our leaders in their positions.

All of these initiatives are underpinned by our commitment to creating a discrimination-free environment for our people, with a positive whistle-blowing culture and where our policies meet, and often exceed, legal requirements, leading to best practice standards.

e2v also continues to support STEM TEAM Essex (Science, Technology, Engineering and Mathematics Network), a UK wide organisation, sponsored by the Department of Business Enterprise and Regulatory Reform. e2v has around 20 ambassadors who facilitate at Group events and go out into schools and colleges to work with young people, raising interest and awareness of careers in these subjects and developing a pipeline of motivated and capable people into science, technology and maths-related careers.

A further tranche (the seventh) of the Company's Share Save scheme was issued in the period.

Awards and recognition

e2v has a long history of being a responsible business and is committed to building on its achievements.

The BiTC CR Index assesses the extent to which corporate responsibility strategy is integrated within the organisations business practice. It is a benchmark for companies' management practices and their performance. In April 2011 e2v achieved Platinum status for the environmental component, improving on its Gold status in 2009.

The Royal Society for the Prevention of Accidents audits our health and safety performance annually against 10 sets of key criteria. For the second year in succession e2v have been awarded Gold for its performance and improvements.

In May 2011, following a submission process whereby UK employees completed a questionnaire asking about their view of the Group's green credentials, e2v was included in the fourth annual edition of The Sunday Times 60 Best Green Companies. Only those organisations demonstrating the highest environmental standards, with workforces wholly engaged and in tune with their green initiatives, have made it onto the list.

e2v's approach to corporate responsibility

At the core of our approach is the implementation of a risk based management system supported by a strong Health, Safety and Environment (HSE) culture.

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The primary objective of e2v is to avoid harm to people and the environment. We recognise the link between responsible HSE management and performance and good business performance. Our key objectives are to:

- Protect health
- Prevent injury
- Reduce environmental impact

Accidents are included in the statistics if they occurred during working time, including while travelling on company business or as a result of work (accidents on private journeys between home and work are excluded). In the UK, reportable accidents are based on the requirements of the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR), in other countries local regulations are used.

Health, safety and environment (HSE) culture

- e2v is committed to a programme of continual improvement for its production and support service activities across the Group, addressing all aspects of HSE Management.
- e2v aims to respond to wider environmental concerns and wherever possible help the wider community develop solutions which protect the environment and have a positive economic impact.
- e2v aims to continue the development of a strong HSE culture with visible leadership and commitment from all levels of management with effective engagement of all employees.

Throughout 2010 we benchmarked our existing HSE practices through internal and 3rd party external audits. This assisted in the review and development of the new Group HSE Management System and to highlight what can be improved upon.

All of the e2v sites, including sales offices, hold third party certification to the Environmental Management Standard ISO14001 and Health and Safety Management Standard OHSAS18001, with the exception of Santa Clara which is due for certification in 2011. e2v ensures access to competent occupational advice across all sites.

e2v achieved Platinum status for the BiTC environmental index, improving on its Gold status first awarded in 2009.

There were 10 (2009: 18) Group Lost Time Incidents in the calendar year to December 2010.

Performance improvements

Over the past 18 months e2v has set and reported on challenging targets for improving HSE performance. The HSE team manage programmes of continual improvement to maintain and improve our standards.

The Group HSE objectives and targets include: the protection of health, targeting zero incidents of occupational disease and other work related ill-health; the prevention of injuries, targeting a reduction in lost time injury rate (over one day) by 15% (by the end of 2012 relative to 2009); and reduction in the environmental impact, targeting a reduction in the amount of energy consumed by 10% (by the end of 2012 relative to 2009), a reduction in the annual production of solid waste by 10% (by the end of 2012 relative to 2009) and an increase in the proportion of solid waste sent for recycling to 70% by the end of 2012.

A decision has been made not to use carbon offsetting within e2v therefore any changes in e2v's carbon footprint are as a direct result of e2v's activities.

Community

- e2v supports 10 (2010: 9) core charitable organisations associated with its major facilities through direct donations and money raised by employees and made 54 additional separate donations in matched support of employee fundraising activities.
- e2v supports the Whoosh! Learning Centre, based at our headquarters in Chelmsford and which has nearly 4,000 members attending courses.
- e2v supports the e2v foundation, a charitable investment fund, run by Essex Community Foundation.
- e2v is engaged with, and strives to play an active part in, the communities in which our people live and work.
- Our charity committee has maintained its global reach by supporting charities local to our global facilities, both encouraging and supporting voluntary activity and fundraising by employees.

e2v employees have been engaged in a number of fundraising events including: the selling of unwanted IT equipment in Grenoble and New York and supporting a MacMillan Coffee Morning across the UK sites where employees baked cakes to raise money in support of MacMillan cancer care nurses. In addition e2v donated £6,600 (2010: £5,800) in 54 separate matched funding awards, where employees had led money raising activities for their chosen charities.

This year e2v added £25,000 to the e2v foundation. This was eligible for a 50% uplift under the Government's Grassroots Endowment Challenge thereby bringing the total added to £37,500 and the fund total to c.£140,000. In accordance with Essex Community Foundation rules, £5,000 of the investment return generated was released and donated by the Charities' Committee to good causes in the region.

We also help our local communities by encouraging young people's interest in business, science and technology, working with national programmes such as Young Enterprise and STEM TEAM.

e2v continues to support the Whoosh! Learning Centre, run in partnership with Essex County Council and the Learning and Skills Council. Whoosh! is open to both e2v employees and all members of the local community and has nearly 4000 (2010: 700) members.

Supply chain

Our commodity management strategy is a continuously evolving global sourcing strategy that maximises commercial competitiveness whilst minimising supply chain vulnerabilities. The Global procurement team continues to drive the consolidation of spend through chosen strategic suppliers; developing selection processes including global spend aggregation, savings roadmap and commodity specific strategies.

We aim to build long term partnership based relationships at every point in our supply chain, from material supply through to delivery and ongoing service and support for our customers; maintaining a focus on the quality, safety, and availability of our products and services whilst supporting ethical and environmentally aware business practices.

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Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2011. The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Company financial statement has been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

Principal activity

The Group's principal activity is the design and supply of specialist components and sub-systems into niche sectors within the medical and science, aerospace and defence and the commercial and industrial markets. As discussed in the Business Review, the Group is organised into business divisions which are supported by a number of group functions.

The Group has manufacturing operations in the United Kingdom (UK), France, United States of America (US) and Switzerland. During the year the Group has expended its sales and distribution operations into Japan and China, complimenting its existing operations in the UK, US, Germany, France and Hong Kong. The Group also has an established global network of agents and distributors covering the Americas, Europe, Middle East, Africa, Far East and Australia.

Review of business and future developments

A review of the year's operations, including the Group's key performance indicators, along with the outlook for the coming year, is contained in the Chairman's and Chief Executive's Statement, Business Review and Corporate Responsibility Review.

Results and dividends

The consolidated profit before taxation amounted to £25,832,000 (2010: loss £9,720,000). The profit attributable to ordinary shareholders amounted to £19,492,000 (2010: loss £2,266,000).

As detailed in note 12, no dividends have been paid during the year (2010: £nil). An interim dividend of £2,540,000 was paid on 27 May 2011. The Directors recommend the payment of a final dividend of £5,080,000 (2010: £nil).

Directors

The current members of the Board and the profiles of all Directors at the date of this report are set out above. They all served throughout the year and thereafter except for Dr. Krishnamurthy Rajagopal and Kevin Dangerfield who were appointed as Non-Executive Directors on 1 November 2010 and 28 January 2011, respectively. Ian Godden also served as a Non-Executive Director prior to his resignation on 28 January 2011.

The beneficial and non-beneficial interests, including family interests, of the Directors in the share capital of the Company and details of Directors' share options are detailed in the Directors' Remuneration Report.

Directors' indemnity insurance

The Company has indemnified the Directors of the Company and all its subsidiaries against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and is still in place as at the date of this report.

Principal risks and uncertainties

As noted in the Corporate Governance Report, the Board has adopted processes to identify, evaluate and manage the significant risks faced by the Group. This is coupled with the significant risks and uncertainties faced by the Group that are set out below.

Global political and economic conditions

Demand for the Group's products and services are a factor of wider economic conditions. During an economic slowdown it is possible that demand for certain products and services provided by the Group may reduce. Furthermore the Group's products are supplied for use into industries which are dependent on and subject to, government policies, national and international political considerations and budgetary constraints which are outside the control of the Group. These risks are mitigated to a degree by the diverse nature of the Group's products and its expanding geographical spread. Furthermore the current economic climate may increase the risk that parties with whom the Group trades, both customers and suppliers, become unable to meet their commitments to the Group. The Group seeks to manage this risk by performing credit checks and taking third party comfort, including letters of credit, where appropriate.

Achievement of growth strategy

The Group has undertaken a strategic review during the year. The strategy is focused on market expansion into sub-systems and solutions, with particular focus on six base applications and two growth applications (Semiconductor lifecycle management and Industrial processing systems) combined with geographic expansion in the Asian and North American markets. The Group's future growth and success depends upon the successful implementation of this strategy and its ability to gain traction in these markets. To be competitive in these areas the Group is investing in its research and development, manufacturing, marketing, customer service support and distribution networks.

Markets and customers

The Group can be subject to variations in profitability attributable to individual product lines and markets as a result of the timing and level of orders, the introduction of new product lines and the applicable legislative and regulatory framework. The Group operates in a number of diverse yet specialist markets supplying a small number of dominant customers in these markets. As a result, the Group has specific sector dependencies which are influenced by changes in the sourcing policy of these customers which may result from changes in customer policy and re-positioning within the value chain.

Competition including advancement in technology

The Group's business is the design and manufacture of highly technical and specialised products requiring input from skilled personnel. There can be no absolute assurance that any of the Group's products will achieve the required specification or deliver to the customer's expectations and products are continually at risk of being superseded as a result of improvements in alternative technologies that provide the same or comparable functionality. Thus the Group may incur significant liabilities for warranty claims, defects of its products or product recalls. The future success of the Group also depends upon the Group's ability to retain and develop skilled personnel. The Group seeks to minimise these risks through managed and focused research and development programmes,

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specification certainty, clear contractual arrangements and appropriate staff remuneration and incentive arrangements.

Production and supply

Across the Group there are a number of strategic partnerships, which in the event of cessation of these relationships or an interruption to the supply of these products could result in a disruption to the business. The Group also relies on external suppliers for specialist materials and sub-assemblies, supply of foundry, packaging and test services and small quantities of highly specialised products. In periods of high demand for these services, the Group may experience delays in the supply as suppliers prioritise customers with volume orders. Certain components are sourced from overseas. Events outside of the Group's control, including natural disasters, could result in delayed deliveries of these products. This was apparent following the Japanese earthquake, where a Group wide team was established to evaluate, monitor and contain any supply chain disruption. Events could also disrupt the Group's manufacturing capabilities at their various locations. Irrespective of the adequacy of insurance coverage, this could cause delays in production and loss of sales and customers. A range of hazardous materials is used at the manufacturing sites. Failure to provide a safe work environment for its employees could have a number of negative outcomes, including: fines and penalties, loss of key customers and reputational damage. The Group is committed to maintaining a safe place of work and has in place quality and safety processes. Failure to protect the Group's intellectual property, principally confidential know-how, could result in a loss of sales. The Group mitigates this risk by the use of operational and management systems, including a requirement that suppliers, customers and employees adhere to confidentiality obligations with respect to the treatment and disclosure of such know-how. Furthermore, patent protection is used to protect certain products and manufacturing processes from competition.

Environmental and regulatory

The Group is subject to numerous laws and regulations both in the UK and internationally, which regulate health and safety, employment, environmental, taxation, exports and other operating items. Failure to comply with such legislation and regulations may harm the business or the Group's reputation. The Group draws upon the experience of relevant employees and outside advisors in order to ensure compliance with the various requirements. A particular focus for the Group's US growth aspirations is the defence market. These are dependent upon the Group's US facility maintaining its Special Security Agreement which allows it to handle classified and controlled unclassified materials. The Group employs individuals with relevant experience in this area to ensure compliance with the various requirements of this agreement. Additional environmental legislation may increase operating costs that the Group mitigates, where possible, through improved efficiencies. Unforeseen changes in legislation can have an adverse impact on operations.

Financial risks

The Group is exposed to foreign currency and interest rate risks. Functional currency transactional risk arises when operating subsidiaries enter into transactions denominated in currencies other than their functional currencies. This risk is managed by hedging significant exposures, usually by means of forward exchange contracts. Translational exposure arises on the translation of overseas earnings, investments and relevant borrowings into Sterling for consolidated reporting purposes. Net asset translational risk is mitigated, in part, by foreign currency borrowings. The Group does not hedge translational exposure arising from profit and loss items. Due to the Group's debt obligations, an exposure exists to movements in interest rates, which is managed by the use of hedging arrangements. Furthermore the loan facilities entered into by the Group include a number of financial and non-financial covenants. Breach of these covenants would constitute events of default under such facilities which might result in these borrowings becoming immediately repayable. Forecasts indicate that the current organic growth plan can be managed within existing covenant levels. Credit risk to financial institutions is limited by restricting the range of counterparties to those with high credit ratings. Liquidity risk is managed by monitoring forecast and actual cash flows and ensuring that sufficient committed facilities are in place to meet possible downside scenarios.

Restructuring programmes

During the previous financial year the Group had instigated various cost reduction and restructuring initiatives which affect the Group's operations primarily in France and the UK. The programme in the United Kingdom is now complete and that in France is expected to be completed in the first half of the year ending 31 March 2012. The advanced nature of these programmes is such that the level of risk associated with the execution and financial implications of these programmes is considerably reduced compared with the prior year, with the current forecast costs of undertaking the programmes being £24 million, compared with the estimated cost of £26 million this time last year. These programmes temporarily reduced staff morale and production was disrupted in the first half of the year ended 31 March 2011 and resulted in increased overdue deliveries to customers. The Group continues to seek to minimise these risks through planned transition arrangements and increased levels of employee and customer engagement.

Property, plant and equipment

Land and buildings at the Group's facility in Grenoble were acquired at fair value in July 2006 and have not subsequently been revalued. In May 2010, following the sale of the Group's site in Lincoln at the end of the previous financial year, it has acquired a new site in the area which principally houses the e2v Microwave Technology Centre.

Although there have been no formal valuations carried out for the remainder of the Group's land and buildings, the Directors believe the market value to be in excess of book values.

Research and development

The Group continues to commit significant resources to existing product enhancement as well as the introduction of new products for established and emerging markets. Resource is also invested in a number of collaborative relationships with key universities to achieve leverage, knowledge exchange and access to and training of talented young scientists and engineers. This is achieved through various mechanisms including a number of Knowledge Transfer partnerships. Customers fund directly a proportion of expenditure on product enhancement and new product development whilst the amount funded by the Group amounted to £12,390,000 (2010: £12,072,000).

Takeover Directive

Pursuant to s992 of the Companies Act 2006, which implements the EU Takeovers Directive, the Company is required to disclose certain information. Such disclosures, which are not covered elsewhere in this Annual Report, include the following:

- The Company's Articles of Association (Articles) give power to the Board to appoint directors, but require directors to submit themselves for election at the first Annual General Meeting following their appointment and for re-election where they have been a director at each of the preceding two Annual General Meetings and were not appointed or re-appointed by

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the Company at, or since either such meeting. The Articles may be amended by special resolution of the shareholders and are available to view on the Company's website.

- The Board of Directors is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of the relevant statutes, the Company's Memorandum of Association and the Articles. The Articles contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the issuing and buying back of shares are also included in the Articles and such authorities are renewed by shareholders each year at the Annual General Meeting.
- Certain agreements of the Group take effect, alter or terminate upon a change of control of the Group following a takeover, including: its bank loan agreements; company share plans; and certain commercial trading contracts.
- There are no restrictions on the transfer of securities, restrictions on voting rights and agreements between shareholders.

Share capital

Details of the issued share capital, together with movements in the Company's issued share capital are given in note 25.

As at the latest practicable date prior to the publication of this report, the Company's issued share capital is 214,865,300, with a nominal value of £10,743,265.

The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles and prevailing legislation. The Directors are not aware of any agreement between the holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Creditor payment policy

The Group does not have a standard or code of conduct which deals specifically with the payment of suppliers; however whenever the Group is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions it seeks to abide by the payment terms agreed with the individual supplier. The Group's average creditor payment period at 31 March 2011 was 59 days (2010: 76 days).

Charitable and political donations

Details of charitable donations are given in the Corporate Responsibility Review. No donations were made to any political parties.

Interests in voting shares

At 18 May 2011 the Company had been notified of the following interests of 3% or more in the Company's ordinary shares.

	Percentage of ordinary share capital	No. of ordinary shares of 5p each
Aberforth Partners	20.38	43,785,800
AXA Investment Managers	10.35	22,246,187
SVG Advisers	9.17	19,705,169
Hermes Pensions Management	8.74	18,777,926
Schroder Investment Management	6.04	12,967,222
Legal and General Investment Management	5.97	12,837,090
Aviva Investors	5.39	11,578,531
Henderson Global Investors	5.13	11,013,347

Disabled employees and employee involvement

The Group endeavours to provide equality of opportunity in recruiting, training, promoting and career development to all, irrespective of race, ethnicity, religion, sexual orientation, gender or age. The Group gives full consideration to applications for employment from a person with a disability where a person with a disability can adequately fulfil the requirements of the role and workplace adjustments can be made to facilitate this appointment.

Where existing employees become disabled it is the Group's policy, wherever practicable, to provide workplace adjustments to ensure continuing employment under normal terms and conditions, and to provide training and career development and promotion opportunities, wherever appropriate.

A review of employee involvement is given in the Corporate Responsibility Review.

Going concern

As discussed in the Chairman's and Chief Executive's Statement, the Group's markets appear to have largely stabilised and the Group's cost base has been, and is continuing, to be reduced. The Group's plans also provide support for its growth initiatives with higher levels of expenditure for research and development and capital expenditure for regular equipment replacement and new product introduction than in the current year.

As a result, in part due to improving markets, the Group has returned to underlying growth, this performance has enabled the Group to negotiate an amendment to its banking facilities to enable the Group to take control of dividend payments and enable an earlier than anticipated return to dividend payments.

The Directors of the Group have prepared detailed profit and cash flow forecasts through to 30 September 2012 and have reviewed the level of the order book and order intake. In preparing these plans, the Directors have considered the risks to the activities in the business including those arising from the focus on meeting customers' needs and the implementation of the Group's strategy initiatives.

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The Directors consider that the Group will remain within its covenant requirements for the forecast period and that there is increased headroom against all covenants, and therefore, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

Directors' statement of responsibilities

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

Company law requires the Directors to prepare financial statements for each year. Under the provisions of this law, the Directors have prepared the consolidated financial statements in accordance with IFRS as adopted by the European Union and the Company financial statements in accordance with United Kingdom (UK) Accounting Standards and applicable law.

In preparing those 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;
- state that the consolidated financial statements have complied with IFRS as adopted by the European Union, subject to any material departures being disclosed and explained; and
- state for the Company financial statements whether the applicable UK Accounting Standards have been followed, subject to any material departures being disclosed and explained.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the consolidated financial statements comply with Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report for the year ended 31 March 2011 is published in hard copy printed form and made available on the Group's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may be different.

Responsibility statements under the Disclosure and Transparency Rules

Each of the Directors, as at the date of this report, confirms to the best of his knowledge that:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the Group together with a description of the principal risks and uncertainties that it faces.

Provision of information to the auditor

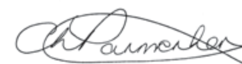
Having made enquiries of fellow Directors and of the Company's auditor, each of the Directors at the date of approval of this report confirms that:

- to the best of his knowledge and belief, there is no information (that is information needed by the Group's auditor in connection with preparing their report) of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

By order of the Board



Charlotte Parmenter
Company Secretary

3 June 2011

e2v technologies plc
Company No. 4439718

Registered office
106 Waterhouse Lane
Chelmsford
Essex CM1 2QU

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Corporate Governance Report

e2v technologies plc recognises the importance of, and is committed to, high standards of corporate governance and as such the Board acknowledges its contribution to achieving management accountability, improving risk management and creating shareholder value. This statement explains how the Group has applied the main and supporting principles of corporate governance and describes the Group's compliance with the provisions set out in Section 1 of the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008.

Statement by the Directors on compliance with the Combined Code

The Group has complied with the provisions set out in Section 1 of the Combined Code throughout the year.

The Board of Directors

The Group is headed up by a Board which comprises the Chairman, Chief Executive, Group Finance Director and the Non-Executive Directors. Anthony Reading is the Senior Independent Director and Chairman of the Remuneration Committee. All of the Non-Executive Directors are considered by the Board to be independent. Their biographies above demonstrate sufficient experience to bring independent judgement to the Board and the success of the Group. The Board evaluates its own performance and considers itself effective and has not identified any areas of concern.

The Articles of Association require that Directors retire in the third calendar year following the year in which they were elected or re-elected. Any Director appointed by the Board is required to submit themselves for re-election at the next Annual General Meeting after appointment. Dr. Krishnamurthy Rajagopal and Kevin Dangerfield, Non-Executive Directors, will therefore be submitting themselves for election at the Annual General Meeting. In addition Keith Attwood will retire by rotation at this Annual General Meeting and submits himself for re-election. Jonathan Brooks also retires by rotation; however he will not be offering himself for re-election and will retire from the Board at the Annual General Meeting.

Role of the Board members

The Non-Executive Directors' primary responsibilities are to:

- ensure the principles of Corporate Governance are applied;
- approve the strategy for the business;
- ensure the strategy is being implemented; and
- provide independent advice on the implementation of the strategy and other day to day matters where their experience is relevant.

The Executive Directors' primary responsibilities, together with members of the senior management team, are to:

- formulate the strategy of the business and obtain Board approval; and
- implement the approved strategy subject to agreed levels of authority.

There exists a clear division of responsibilities between the Chairman and the Chief Executive. The Chairman's primary role includes ensuring that the Board functions properly, that it meets its obligations and responsibilities and that its organisation and mechanisms are in place and are working effectively. The Chief Executive's primary role is to provide overall leadership and vision in developing, with the Board, the strategic direction of the Group. Additionally, the Chief Executive is responsible for the management of the overall business to ensure strategic and business plans are effectively implemented, the results are monitored and reported to the Board and financial and operational objectives are attained.

The Board's responsibilities are discharged by way of monthly Board reviews (except in August and December) and other Board meetings, as required to approve matters beyond the authority limits of the Chief Executive. In addition there is attendance at meetings of the Committees of the Board as well as attendance at regular business division and function reviews when senior members of executive management, who are not Board members, attend. Matters beyond the authority limits of the Chief Executive include, for example, the approval of customer quotes over the approved financial limit set by the Board, the acquisition and disposal of property, certain activities relating to mergers and acquisitions as well as approval of the annual budget.

Conflicts of interest

In line with the Companies Act 2006, the Company has established a robust procedure requiring Directors to seek appropriate authorisation prior to entering into any outside business interests. Actual or potential conflicts of interest are reviewed by the Board.

Board meetings and attendance

In addition to the Committee meetings noted above, there were 16 general Board meetings during the year. All Committee and Board meetings held in the year were quorate. The Board also convened ad-hoc meetings during the year to deal with specific business requirements. The full details of all Board and Committee meetings and attendances is shown in the following table:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	16	3	9	3
C Geoghegan	15	–	8	3
K Attwood	16	–	–	3
C Hindson	16	–	–	–
A Reading	15	3	9	3
J Brooks	16	3	9	1
K Rajagopal(1)	5	–	–	–
K Dangerfield(2)	2	–	–	–
I Godden(3)	12	3	–	–

(1) Appointed on 1 November 2010.
(2) Appointed on 28 January 2011.
(3) Resigned on 28 January 2011.

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Principal Board committees

The Board has established the following committees whose individual terms of reference have been reviewed during the year.

Audit Committee

The Committee is chaired by Jonathan Brooks and has met three times during the year. Ian Godden was a member of the Committee prior to his resignation as a Non-Executive Director. The other members of the Committee are Anthony Reading and Kevin Dangerfield, who was appointed to the Committee upon his appointment on 28 January 2011. Jonathan Brooks and Kevin Dangerfield are deemed to have recent and relevant financial experience. The Chairman, Chief Executive and Group Finance Director attend Audit Committee meetings by invitation and the audit partner attended two meetings during the period. At meetings reviewing the half-yearly and full-year results the Non-Executive Directors exercise their right for discussions with the audit partner where no Executive Directors are present. The terms of reference of the Audit Committee include:

- keeping under review the effectiveness of the financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks;
- reviewing the arrangements for what is commonly known as "whistle blowing";
- considering the requirements for establishing an internal audit function;
- making recommendations to the Board in relation to the appointment and re-appointment of the external auditors as well as overseeing the selection process of any new audit appointment;
- keeping under review the relationship with the external auditors including assessments of independence and objectivity as well as fee levels and terms of engagement;
- reviewing the findings of the audit with the external auditors; and
- reviewing the consistency of accounting policies on a year to year basis and across the Group.

The Audit Committee monitors fees paid to the auditors for non-audit work. During the year £18,000 of non-audit work fees were paid. The Company engages other independent firms of accountants to perform tax consulting and other consulting work. The Committee has monitored the level of non-audit services provided by the external auditor with a view to ensuring objectivity, independence and cost effectiveness.

The Board continues to review the key risks to the business through the Group's risk management process, managed by the Group Finance Director.

Remuneration Committee

The Committee is chaired by Anthony Reading and has met nine times during the year. Other members of the Committee are Jonathan Brooks and Chris Geoghegan. The Chief Executive and Human Resources Director within the Group attend all meetings (but the Chief Executive is not involved in deciding his own remuneration). The Group Finance Director attends when requested. The terms of reference of the Committee include:

- agreeing with the Board the framework or broad policy for the remuneration of the Executive Directors and other members of executive management, as well as reviewing the appropriateness and relevance of the policy;
- determining targets for any performance related pay schemes and approving total annual payments under the schemes;
- reviewing all share incentive plans, the related performance targets and all awards made under the schemes;
- determining the individual remuneration packages of senior management within the agreed policy as well as contractual arrangements, including pension provisions;
- determining the procedure for vetting, authorising and re-imbursement of claims for expenses for all Directors; and
- establishing selection criteria, terms of reference and selection and employment of remuneration consultants.

Full details of Directors' remuneration and policies applied by the Board are set out in the Directors' Remuneration Report.

Nomination Committee

The Committee is chaired by Chris Geoghegan. The other members of the Committee are Keith Attwood and Anthony Reading. Jonathan Brooks had in the previous year joined the Committee for the purposes of appointing a new Chairman of the Board, following this he attended one further Committee meeting during the year at which point he stepped down from the Committee. The Committee has met three times during the year. The terms of reference of the Committee include:

- regular review of the structure, size and composition of the Board;
- formal, rigorous and transparent procedures for new appointments to the Board;
- the formal selection and nominations for Board approval of any new Board appointments; and
- provision of recommendations to the Board regarding succession, re-appointment and membership of the Audit and Remuneration Committees.

During the year specialist recruitment consultants advised on candidates for the two Non-Executive Director roles based on a profile and detailed job description provided by the Group. All short listed candidates were interviewed individually by the Directors before a final selection was made and a recommendation made to the Board.

Induction and training

Any new directors will receive induction upon their appointment to the Board covering the activities of the Group and its key business and financial risks, the terms of reference of the Board and its Committees and the latest financial information of the Group. Ongoing training is provided as necessary. Directors may consult with the Company Secretary at any time on matters related to their role on the Board. All Directors have access to independent professional advice at the Group's expense where they judge it necessary to discharge their duties, with requests for such advice being authorised by the Chairman or the Company Secretary.

Performance evaluation of the Board

The Chairman and Company Secretary undertook a performance evaluation of the Board which required an assessment, by each individual director, of the performance of the Board and its Committees by way of an anonymous questionnaire and ratings process. The results of this assessment were reviewed by the Board and there were no areas of concern. The Senior Independent Non-Executive Director also led a performance review of the Chairman, which required an assessment, by

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each Director, of the performance of the Chairman. This assessment was reviewed by the Board and there were no areas of concern.

Communication with shareholders

The Annual Report and Financial Statements and the Half-Yearly Financial Report provide investors with a balanced view of the Group's activities and performance. The half-yearly results were distributed to all shareholders in November 2010. Investors are also welcome to attend the Annual General Meeting. Apart from the Annual General Meeting, the principal form of communication with private investors is the Company's website which is updated regularly with Company information.

The Chairman is available to institutional investors and the principal contact points are the Chief Executive and Group Finance Director. The Senior Independent Non-Executive Director, Anthony Reading, is also available to whom investors may address any concerns they may have. Presentations are given to individual institutions, or on a Group basis if preferred, following the announcement of half-yearly and full-year results. Site tours and ad-hoc meetings are also arranged where requested.

Control environment and internal controls

The Directors acknowledge that they are responsible for the Group's system of internal control and for reviewing its effectiveness and have accordingly reviewed the effectiveness of this during the year. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives, and can only provide reasonable and not absolute assurance against material misstatement of loss.

An ongoing process, in accordance with the guidance of the Turnbull Committee on internal control, has been established for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place throughout the year under review and up to the date of approval of the financial statements. The Board regularly reviews the process.

In addition the Board considers the significance of environmental, social and governance matters relevant to the business of the Group as part of its regular risk assessment procedures and Board constitution as detailed in the Corporate Responsibility Review and in this section.

The Group's key risk management processes and system of internal control procedures include the following:

Management structure: The Group has adopted procedures for the delegation of authority and authorisation levels, segregation of duties and other control procedures. Appointments to the most senior management positions within the Group require Board approval.

Share capital structure: Information about the share capital structure of the Company is discussed in the Directors' Report and in note 25.

Identification and evaluation of business risks: The major financial, commercial, legal, regulatory and operating risks within the Group are identified through a range of review meetings at the relevant management level. Senior management are also involved in the preparation of an annual risk assessment report which is reviewed by the Board.

Information and financial reporting systems: The Group's comprehensive planning and financial reporting procedures include detailed operational budgets for the year ahead and a three year rolling business plan, both of which are approved by the Board. Performance is monitored on a regular basis through monthly reporting and regular forecast updates. Management and specialists within the Finance Department are responsible for ensuring the appropriate maintenance of financial records and processes that ensure all financial information is relevant, reliable, in accordance with the applicable laws and regulations and distributed both internally and externally in a timely manner. A review of the consolidation and financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published by the Group is subject to the approval of the Audit Committee.

Investment appraisal: All capital expenditure and research and development projects require detailed written proposals and go through strict authorisation processes. All acquisitions are subject to Board approval and commercial, legal and financial due diligence is carried out if a business is to be acquired.

Throughout the Group there are clear lines of delegated authority covering the full range of financial commitments. A schedule of delegated authority for the Board to the Chief Executive is agreed annually and items requiring Board approval are either agreed at monthly Board meetings or at intervening meetings specifically arranged for the purpose.

At the monthly Board meetings, the Non-Executive Directors review the reports presented to them by the Chief Executive and Group Finance Director, which include a review of the financial results. This review compares current year with previous year and the annual operating plan as well as a current year forecast and order book levels.

At the current time the Board are of the opinion that a formal internal audit function is not considered necessary due to the structure and size of the Group, widespread executive involvement in the day to day business and the levels of review undertaken by the executive management and reported to the Board.

A formal "whistle blowing" policy is operated and is included in the Group's employee handbook.

On behalf of the Board

Jonathan Brooks
Chairman of the Audit Committee

3 June 2011

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Directors' Remuneration Report

Remuneration Committee

The Remuneration Committee is responsible for recommending to the Board the framework and broad policy for the remuneration of the Chief Executive, Group Finance Director and such other members of the executive management as it is requested to consider. The remuneration of the Chairman and Non-Executive Directors is a matter reserved for the Executive Directors. Members of the Committee are appointed by the Board and their terms of reference are available on the Company's website. Anthony Reading currently chairs the Committee, which meets at least twice a year, and its other members are Chris Geoghegan and Jonathan Brooks. The Board considers that all members of the Committee are independent directors. Chris Geoghegan is a member of the Committee because the Board considers it essential that the Chairman be involved in setting remuneration policy (although he is not party to any discussion directly relating to his own remuneration). The Chief Executive is given notice of all meetings and has the right to attend them, and is consulted on the remuneration of other executives. However, the Chief Executive does not take part in discussions that relate directly to his own remuneration.

When determining the pay of Executive Directors, the Committee takes into account the pay and employment conditions of employees throughout the Group. In this regard, the Committee ensures (via regular interaction with the Group's human resources teams) that it is kept fully informed of all relevant group-wide remuneration related issues and ensures that the same broad remuneration principles are used when designing the wider employee remuneration policies. The Chairman of the Remuneration Committee regularly consults with the Group HR Director, who also attends Committee meetings.

Following a tender process, the Committee appointed Deloitte LLP in March 2011 as its independent adviser. Prior to this, the Committee had no formally appointed adviser on remuneration policy. However it has sought advice from Hewitt New Bridge Street who provided services to the Company in connection with the operation of the Company's remuneration arrangements. Hewitt New Bridge Street provide no other services to the Company.

Remuneration policy

The overall policy applied for the year ended 31 March 2011 and which will apply for the year ending 31 March 2012 is to ensure that Executive Directors are fairly and competitively remunerated and incentivised in a manner consistent with the Group's strategic objectives. The current remuneration packages combine basic salary, benefits and pension contributions together with a performance-related annual bonus and share incentive awards. The Committee believes that the overall packages offered to Executive Directors should provide the right balance of fixed and performance-related pay and be appropriate for the size, scale and geographic scope of the organisation as well as be competitive relative to other companies within its sector. The Committee considers general pay conditions of employees in the Group when determining remuneration levels for the Executive Directors.

In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosure the Committee will ensure that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance (ESG) risks. More generally, with regard to the overall remuneration structure there is no restriction on the Committee which prevents it from taking into account ESG matters, nor more general operational risks.

During March and April 2011, the Committee conducted an independent review of the executive remuneration arrangements. The findings of this review were:

- basic salaries for the Executive Directors were positioned below the median – for the Chief Executive, the salary was positioned below the lower-quartile; and
- on a total remuneration basis, positioning was also below median (and below lower-quartile for the Chief Executive).

Following this review, the Committee considered how best to ensure that the remuneration packages are sufficiently competitive whilst maintaining a strong link to Group performance. After consultation with key investors, the Committee concluded that moderate salary adjustments would be made as well as certain changes to the annual bonus plan. This was considered to be a more appropriate approach than making significant salary adjustments which would constitute a fixed and ongoing cost to the Group. The result of the changes is to position the Chief Executive's remuneration package closer to (but still below) the median and the Group Finance Director's package at the median. More details of the changes are provided in the sections below.

Basic salary and/or fees

Basic salary for each Executive Director is determined taking account of the individual's performance and responsibilities and comparable market rates. More particularly, the Committee reviews benchmark data provided by independent remuneration consultants sourced from two groups of companies as follows:

- a group comprising broadly similar sized companies from the Electronic & Electrical Equipment, Aerospace & Defence and Technology Hardware & Equipment sectors; and
- a group comprising companies from all sectors (excluding financial companies) of a broadly similar size in terms of market capitalisation, turnover and international scope. Basic salary is reviewed annually and is the only element of remuneration that is pensionable.

Following the review outlined above, the Committee approved an increase of 6% for the Executive Directors, with the increase taking effect from 1 October 2011. These were the first such adjustments for three years. It is anticipated that similar adjustments will be made next year, subject to continued performance. Therefore, the salaries of the Executive Directors for the forthcoming year, effective 1 October 2011, will be: Keith Attwood - £268,000, Charles Hindson - £212,000.

Fees for the Chairman and Non-Executive Directors are determined taking account of the individual's responsibilities including chairing Committees of the Board, time required to devote to the role and comparable market rates.

Benefits

Benefits comprise the provision of a company car or car allowance and health insurance. Non-Executive Directors do not receive any benefits.

Pensions

The Group operates a defined contribution, HM Revenue and Customs approved, pension scheme and also makes contributions into individual

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personal pension arrangements where these are required. The Company makes contributions of 15% of basic salary to the relevant pension schemes in respect of Executive Directors. Executive Directors are entitled to enhance this through salary sacrifice arrangements and additional voluntary contributions subject to HM Revenue and Customs limits. Non-Executive Directors' fees are non-pensionable.

Performance-related annual bonus

An annual bonus is payable to Executive Directors subject to the attainment of specific targets which are based on Group performance. The normal maximum bonus opportunity is 100% of basic salary. Non-Executive Directors are not entitled to a bonus. As previously reported, the Remuneration Committee reserves the right, in exceptional circumstances, to amend the targets during the year if it feels that changes, if such factors as the marketplace or the Group's strategy, have resulted in the existing targets no longer providing an appropriate incentive to the individual. No target amendments were made in the current financial year.

For the year ended 31 March 2012, the Committee intends to maintain the cash bonus opportunity that is immediately payable following the year end at 100% of basic salary for maximum performance. However, as a result of maintaining basic salaries at relatively low levels, a further bonus in the form of the Company's shares for a value of up to 40% of basic salary may be earned for maximum performance, but deferred for a three year period.

This additional opportunity is intended to improve the overall competitiveness of the package and, through the introduction of a "clawback" mechanism (see below), encourage greater focus on long term performance.

In addition, having considered the recommendation in the new Corporate Governance Code, in order to protect the Group and shareholders in exceptional circumstances of misstatement or misconduct a "clawback" provision will be introduced to allow the Group to reclaim the deferred element under certain circumstances.

The percentage of maximum potential bonus that is payable for on target performance will be reduced so that the target bonus opportunity (as a percentage of basic salary) also remains broadly unchanged. This will ensure that the Executive Directors only receive additional reward if superior performance is achieved.

Share incentives

The Group's policy is to align the interests of employees with those of shareholders. To achieve this, the Remuneration Committee has established the following schemes:

- Long Term Incentive Plan (LTIP);
- Executive Share Option Plan (ExSOP);
- Share Incentive Plan (SIP); and
- Share Save Scheme (SAYE).

In Summer 2010, the Committee conducted a review of the operation of the Group's share incentive arrangements during the year, which incorporated a consultation with the Company's major shareholders, to ensure that they remain effective, fully reflect the Group's circumstances and take due account of market and best practice. The results of this review are discussed below.

Service contracts

In line with best practice, it is the policy of the Committee to offer Executive Directors service contracts with notice periods not exceeding 12 months. Current appointments are subject to rolling service contracts that can be terminated by 12 months notice as detailed below. Termination payments, based on basic salary and benefits only, are limited to contractual notice periods. The Chairman and Non-Executive Directors do not have service contracts but have letters of appointment with the Company. No notice is required to terminate their appointment. The services of Ian Godden were provided under a consultancy agreement with Godden Associates Ltd under the same terms as the letters of appointment for the Chairman and the other Non-Executive Directors. A summary of the Directors' service contracts and letters of appointment is provided below:

	Contract date	Notice period	Unexpired term[1]
K Attwood	21 July 2004	12 months	1 month
C Hindson	5 May 2009	12 months	13 months
C Geoghegan	1 October 2009	1 month	25 months
A Reading	25 June 2004	None	13 months
J Brooks	2 August 2004	None	1 month
K Rajagopal	1 November 2010	None	1 month
K Dangerfield	28 January 2011	None	1 month

	Consultancy agreement date	Notice period	Unexpired term
I Godden	23 January 2005	None	Resigned 28 January 2011

(1) Term remaining until Director's retirement by rotation.

Executive Directors are permitted, with the agreement of the Board, to accept outside appointments provided that such appointments do not conflict with their duties as directors of the Company. Whether any fees payable in respect of such outside appointments are retained by the Executive Director or remitted to the Company is determined on a case-by-case basis. No Executive Director held any such appointment in the year ended 31 March 2011.

Shareholding guidelines

Under the Company's shareholding guidelines, which are operated to further align the interests of the Executive Directors and shareholders, Executive Directors will be expected to build up and retain shares equal in value to at least twice their respective basic salaries. Where Executive Directors hold shares above these levels then, with the prior approval of the Chairman, they may undertake sales of these excess shares and this will not be viewed adversely.

Employee Benefit Trust (EBT)

The Company established the EBT in 2004 as a discretionary employee benefit trust, in which all employees of the Group are potentially beneficiaries. The Trustee is Lloyds TSB Offshore Trustee Limited, a professional offshore trustee. The main purpose of the EBT is to operate the LTIP and other share option schemes following recommendations from the Remuneration Committee or Board. Shareholder approval has been given to allow the Trustee to hold no more than 5 per cent of the issued ordinary share capital of the Company, and as at 31 March 2011 the percentage was 0.37% (2010: 0.37%). In addition to the shares held by the EBT, the Company purchased 2,400,000 of its own shares during the year, which are being held in treasury, also to facilitate the operation of the LTIP. This holding represents 1.12% of the issued share capital of the Company. No treasury shares were held as at 31 March 2010.

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Directors' interests

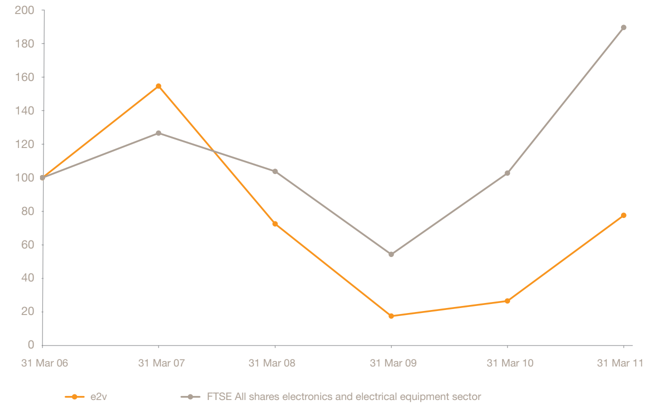
The beneficial interests of the Directors in the ordinary share capital of the Company as at 31 March 2011 are set out in the table below, together with the beneficial interests at the end of the previous financial year, or date of appointment if later.

	At 31 March 2011 No. Ordinary 5p shares	At 31 March 2010 or subsequent date of appointment No. Ordinary 5p shares
K Attwood	**2,976,664**	2,976,664
C Hindson	**1,460,000**	1,460,000
C Geoghegan	**203,512**	203,512
A Reading	**55,661**	55,661
J Brooks	**33,142**	33,142
K Rajagopal	**20,000**	–
K Dangerfield	**–**	–

There were no changes to the above beneficial interests between the year end and the date of this report. The increase in Directors' holdings arose through Directors purchasing shares in the market.

Performance graph

The graph below shows the change in the Total Shareholder Return (TSR) (with dividends re-invested) for the five year period to 31 March 2011 of a holding of a £100 investment in the Group's shares against the corresponding change in a hypothetical holding of shares in the FTSE Electronics & Electrical Equipment sector. This sector was chosen as it represents the equity market index in which the Company is a constituent member.



INFORMATION SUBJECT TO AUDIT

Long Term Incentive Plan (LTIP)

As indicated in the 2010 Directors' Remuneration Report, the Committee has during the year undertaken a review of the Group's share incentive arrangements, and in particular the LTIP. After consultation with major shareholders, a one-off award was made under the LTIP on 3 August 2010. Historically awards under the LTIP were made to Executive Directors and the Executive Committee, but this one-off award has also included key senior management such that 47 individuals received a one-off award, with 5 million performance shares being granted. The awards received by the Executive Directors and the Executive Committee are at double the normal annual award rate. For Executive Directors the normal award rate is 100% of basic salary. No awards are expected to be made in the forthcoming year to 31 March 2012 to individuals who received an award in August 2010. The 2010 awards vest according to a performance condition based on the Company's absolute TSR calculated as an average over the three month period ending on the last day of the performance period. Participants have been granted a nil price share option, 50% of which have a three year performance period and 50% of which have a four year performance period. The performance condition will be tested at the end of each performance period. The number of shares vesting shall be determined in accordance with the following:

Proportion of award vesting	**Company's TSR 3 year performance period**	**Company's TSR 4 year performance period**
100%	145 pence or above	155 pence or above
On a straight-line basis between 0 and 100%	Between 100 and 145 pence	Between 100 and 155 pence
0%	100 pence or below	100 pence or below

Awards made prior to 2010 will vest on the third anniversary of the date of award to the extent that the performance targets have been met with performance conditions comparing Company's TSR relative to the TSR of a specified list of peer group companies, which are detailed below. 25% of an award will vest for median performance and an award will only vest in full if the Company's TSR performance would place it in the top 20% compared with the peer group, with pro-rata vesting between 25% and full vesting. No award will vest (irrespective of the Company's relative TSR performance) unless an adjusted earnings per share (EPS) growth underpin which is based on Retail Price Index (RPI) plus 2% over the three year performance period, has been satisfied (unless the Committee considers, in exceptional circumstances, that it would be inappropriate to apply this underpin). There is also no provision for re-testing.

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The market price of the ordinary shares at 31 March 2011 was 115.5 pence (2010: 39.5 pence) and the range during the year was 39.5 to 125.0 pence.

The peer group for 2009 and 2008 awards comprises the following companies:

- Bodycote International
- Castings
- Charter
- Chemring Group
- Chloride Group
- Cookson Group
- Domino Printing Sciences
- Fenner
- Halma
- Hampson Industries
- Hill & Smith Holdings
- IMI
- Invensys
- Laird
- Meggitt
- Melrose
- Morgan Crucible Company
- Oxford Instruments
- PV Crystalox Solar
- QinetiQ Group
- Raymarine
- Renishaw
- Rotork
- Senior
- Severfield-Rowen
- Spectris
- Spirax-Sarco Engineering
- Tomkins
- TT Electronics
- Ultra Electronics Holdings
- UMECO
- Vitec Group
- VT Group
- Weir Group
- Xaar

Outstanding awards under the LTIP relating to Directors are summarised below:

Grant date	Awards held at 1 April 2010	Granted in the year	Lapsed in the year	Awards held at 31 March 2011	Date from which exercisable
K Attwood					
16.07.2007	100,088	–	(100,088)	–	14.07.2010
15.07.2008	158,004	–	–	158,004	15.07.2011
24.06.2009	199,384	–	–	199,384	24.06.2012
03.08.2010	–	406,752	–	406,752	03.08.2013
03.08.2010	–	406,752	–	406,752	03.08.2014
C Hindson					
05.05.2009	105,626	–	–	105,626	05.05.2012
24.06.2009	158,242	–	–	158,242	24.06.2012
03.08.2010	–	321,543	–	321,543	03.08.2013
03.08.2010	–	321,543	–	321,543	03.08.2014

The LTIP awards granted in 2007 lapsed during the year as the minimum level of EPS growth underpin had not been achieved.

Executive Share Option Plan (ExSOP)

The Group has an ExSOP for the granting of non-transferable market value options to certain employees over shares worth up to 100% of basic salary each year. The vesting period for the ExSOP is finite allowing eligible employees to exercise the option in a fixed period, once conditions are met. The options may not be exercised unless, over the vesting period, the Company's EPS has increased by a fixed percentage above RPI as detailed in note 28 to the consolidated financial statements. No awards have been made to Executive Directors under this plan in the year ended 31 March 2011 (2010: nil) and all options previously issued under the ExSOP lapsed during the year. The Committee has no present intention of making grants under this plan to Executive Directors in the forthcoming year.

Share Incentive Plan (SIP)

The Group has established a SIP which has been designed to qualify for approval by the HM Revenue and Customs. The plan contains three elements:

- free shares, which are ordinary shares which may be allocated to an employee by the Company;
- partnership shares, which are ordinary shares which an employee may purchase out of their pre-tax earnings; and
- matching shares, which are ordinary shares which may be allocated to an employee following the purchase of partnership shares.

No awards have been made to any employees under this plan as at 31 March 2011.

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Share Save Scheme (SAYE)

The Group operates an HM Revenue and Customs approved Share Save Scheme for which all employees and Executive Directors can apply to join if they are UK employees. The Chief Executive and Group Finance Director participate as detailed below:

Grant date	Awards held at 1 April 2010 and 31 March 2011	Date from which exercisable	Exercise price (pence)
K Attwood			
14.08.2009	25,193	01.11.2012	36.02
C Hindson			
14.08.2009	25,193	01.11.2012	36.02

Directors' remuneration

The remuneration of Directors who served during the year was as follows:

	Salary and/ or fees £000	Performance–related bonuses £000	Car allowance/ benefits in kind £000	2011 Total £000	2010 Total £000
K Attwood	253	253	29	535	390
C Hindson(1)	200	200	15	415	281
C Geoghegan(2)	120	–	–	120	60
A Reading	36	–	–	36	34
J Brooks	36	–	–	36	34
K Rajagopal(3)	14	–	–	14	–
K Dangerfield(4)	5	–	–	5	–
Former Directors					
I Godden(5)	28	–	–	28	31
M Hannant(6) (7)	–	–	–	–	193
G Kennedy(8)	–	–	–	–	42
Total	692	453	44	1,189	1,065

(1) From date of appointment on 5 May 2009.
(2) From date of appointment on 1 October 2009.
(3) From date of appointment on 1 November 2010.
(4) From date of appointment on 28 January 2011.
(5) For period to 28 January 2011, date of resignation.
(6) For period to 28 May 2009, date of resignation as Company Director.
(7) Mike Hannant was employed and paid a month's salary and benefits in June 2009, at a total cost of £14,381 as an employee. In addition, subsequent to the termination of Mike Hannant's employment he provided services to the Group on an interim consultancy basis to assist with the preparation of the required documentation for the equity and debt transactions. Fees for this work totalled £99,735 in the year ended 31 March 2010.
(8) For period to 1 October 2009, date of resignation.

During the previous financial year, a period of short time working was agreed at a number of the Group's sites, whereby 16 days of unpaid leave were taken over a four month period. The Directors participated in this programme with the effect being to reduce annual basic salary by 6.2% in that year.

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Directors' pension benefits

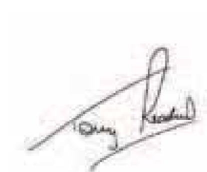
The following pension contributions were made by the Company, either to the Company's defined contribution scheme or to personal pension arrangements on behalf of the Executive Directors:

	2011 £000	2010 £000
K Attwood	**38**	36
C Hindson	**30**	25
Former Director		
M Hannant	**–**	4
Total	**68**	65

Approval

This report was approved by the Remuneration Committee and has been approved subsequently by the Board of Directors.

On behalf of the Board



Anthony Reading
Chairman of the Remuneration Committee
3 June 2011

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Consolidated income statement

Year ended 31 March 2011

		2011			2010		
	Notes	Before exceptional items & acquired intangible asset amortisation £000	Exceptional items & acquired intangible asset amortisation (notes 5 and 9) £000	Total £000	Before exceptional items & acquired intangible asset amortisation £000	Exceptional items & acquired intangible asset amortisation (notes 5 and 9) £000	Total £000
Revenue	3	**228,579**	**–**	**228,579**	201,247	–	201,247
Cost of sales		**(141,916)**	**(774)**	**(142,690)**	(139,999)	–	(139,999)
Gross profit		**86,663**	**(774)**	**85,889**	61,248	–	61,248
Research and development costs	6	**(12,390)**	**–**	**(12,390)**	(12,072)	–	(12,072)
Selling and distribution costs		**(16,290)**	**–**	**(16,290)**	(15,187)	–	(15,187)
Administrative expenses		**(19,739)**	**(6,981)**	**(26,720)**	(18,972)	(21,054)	(40,026)
Operating profit/(loss)		**38,244**	**(7,755)**	**30,489**	15,017	(21,054)	(6,037)
Finance costs	9	**(4,652)**	**(38)**	**(4,690)**	(5,818)	(719)	(6,537)
Finance revenue	9	**33**	**–**	**33**	160	2,694	2,854
Profit/(loss) before taxation		**33,625**	**(7,793)**	**25,832**	9,359	(19,079)	(9,720)
Income tax (expense)/credit	10	**(9,625)**	**3,285**	**(6,340)**	(246)	7,700	7,454
Profit/(loss) for the year		**24,000**	**(4,508)**	**19,492**	9,113	(11,379)	(2,266)
Attributable to:							
Equity holders of the Company		**24,000**	**(4,508)**	**19,492**	9,113	(11,379)	(2,266)
Earnings/(loss) per share							
Basic	11	**11.26p**		**9.14p**	6.67p		(1.66)p
Diluted	11	**11.14p**		**9.05p**	6.65p		(1.66)p

Consolidated statement of comprehensive income

Year ended 31 March 2011

	Notes	2011 £000	2010 £000
Exchange differences on retranslation of foreign operations		**240**	(719)
Exchange differences on net investment hedges		**(1,669)**	529
Current tax on exchange differences	10	**1,137**	–
Actuarial gains/(losses) on post-employment benefits	29	**6**	(345)
Deferred tax on actuarial gains/losses on post-employment benefits	10	**(1)**	118
Other comprehensive income and expense for the year		**(287)**	(417)
Profit/(loss) for the year		**19,492**	(2,266)
Total comprehensive income and expense for the year		**19,205**	(2,683)
Attributable to:			
Equity holders of the Company		**19,205**	(2,683)

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Consolidated statement of financial position

As at 31 March 2011

	Notes	**2011 £000**	2010 £000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**31,977**	31,366
Intangible assets	14	**93,802**	104,061
Income tax receivable		**–**	3,129
Deferred income tax asset	24	**10,408**	10,197
		136,187	148,753
Current assets			
Inventories	17	**47,446**	35,481
Trade and other receivables	18	**50,006**	51,194
Other financial assets	22	**534**	–
Income tax receivable		**340**	2,026
Cash at bank and in hand	19	**12,886**	27,811
Total current assets		**111,212**	116,512
Total assets		**247,399**	265,265
LIABILITIES			
Current liabilities			
Trade and other payables	20	**(56,624)**	(47,005)
Other financial liabilities	22	**(192)**	(1,515)
Income tax payable		**(2,301)**	(5,619)
Provisions	23	**(15,743)**	(20,534)
Total current liabilities		**(74,860)**	(74,673)
Net current assets		**36,352**	41,839
Non-current liabilities			
Borrowings	21	**(39,582)**	(69,471)
Other financial liabilities	22	**–**	(131)
Provisions	23	**(2,137)**	(6,028)
Employment and post-employment benefits	29	**(2,941)**	(2,839)
Deferred income tax liabilities	24	**(6,632)**	(8,498)
Total non-current liabilities		**(51,292)**	(86,967)
NET ASSETS		**121,247**	103,625
CAPITAL AND RESERVES			
Called up share capital	25	**10,742**	10,742
Share premium	26	**41,783**	41,780
Merger reserve	26	**44,557**	44,579
Own shares reserve	26	**(2,182)**	(5)
Capital redemption reserve	26	**274**	274
Foreign currency translation reserve	26	**4,926**	5,218
Retained earnings		**21,147**	1,037
TOTAL SHAREHOLDERS' FUNDS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**121,247**	103,625

These financial statements were approved by the Board of Directors and authorised for issue on 3 June 2011. They were signed on its behalf by:

K Attwood
Chief Executive

C Hindson
Group Finance Director

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Consolidated statement of cash flows

Year ended 31 March 2011

	Notes	2011 £000	2010 £000
Cash flows from operating activities			
Profit/(loss) before tax		**25,832**	(9,720)
Net finance costs		**4,657**	3,683
Operating profit/(loss)		**30,489**	(6,037)
Adjustments to reconcile to net cash inflows from operating activities			
Depreciation of property, plant and equipment		**8,937**	10,249
Amortisation of intangible assets		**8,514**	12,007
Profit on sale of property, plant and equipment		**(71)**	(3,609)
Fair value gains on foreign exchange contracts		**(1,341)**	(2,489)
Share based payment charges		**8**	422
(Increase)/decrease in inventories		**(11,709)**	5,854
(Increase)/decrease in trade and other receivables		**(2,176)**	9,959
Increase/(decrease) in trade and other payables		**12,373**	(1,827)
(Decrease)/increase in provisions		**(8,429)**	15,472
Cash generated from operations		**36,595**	40,001
Income taxes (paid)/received		**(5,152)**	632
Net cash flows from operating activities		**31,443**	40,633
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2,219**	2,188
Interest received		**33**	160
Purchases of property, plant and equipment		**(8,763)**	(2,707)
Purchases of software		**(599)**	(372)
Expenditure on product development		**(756)**	(693)
Acquisition of subsidiary, net of cash acquired	16	**–**	(490)
Net cash flows used in investing activities		**(7,866)**	(1,914)
Cash flows from financing activities			
Interest paid		**(3,597)**	(3,590)
Proceeds from issue of shares (net of issue costs)		**(1,201)**	53,375
Purchase of own shares		**(2,177)**	–
Realised exchange gains on re–denomination of Euro borrowings		**–**	2,604
Payment of cancellation fees on interest rate swaps		**(686)**	(890)
Repayment of borrowings		**(31,254)**	(65,175)
Transaction costs of new bank loans raised		**(53)**	(3,608)
Net cash flows used in financing activities		**(38,968)**	(17,284)
Net (decrease)/increase in cash and cash equivalents		**(15,391)**	21,435
Net foreign exchange difference		**466**	3
Cash and cash equivalents at 1 April		**27,811**	6,373
Cash and cash equivalents at 31 March	19	**12,886**	27,811

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Consolidated statement of changes in equity

Year ended 31 March 2011

	Called up share capital £000	Share premium £000	Merger reserve £000	Own shares £000	Capital redemption reserve £000	Foreign currency translation reserve £000	Retained earnings £000	Total equity £000
At 1 April 2009	3,128	41,780	–	(5)	274	5,408	3,094	53,679
Other comprehensive income	–	–	–	–	–	(190)	(227)	(417)
Loss for the year	–	–	–	–	–	–	(2,266)	(2,266)
Total comprehensive income	–	–	–	–	–	(190)	(2,493)	(2,683)
Issue of shares	7,614	–	48,225	–	–	–	–	55,839
Share issue costs	–	–	(3,646)	–	–	–	–	(3,646)
Share based payment	–	–	–	–	–	–	422	422
Deferred tax on share based payments	–	–	–	–	–	–	14	14
At 31 March 2010	10,742	41,780	44,579	(5)	274	5,218	1,037	103,625
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(292)**	**5**	**(287)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**19,492**	**19,492**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(292)**	**19,497**	**19,205**
Issue of shares	**–**	**3**	**–**	**–**	**–**	**–**	**–**	**3**
Share issue costs	**–**	**–**	**(22)**	**–**	**–**	**–**	**–**	**(22)**
Purchase of treasury shares	**–**	**–**	**–**	**(2,177)**	**–**	**–**	**–**	**(2,177)**
Share based payment	**–**	**–**	**–**	**–**	**–**	**–**	**8**	**8**
Deferred tax on share based payments	**–**	**–**	**–**	**–**	**–**	**–**	**605**	**605**
At 31 March 2011	**10,742**	**41,783**	**44,557**	**(2,182)**	**274**	**4,926**	**21,147**	**121,247**

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Notes to the consolidated financial statements

1. Authorisation of financial statements and statement of compliance with IFRSs

e2v technologies plc (the Company) is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company's shares are publicly traded on the London Stock Exchange. The address of the registered office is given in the Directors' Report. The nature of the Group's operation and its principal activities are set out in the Business Review.

The consolidated financial statements of the Company for the year ended 31 March 2011 comprise the results of the Company and its subsidiary undertakings (together referred to as the Group).

These financial statements are presented in Sterling as that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2. All values are rounded to the nearest thousand (£000) unless otherwise indicated.

The financial statements were approved for issue by the Board on 3 June 2011.

The principal accounting policies adopted by the Group are set out below.

2. Summary of significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) applied in accordance with the Companies Act 2006. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the consolidated financial statements comply with Article 4 of EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies are set out below and have been applied consistently to all periods presented in these financial statements.

Going concern

The Directors, having considered all of the relevant information, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and as such believe that it is appropriate to prepare the financial statements on a going concern basis, as detailed in the Directors' Report. These financial statements have therefore been prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of e2v technologies plc and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement.

The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Any unrealised losses arising from intra-group transactions are eliminated to the extent that they are recoverable.

For acquisitions undertaken after 1 April 2010, the acquisition of subsidiaries is accounted for using the purchase method of accounting. The cost of the acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets meeting either the contractual, legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition date fair value can be measured reliably.

If the aggregate of the acquisition date fair value of the consideration transferred and the amounts recognised for the non-controlling interest is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in the income statement.

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2. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Acquisitions undertaken prior to 1 April 2010 were also accounted for under the purchase method of accounting. However transaction costs directly attributable to the acquisition formed part of the acquisition costs. Furthermore, contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Foreign currency translation

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are retranslated into Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate of exchange ruling at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

All exchange differences are recognised in the income statement in the period in which they arise except for: exchange differences on transactions entered into that hedge certain foreign currency risks; and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

On consolidation, the assets and liabilities of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. The exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity, within the foreign currency translation reserve. On disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate of exchange ruling at the balance sheet date.

Property, plant and equipment

Freehold buildings, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less accumulated depreciation and any impairment in value.

Assets under construction for production or administrative purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation on these assets commences when the assets are available for use.

Freehold land is not depreciated and is held at historical cost.

Depreciation is recognised so as to write-off the cost of assets (other than land and assets under construction) less their residual values on a straight-line basis over the estimated useful life, as follows:

Freehold buildings	25 to 50 years
Leasehold improvements	over the remaining lease term
Plant and equipment	3 to 10 years
Office equipment, fixtures and fittings	3 to 10 years

The carrying values are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in the income statement in administrative expenses. Where an impairment loss subsequently reverses the carrying value of the asset is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for this asset in prior years. A reversal of impairment loss is recognised immediately in the income statement.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

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2. Summary of significant accounting policies (continued)

Goodwill (continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Impairment is determined by assessing the recoverable amount of the cash generating unit, to which goodwill relates. If the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a cash generating unit or part of the cash generating unit the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous amounts recorded under UK Generally Accepted Accounting Practice (UK GAAP) subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and will not be included in determining any subsequent profit or loss on disposal.

Intangible assets – research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development activities is capitalised only if all of the following conditions are met: an asset is created that can be identified (such as software and new processes); it is probable that the asset created will generate future economic benefits; and the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives, the period of expected future sales, estimated at between three and five years. The amortisation is recorded as part of research and development costs in the income statement. Where no internally generated intangible asset can be capitalised, development expenditure is recognised as an expense in the period in which it is incurred.

When the asset is not in use, the carrying value of development costs is reviewed for impairment annually or more frequently when an indicator of impairment arises during the reporting period indicating that the carrying value may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Other intangible assets

Intangible assets acquired separately are capitalised at cost and intangible assets acquired from a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

Computer software purchased or internally generated for use that is integral to the hardware (because without that software the equipment cannot operate) is treated as part of the hardware and capitalised as property, plant and equipment. Other software programmes are treated as intangible assets. Intangible assets, excluding development costs and software, created within the business are not capitalised and expenditure is charged to the income statement in the period in which the expenditure is incurred.

Intangible assets are tested for impairment annually either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, it is provided so as to write-off the cost of intangible assets on a straight-line basis over the estimated useful life, as follows:

Patents, trademarks and technology	5 to 10 years
Customer relationships and agreements	4 to 10 years
Software	2 to 7 years

This expense is taken to the income statement through the following line items:

Patents, trademarks and technology	administrative expenses
Customer relationships and agreements	administrative expenses
Software	cost of sales and administrative expenses

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using a first-in, first-out method. Net realisable value represents the estimated selling prices less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provision is made for obsolete, slow-moving or defective items where appropriate. A net increase in provision for the year as a whole is recognised as an expense in the year whilst a net reversal of provision for the year as a whole is recognised as a reduction in expense.

Trade and other receivables

Trade receivables, which generally have 30 to 60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents

Cash in the balance sheet comprises cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purpose of the Consolidated statement of cash flows, cash and cash equivalents consist of cash as defined above.

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2. Summary of significant accounting policies (continued)

Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

A financial liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of an existing liability and the recognition of a new liability.

Borrowings are classified as current liabilities unless, at the balance sheet date, the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (which are assets that necessarily take a substantial period of time to get ready for their intended use or sale) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statement using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is based on the best reliable estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation and its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and that the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Provisions for the expected cost of warranty obligations under local sale of goods legislation or contract terms are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Pensions, other post-employment and other employment benefits

The Group operates defined contribution pension schemes which require contributions to be made to a separately administered fund. Payments to defined contribution pension schemes are charged as an expense as they fall due. Payments made to a state managed pension are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

The Group operates unfunded defined benefit plans in France providing termination payments (post-employment benefit) to employees upon retirement and long service awards paid when the employee reaches certain lengths of service (other employment benefit). The cost of providing benefits is determined with actuarial valuations being carried out on each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. Those related to the termination benefits are recognised outside the income statement and are presented in other comprehensive income, whilst those related to the long service award are recognised in the income statement. When a settlement or curtailment occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

Past service cost is recognised immediately to the extent that the benefits are already vested, otherwise it is amortised on a straight-line basis over the average period until the benefits become vested.

The obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

Share based payment transactions

Employees (including Directors) of the Company receive remuneration in the form of share based transactions, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model, further details of which are given in note 28. In valuing equity settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

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2. Summary of significant accounting policies (continued)

Share based payment transactions (continued)

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each reporting date reflects the extent to which the vesting period has expired and management's best estimate of the number of awards that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. If a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new shares are treated as if they were a modification of the original award.

The dilution effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (note 11).

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental payments under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which the economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added and other sales related taxes.

Revenue from the sale of standard products is recognised when all the following conditions are satisfied:

→ the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

→ the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

→ the amount of revenue can be measured reliably;

→ it is probable that the economic benefits associated with the transaction will flow to the entity; and

→ the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue in respect of long term contracts for non-standard products and services is recognised by reference to the stage of completion of the project. The stage of completion is determined either by reference to the completion of a physical proportion of the work, dependent upon the nature of the underlying project, or by reference to the proportion that costs incurred for work performed to date bear to the estimated total project costs. Revenues derived from variations on projects are recognised only when they have been accepted by the customer. Full provision is made for losses on projects in the period in which they are first foreseen.

Finance revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Finance revenue income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants for research programmes are recognised as income over the periods necessary to match them with the related costs deducted in reporting the related expense. Government grants related to property, plant and equipment are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or charged directly to equity. Otherwise income tax is recognised in the income statement.

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2. Summary of significant accounting policies (continued)

Taxation (continued)

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arising from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured on an undiscounted basis and is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Derivative financial instruments and hedging

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 32.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probably forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

No derivative financial instruments have been designated as a fair value or cash flow hedge during the current or prior financial year.

A derivative with a positive fair value is presented as a financial asset whereas a derivative with a negative fair value is presented as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group uses foreign currency borrowings to hedge its investment in currency investments and classifies the hedging relationship as a net investment hedge. To the extent that the hedge is effective, changes in the fair value of the hedging instrument are recognised in other comprehensive income.

Classification of shares as debt or equity

When shares are issued, any component that creates a financial liability of the Group is presented as a liability in the balance sheet, measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption.

Own shares

e2v technologies plc shares held by the EBT and the Company are classified in shareholders' equity as own shares and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to retained earnings. No gain or loss is recognised in the income statement or the statement of comprehensive income on the purchase, sale, issue or cancellation of equity shares.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management must make judgments, estimates and assumptions concerning the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based upon factors such as historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

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2. Summary of significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

The following are the critical judgements and key sources of estimation uncertainty that the Directors have made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the consolidated financial statements: measurement and impairment of goodwill and other intangible assets arising on acquisition (note 15); the measurement of provisions for business improvement programme costs (estimation of termination payments and other future costs) (note 23): the measurement of work-in-progress (stage of completion and total costs to complete); the measurement of product warranty provisions (estimation of level of returns) (note 23); the measurement of environmental provisions (estimation of remediation costs) (note 23); and the measurement and recognition of tax liabilities and deferred tax assets (note 24).

Adjusted profit measures

Profit for the financial year is analysed between:

(a) profit before exceptional items and amortisation of acquired intangible assets; and

(b) the effect of exceptional items and acquired intangible assets amortisation.

i. Exceptional items are material items of income and expense which, in the opinion of the Directors, because of the nature and infrequency of the events giving rise to them, merit separate presentation to allow a better understanding of the elements of the Group's performance for the financial year and are presented on the face of the income statement to facilitate comparisons with prior periods and assessments of trends in financial performance. Exceptional operating items include: business improvement programme expenses; last time build inventory provisions; gains and losses on sale of property; acquisition costs; and fair value gains and losses on foreign exchange contracts. Exceptional finance items include: fair value gains and losses arising on interest rate swaps; realised exchange differences on the re-denomination of borrowings; and write-off of debt issue costs. Exceptional tax items include the tax effect on: exceptional operating items; exceptional finance items; and amortisation of acquired intangibles.

ii. Amortisation of acquired intangible assets, including impairment, has been shown separately to provide increased visibility over the effect of acquisition activity on intangible assets.

Further analysis of exceptional operating and finance items are provided in notes 5 and 9, respectively.

New standards and interpretations applied during the year

In the current year, the following new and revised Standards and Interpretations have been adopted and have not had a material effect on the consolidated financial statements in the period of initial application.

IFRS 3 (revised), "Business Combinations", requires the recognition of subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill. In addition, transaction costs are required to be recognised immediately in the income statement and contingent consideration which is assessed as having the characteristics associated with employment benefits is expensed to the income statement rather than included in the calculation of goodwill. IFRS 3 (revised) is not required to be applied retrospectively and may significantly affect profit or loss reported in the period of an acquisition, the amount of goodwill recognised in a business combination and profit or loss reported in future periods.

IAS 27 (amended), "Consolidated and Separate Financial Statements", requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and these transactions will no longer give rise to goodwill or gains and losses. The standard also specifies the accounting when control is lost and any retained interest is remeasured to fair value with gains or losses recognised in profit or loss.

IAS 32, "Financial Instruments: Presentation – Classification of Rights Issues (amendment)", amends the definition of a financial liability in order to classify rights issues as equity instruments in cases where such rights are given pro-rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Amendment to IAS 39, "Financial Instruments: Recognition and Measurement – Eligible hedged items", clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

IFRIC 17, "Distribution of Non-cash Assets to Owners", provides guidance of the accounting arrangements whereby an entity distributes non-cash assets to shareholders as either a distribution or reserves or as dividends. There have been no such transactions.

IFRIC 18, "Transfer of Assets from Customers", applies to instances where entities receive items of property, plant and equipment or cash from customers for the acquisition of such items which are subsequently used to connect the customers to a network or provide access to ongoing services.

Improvements to IFRSs (issued April 2009) deals primarily with removing inconsistencies and clarifying wording.

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2. Summary of significant accounting policies (continued)

New standards and interpretations not applied

The International Accounting Standards Board (IASB) and International Financial Reporting Committee (IFRIC) have also issued the following Standards and Interpretations with an effective date after the date of these financial statements:

		Effective for periods commencing after
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013
IAS 12	Deferred Tax: Recovery of Underlying Assets (amendment to IAS 12 Income Taxes)	1 January 2012
IAS 24	Related Party Disclosure (revised)	1 January 2011
	Improvements to IFRS (issued May 2010)	Various dates
IFRIC 14	Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The Group intends to adopt these standards in the first accounting period after the effective date. The Directors do not anticipate that the adoption of these Standards and Interpretations will have a material effect on the consolidated financial statements in the period of initial application.

3. Revenue

An analysis of the Group's revenue is as follows:

	2011 £000	2010 £000
Sale of goods	**186,852**	160,909
Contract revenue recognised in the year	**41,727**	40,338
Revenue	**228,579**	201,247
Finance revenue	**33**	2,854
Total revenue	**228,612**	204,101

The following balances relate to contracts in progress at the balance sheet date:

	2011 £000	2010 £000
Amounts recoverable from customers included in work-in-progress and other debtors	**7,610**	8,332
Amounts due to customers included in trade and other payables	**(7,547)**	(4,772)

4. Segment information

In conjunction with the transfer of work from the Group's Lincoln facility, several changes to the internal reporting structure were made at the beginning of the year such that the management of a number of product lines previously associated with the Lincoln facility and managed within the Sensors division have been transferred to the RF power solutions division. Furthermore the segments have also been renamed as noted below.

Following these changes, for management purposes, the Group is arranged into three operating divisions, which are organised and managed separately based on the key products that they provide. Each is treated as an operating segment and a reportable segment in accordance with IFRS 8, "Operating Segments".

The operating and reportable segments are:

→ **RF power solutions** (formerly Electron devices and sub-systems) which provides high performance electron devices and sub-systems in three main application areas: radiotherapy; electronic countermeasures; and industrial processing systems.

→ **High performance imaging solutions** (formerly Imaging) which provides advanced Charged Coupled Devices (CCD) and Complimentary Metal Oxide Semiconductor (CMOS) imaging sensors and cameras in three main application areas: machine vision; space imaging; and scientific imaging.

→ **Hi-rel semiconductor solutions** (formerly Specialist semiconductors) which provides high reliability semiconductors and services in two main application areas: aerospace and defence semiconductors; and semiconductor lifecycle management under the Group's SLiM™ brand.

All other, reported below, includes the results of the Group's instrumentation activities, being the remaining business of the Sensor division. These are not a separately reportable segment and for internal reporting purposes are combined with Centre-corporate, which includes those unallocated costs directly associated with the management of the Group's public quotation and other related costs arising for the corporate management of the Group along with treasury related activities.

Information regarding the Group's operating segments is reported below. Amounts reported for the prior year have been restated to conform to the structure effective for the current financial year.

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4. Segment information (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

Year ended 31 March 2011	**RF power solutions £000**	**High performance imaging solutions £000**	**Hi-rel semi-conductor solutions £000**	**All other £000**	**Centre-corporate £000**	**Total operations £000**
Revenue						
Revenue from external customers	**82,113**	**64,913**	**62,667**	**18,886**	**–**	**228,579**
Segment result						
Adjusted segment profit	**12,793**	**12,693**	**15,596**	**69**	**–**	**41,151**
Corporate costs	**–**	**–**	**–**	**–**	**(1,530)**	**(1,530)**
Exchange differences	**–**	**–**	**–**	**–**	**(1,377)**	**(1,377)**
Adjusted operating profit/(loss)	**12,793**	**12,693**	**15,596**	**69**	**(2,907)**	**38,244**
Exceptional operating items and acquired intangible asset amortisation	**(1,205)**	**(2,056)**	**(5,135)**	**(700)**	**1,341**	**(7,755)**
Operating profit/(loss)	**11,588**	**10,637**	**10,461**	**(631)**	**(1,566)**	**30,489**
Net finance costs						**(4,657)**
Profit before tax						**25,832**
Tax charge						**(6,340)**
Profit for the period						**19,492**

Effective 1 April 2011, the management of the Thermal imaging cameras business unit (which during the year ended 31 March 2011 has been included within All other) has been transferred to the High performance imaging solutions division. The sales and adjusted operating profit for the year ended 31 March 2011 of this business unit were £5,785,000 and £410,000 respectively.

Year ended 31 March 2010 (restated)	RF power solutions £000	High performance imaging solutions £000	Hi-rel semi-conductor solutions £000	All other £000	Centre-corporate £000	Total operations £000
Revenue						
Revenue from external customers	78,781	53,814	50,936	17,716	–	201,247
Segment result						
Adjusted segment profit/(loss)	11,198	516	6,715	(132)	–	18,297
Corporate costs	–	–	–	–	(2,625)	(2,625)
Exchange differences	–	–	–	–	(655)	(655)
Adjusted operating profit/(loss)	11,198	516	6,715	(132)	(3,280)	15,017
Exceptional operating items and acquired intangible asset amortisation	1,546	(13,302)	(10,871)	(834)	2,407	(21,054)
Operating profit/(loss)	12,744	(12,786)	(4,156)	(966)	(873)	(6,037)
Net finance costs						(3,683)
Loss before tax						(9,720)
Tax credit						7,454
Loss for the period						(2,266)

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4. Segment information (continued)

Segment assets and other segment information

The following is an analysis of the Group's assets and other information by reportable segment:

Year ended 31 March 2011	RF power solutions £000	High performance imaging solutions £000	Hi-rel semi-conductor solutions £000	All other £000	Centre-corporate £000	Total operations £000
Assets						
Intangible assets	847	271	72,778	9,207	10,699	93,802
Property, plant and equipment	5,363	10,394	4,930	1,557	9,733	31,977
Inventories	15,992	17,419	11,906	2,129	–	47,446
Centre – corporate assets:						
Trade and other receivables	–	–	–	–	50,006	50,006
Other financial assets	–	–	–	–	534	534
Income tax receivable	–	–	–	–	340	340
Deferred income tax asset	–	–	–	–	10,408	10,408
Cash at bank and in hand	–	–	–	–	12,886	12,886
Total assets	22,202	28,084	89,614	12,893	94,606	247,399
Other segment information						
Capital expenditure						
Property, plant and equipment	2,143	422	753	1,474	3,971	8,763
Software	–	–	–	–	599	599
Development costs	461	86	–	209	–	756
Depreciation	1,675	1,390	1,988	2,026	1,858	8,937
Amortisation	457	148	5,351	849	1,709	8,514
Warranty provision – net of arising and released in the year	751	827	(49)	71	–	1,600

Year ended 31 March 2010 (restated)	RF power solutions £000	High performance imaging solutions £000	Hi-rel semi-conductor solutions £000	All other £000	Centre-corporate £000	Total operations £000
Assets						
Intangible assets	814	334	80,681	9,291	12,941	104,061
Property, plant and equipment	5,136	10,082	6,384	2,021	7,743	31,366
Other segment assets	12,516	9,555	9,038	6,372	–	37,481
Centre – corporate assets:						
Trade and other receivables	–	–	–	–	49,194	49,194
Income tax receivable	–	–	–	–	5,155	5,155
Deferred income tax asset	–	–	–	–	10,197	10,197
Cash at bank and in hand	–	–	–	–	27,811	27,811
Total assets	18,466	19,971	96,103	17,684	113,041	265,265
Other segment information						
Capital expenditure						
Property, plant and equipment	385	502	539	587	694	2,707
Software	–	–	–	–	372	372
Development costs	346	253	–	94	–	693
Depreciation	2,182	3,750	2,003	390	1,924	10,249
Amortisation	676	173	7,964	1,102	2,092	12,007
Warranty provision – net of arising and released in the year	1,886	1,385	117	22	–	3,410

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4. Segment information (continued)

The Group is organised such that Centre-corporate is responsible for the management of operations (including production, supply chain and IT) and sales (including credit control). Assets associated with these activities are designated against Centre-corporate in the above analysis (this includes all software owned by the Group). Centre-corporate recharges the segments for the provision of these services. Centre-corporate is also responsible for the Group's treasury function.

Geographical information

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	2011 £000	2010 £000
Revenue by destination		
United Kingdom	**40,002**	41,654
North America	**76,316**	67,002
Europe	**79,188**	66,700
Asia Pacific	**30,066**	24,202
Rest of the World	**3,007**	1,689
	228,579	201,247

	2011 £000	2010 £000
Non-current assets (excluding taxes)		
United Kingdom	**35,287**	33,780
North America	**34,864**	38,795
Europe	**55,617**	62,825
Asia Pacific	**11**	27
	125,779	135,427

5. Exceptional operating items and acquired intangible assets amortisation

	2011 £000	2010 £000
Amortisation of acquired intangible assets	**5,826**	8,600
Business improvement programme expenses	**2,496**	18,682
Last time build inventory provision	**774**	–
Fair value gains on foreign exchange contracts	**(1,341)**	(2,489)
Profit on the sale of Lincoln site	**–**	(3,739)
	7,755	21,054

Amortisation of acquired intangibles was £5,826,000 (2010: £8,600,000) and is analysed in note 14.

After periods of consultation, business improvement programmes were provided for at the Group's Grenoble and Lincoln sites in the year ended 31 March 2010. Costs of £18,682,000 were recorded in that period and principally related to terminations and associated costs, plant decommission costs and receivable provisions. These costs were offset by the credit resulting from the curtailment of the termination allowance and long service award plans (note 29). See note 23 as to the payments during the current financial year against the recorded provision.

Further costs associated with these restructuring programmes were anticipated to arise during the subsequent two financial years. During the year ended 31 March 2011 costs of £2,496,000 have been expensed in relation to moving production from Lincoln to Chelmsford, bonus payments to staff and termination costs.

In association with the closure of the front end fabrication plant in Grenoble a last time stock build programme has been instigated and £774,000 of the inventory built during the period has been provided against to recognise the excess level of inventory held.

The Group, in part, hedges its exposure to foreign currency risks through the use of forward exchange contracts. The changes in the fair value of the instruments are recorded as exceptional items in the income statement. Fluctuations in the exchange rates have resulted in net fair value gains of £1,341,000 (2010: £2,489,000).

The net impairment charge for the year is £nil (2010: £nil) and comprises a reversal of a previous impairment charge on tangible fixed assets of £1,154,000 (2010: £nil) (note 13) and an impairment loss of £1,154,000 (2010: £nil) relating to software (note 14).

On 31 March 2010, the Group agreed the sale of its Lincoln site. Through to February 2011, the Group continued to occupy the site, under licence, as work was transferred to Chelmsford, the new microwave technology centre in Lincoln or was outsourced.

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6. Profit/(loss) for the year

Profit/(loss) from continuing operations is stated after charging/(crediting):

	2011 £000	2010 £000
Research and development expenditure expensed	**11,411**	10,757
Amortisation of capitalised development expenditure	**979**	1,315
Total research and development expense	**12,390**	12,072
Included in cost of sales:		
Depreciation of property, plant and equipment	**8,283**	9,641
Included in distribution and administrative expenses:		
Depreciation of property, plant and equipment	**654**	608
Amortisation of software	**1,709**	2,092
Amortisation of acquired intangibles	**5,826**	8,600
Total depreciation, amortisation and impairment expense	**16,472**	20,941
Foreign currency gains arising from fair value adjustments	**(1,341)**	(2,489)
Other net foreign currency losses	**1,377**	655
Total net foreign currency losses/(gains)	**36**	(1,834)
Government grants receivable	**(990)**	(1,773)
Increase in provision for impairment of trade receivables recognised in administrative expenses	**279**	830
Costs of inventories recognised as an expense	**131,722**	128,261
Including: Write-down of inventories to net realisable value	**795**	1,152
Reversals of impairments in inventories*	**(267)**	(1,156)
Minimum lease payments recognised as an operating lease expense	**1,678**	1,424

*The reversal of impairments arose as a result of changes in demand for products.

7. Auditor's remuneration

	2011 £000	2010 £000
Audit of the company financial statements	**122**	206
Statutory audit fees of subsidiary undertakings	**178**	179
Local non-statutory audit services in relation to subsidiary undertakings	**18**	13
Other services	**–**	386
Total other fees paid to auditor	**196**	578

In the prior year the other services fees related to the work required by the reporting accountant on the Group's firm placing and rights issue. These fees were included in share issue costs which were allocated against the merger reserve.

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8. Staff costs and Directors' remuneration

The average monthly number of employees (including Directors) during the year was made up as follows:

	2011 No.	2010 No.
Manufacturing	**1,055**	1,195
Administration	**426**	471
	1,481	1,666

Their aggregate remuneration comprised:

	2011 £000	2010 £000
Ongoing remuneration costs		
Wages and salaries	**58,398**	59,688
Social security costs	**11,819**	12,303
Defined contribution pension costs (note 29)	**1,507**	1,310
Share based payment charges (note 28)	**47**	356
Termination allowance and long service awards costs (note 29)	**207**	346
	71,978	74,003
Exceptional remuneration costs		
Bonus and retention payments	**1,546**	–
Termination payments	**588**	15,287
Share based payment charges (note 28)	**(39)**	66
Termination allowance and long service awards curtailment gains (note 29)	**(170)**	(1,165)
	1,925	14,188
Total remuneration	**73,903**	88,191

Details of Directors' remuneration for the year are provided in the Directors' Remuneration Report.

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9. Finance costs and revenue

	2011 Before exceptional items £000	2011 Exceptional items £000	2011 Total £000	2010 Before exceptional items £000	2010 Exceptional items £000	2010 Total £000
Bank loan interest	2,710	–	2,710	4,626	–	4,626
Other interest	4	–	4	210	–	210
Interest on defined benefit liabilities (note 29)	118	–	118	189	–	189
Amortisation of debt issue costs	1,820	–	1,820	793	719	1,512
Total interest expense for financial liabilities not at fair value through the income statement	4,652	–	4,652	5,818	719	6,537
Fair value adjustments to interest rate swaps	–	38	38	–	–	–
Total finance costs	4,652	38	4,690	5,818	719	6,537
Bank interest receivable	33	–	33	160	–	160
Fair value adjustments to interest rate swaps	–	–	–	–	90	90
Realised exchange gains on re-denomination of Euro borrowings	–	–	–	–	2,604	2,604
Total finance revenue	33	–	33	160	2,694	2,854

The Group, in part, hedges its exposure to interest rate risks through the use of interest rate swap agreements. The changes in the fair value of the instruments are recorded as exceptional items in the income statement. During the year ended 31 March 2011, fluctuations in the interest rates have resulted in net fair value losses of £38,000 (2010: gain £90,000).

In June and September 2009, the Group repaid its Euro denominated debt and utilised forward exchange contracts to fix the rate at which it would purchase the required Euros. Net exceptional gains of £2,604,000 were recorded on these contracts.

In completing the new bank facility in December 2009, unamortised debt issue costs of £719,000 relating to the prior facility were written off and were treated as an exceptional item.

10. Income tax

Major components of income tax expense for the years ended 31 March 2011 and 2010 are:

	2011 £000	2010 £000
Consolidated income statement		
Current income tax		
Current income tax expense – UK corporation tax	1,572	3,558
Current income tax expense – foreign tax	5,981	(2,614)
Current income tax expense	7,553	944
Adjustments in respect of current income tax of previous years	(80)	1,005
Total current income tax	7,473	1,949
Deferred income tax		
Relating to origination and reversal of temporary differences	(856)	(8,298)
Adjustments in respect of deferred income tax of previous years	(358)	(1,105)
Effect of change in tax rate (note 24)	81	–
Total deferred income tax	(1,133)	(9,403)
Income tax expense/(credit) reported in the Consolidated income statement	6,340	(7,454)

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10. Income tax (continued)

In addition to the amount charged/(credited) to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2011 £000	2010 £000
Current tax		
Relating to exchange differences on loans	**(1,137)**	–
Deferred tax		
Relating to actuarial losses on post-employment benefits	**1**	(118)
Income tax credit recognised directly in other comprehensive income	**(1,136)**	(118)

In addition to the amount charged to the income statement and other comprehensive income, the following amounts related to tax have been recognised directly in equity:

	2011 £000	2010 £000
Deferred tax		
Change in estimated excess tax deductions related to share based payments recognised directly in equity	**(605)**	(14)

A reconciliation of income tax expense applicable to the accounting profit/(loss) before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 March 2011 and 2010 is as follows:

	2011 £000	2010 £000
Accounting profit/(loss) before income tax	**25,832**	(9,720)
At UK statutory income tax rate of 28% (2010: 28%)	**7,233**	(2,722)
Permanent differences	**84**	32
Permanent difference in relation to gain on sale of property	**–**	(904)
Tax relief on research and development	**(2,335)**	(2,332)
Effect of higher taxes on overseas earnings	**1,496**	(1,428)
Share based payments	**(94)**	–
Write-off of deferred tax assets	**313**	–
Adjustments in respect of current income tax of previous years – ongoing	**472**	1,005
Adjustments in respect of current income tax of previous years – exceptional (note 11)	**(552)**	–
Adjustments in respect of deferred income tax of previous years	**(358)**	(1,105)
Change in UK tax rate	**81**	–
Total tax expense/(credit) reported in the income statement	**6,340**	(7,454)

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11. Earnings per share (EPS)

Basic EPS per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The denominators for the purposes of calculating basic and diluted EPS in 2010 have been adjusted to reflect the rights issue in December 2009.

Diluted EPS amounts are calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive options. In the year ended 31 March 2010, a loss for the year was recorded and the share options were anti-dilutive and hence have not been taken into account for the purposes of calculating diluted basic EPS.

Adjusted EPS is considered to more appropriately reflect the underlying performance of the business year on year.

The following reflects the income and share data used in the basic and diluted EPS computations:

	2011 £000	2010 £000
Profit/(loss) for the year	**19,492**	(2,266)
Amortisation of acquired intangible assets	**5,826**	8,600
Business improvement programme expenses	**2,496**	18,682
Last time build inventory provision	**774**	–
Profit on the sale of Lincoln site	**–**	(3,739)
Write-off of debt issue costs	**–**	719
Fair value gains on financial instruments	**(1,303)**	(2,579)
Realised exchange gains on re-denomination of Euro borrowings	**–**	(2,604)
Tax effect of the above	**(2,733)**	(7,700)
Tax credit relating to previous acquisition	**(552)**	–
Adjusted profit attributable to ordinary shareholders	**24,000**	9,113

	2011 No. 000	2010 No. 000
Weighted average number of ordinary shares		
For basic EPS	**213,169**	136,698
Effect of dilution:		
Share options	**2,215**	319
For diluted EPS	**215,384**	137,017

Since the reporting date and before the completion of these financial statements 3,389 shares (2010: nil) have been issued as a result of exercises under share option schemes. The weighted average number of ordinary shares excludes shares held by the EBT and by the Company as treasury shares.

12. Dividends proposed

	2011 £000	2010 £000
2011 Interim dividend paid 27 May 2011 of 1.2p per share (2010: nil pence)	**2,540**	–
2011 Final dividend proposed for approval by the shareholders at the Annual General Meeting of 2.4p per share (2010: nil pence)	**5,080**	–
	7,620	–

The EBT and the Company have waived their right to receive dividends. See note 25 for details of these holdings.

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13. Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Office equipment, fixtures and fittings £000	Assets under construction £000	Total £000
Cost					
At 1 April 2009	14,183	65,444	5,743	869	86,239
Additions	58	1,410	71	1,168	2,707
Disposals	(559)	(4,792)	(316)	–	(5,667)
Reclassifications	88	1,797	134	(2,041)	(22)
Exchange adjustment	(614)	(2,618)	(225)	33	(3,424)
At 1 April 2010	**13,156**	**61,241**	**5,407**	**29**	**79,833**
Additions	**167**	**999**	**203**	**7,394**	**8,763**
Disposals	**(152)**	**(7,014)**	**(872)**	**–**	**(8,038)**
Reclassifications	**1,047**	**3,918**	**735**	**(5,731)**	**(31)**
Exchange adjustment	**(159)**	**199**	**(68)**	**–**	**(28)**
At 31 March 2011	**14,059**	**59,343**	**5,405**	**1,692**	**80,499**
Depreciation					
At 1 April 2009	3,825	38,248	3,915	–	45,988
Provided during the year	1,378	8,082	789	–	10,249
Disposals	(508)	(4,251)	(310)	–	(5,069)
Reclassifications	58	(74)	5	–	(11)
Exchange adjustment	(236)	(2,321)	(133)	–	(2,690)
At 1 April 2010	**4,517**	**39,684**	**4,266**	**–**	**48,467**
Provided during the year	**1,353**	**6,906**	**678**	**–**	**8,937**
Reversal of previous impairment loss	**–**	**(1,154)**	**–**	**–**	**(1,154)**
Disposals	**(152)**	**(6,882)**	**(856)**	**–**	**(7,890)**
Reclassifications	**434**	**(434)**	**–**	**–**	**–**
Exchange adjustment	**(19)**	**230**	**(49)**	**–**	**162**
At 31 March 2011	**6,133**	**38,350**	**4,039**	**–**	**48,522**
Carrying Amount					
At 31 March 2009	10,358	27,196	1,828	869	40,251
At 31 March 2010	8,639	21,557	1,141	29	31,366
At 31 March 2011	**7,926**	**20,993**	**1,366**	**1,692**	**31,977**

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14. Intangible assets

	Patents, trademarks and technology £000	Development costs £000	Software £000	Customer relationships and agreements £000	Goodwill £000	Total £000
Cost						
At 1 April 2009	20,749	14,748	12,432	44,045	97,247	189,221
Additions	–	693	372	–	490	1,555
Disposals	–	–	(267)	–	–	(267)
Reclassifications	–	–	22	–	–	22
Exchange adjustment	(736)	(232)	(130)	(2,041)	(3,776)	(6,915)
At 1 April 2010	**20,013**	**15,209**	**12,429**	**42,004**	**93,961**	**183,616**
Additions	**–**	**756**	**599**	**–**	**–**	**1,355**
Disposals	**–**	**–**	**(4,008)**	**–**	**–**	**(4,008)**
Reclassifications	**–**	**–**	**31**	**–**	**–**	**31**
Exchange adjustment	**(46)**	**90**	**(25)**	**(1,003)**	**(1,638)**	**(2,622)**
At 31 March 2011	**19,967**	**16,055**	**9,026**	**41,001**	**92,323**	**178,372**
Amortisation						
At 1 April 2009	11,596	11,585	7,446	20,224	19,171	70,022
Charge in year	1,773	1,446	2,092	6,696	–	12,007
Disposals	–	–	(253)	–	–	(253)
Reclassifications	–	–	11	–	–	11
Exchange adjustment	(399)	(123)	(97)	(760)	(853)	(2,232)
At 1 April 2010	**12,970**	**12,908**	**9,199**	**26,160**	**18,318**	**79,555**
Charge in year	**1,675**	**1,084**	**1,709**	**4,046**	**–**	**8,514**
Impairment loss	**–**	**–**	**1,154**	**–**	**–**	**1,154**
Disposals	**–**	**–**	**(4,008)**	**–**	**–**	**(4,008)**
Exchange adjustment	**31**	**47**	**(18)**	**(255)**	**(450)**	**(645)**
At 31 March 2011	**14,676**	**14,039**	**8,036**	**29,951**	**17,868**	**84,570**
Carrying Amount						
At 31 March 2009	9,153	3,163	4,986	23,821	78,076	119,199
At 31 March 2010	7,043	2,301	3,230	15,844	75,643	104,061
At 31 March 2011	**5,291**	**2,016**	**990**	**11,050**	**74,455**	**93,802**

The amortisation of acquired intangible assets, presented in note 5 as an exceptional item, relates to amortisation of intangibles acquired through business combinations as follows:

	2011 £000	2010 £000
Patents, trademarks and technology	**1,675**	1,773
Development costs	**105**	131
Customer relationships and agreements	**4,046**	6,696
	5,826	8,600

Goodwill is not amortised but is annually tested for impairment (note 15). All other assets have finite lives.

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15. Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to individual cash generating units for impairment testing as detailed below:

	Siemens high power satcom £000	e2v technologies £000	Dynex microwave alarms £000	e2v scientific instruments £000	e2v semi-conductors SAS – Imaging £000	e2v semi-conductors SAS – Hi-rel semi-conductor solutions £000	MICS £000	e2v aerospace & defense Inc. – QP Semi-conductors £000	Total £000
Cost									
At 1 April 2009	359	9,709	1,344	2,002	10,474	38,017	4,305	31,037	97,247
Additions in year	–	–	–	–	–	–	–	490	490
Exchange adjustment	–	–	–	–	(461)	(1,674)	63	(1,704)	(3,776)
At 1 April 2010	**359**	**9,709**	**1,344**	**2,002**	**10,013**	**36,343**	**4,368**	**29,823**	**93,961**
Exchange adjustment	**–**	**–**	**–**	**–**	**(69)**	**(250)**	**394**	**(1,713)**	**(1,638)**
At 31 March 2011	**359**	**9,709**	**1,344**	**2,002**	**9,944**	**36,093**	**4,762**	**28,110**	**92,323**
Impairment									
At 1 April 2009	359	–	1,344	–	10,474	–	–	6,994	19,171
Exchange adjustment	–	–	–	–	(461)	–	–	(392)	(853)
At 1 April 2010	**359**	**–**	**1,344**	**–**	**10,013**	**–**	**–**	**6,602**	**18,318**
Exchange adjustment	**–**	**–**	**–**	**–**	**(69)**	**–**	**–**	**(381)**	**(450)**
At 31 March 2011	**359**	**–**	**1,344**	**–**	**9,944**	**–**	**–**	**6,221**	**17,868**
Carrying Amount									
At 31 March 2009	–	9,709	–	2,002	–	38,017	4,305	24,043	78,076
At 31 March 2010	–	9,709	–	2,002	–	36,343	4,368	23,221	75,643
At 31 March 2011	**–**	**9,709**	**–**	**2,002**	**–**	**36,093**	**4,762**	**21,889**	**74,455**

The recoverable amount of the goodwill for all cash generating units has been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets and forecasts approved by the Board covering a three year period (2010: four year period). The discount rate applied to cash flow projections is 15% (2010: 15%).

Key assumptions used in valuations

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Operating margins – the basis used to determine the value assigned to the budgeted operating margins is the average margin achieved in the year immediately before the budgeted year, adjusted for any expected changes due to current restructuring programmes, sales mix or efficiency improvements.

Discount rates – discount rates reflect the Directors' estimate of the return on capital employed required in every cash generating unit. This is the benchmark used by the Group to assess operating performance and to evaluate future capital investment proposals. A 15% (2010: 15%) pre-tax discount rate is considered appropriate for the purpose of impairment reviews as it is consistent with the rates used in all investment appraisals. It is considered that the weighted average cost of capital for the cash generating unit concerned would not be materially different.

Growth rates – have been considered separately for every cash generating unit and are based on financial budgets and forecasts for the next three years. After three years, a growth rate of 2.5% (2010: after four years between 2.5% and 3.0%) has been used.

Considering the sensitivity levels for the various cash generating units:

e2v technologies, e2v scientific instruments and **MICS** have sufficient headroom not to be at risk of creating impairment on the usual range of sensitivity tests.

e2v semiconductors SAS – Hi-rel semiconductor solutions
This cash generating unit is based in Grenoble and its operating margins will benefit from the business improvement programme implemented at this site. Headroom for goodwill based on the current forecast is €19.8 million (2010: €6.7 million). Sensitivity levels on these calculations indicate impairment would need to be considered if:

- revenue reduced by 34% (2010: 10%); or
- projected medium term operating margin reduced by 50% (2010: 12%); or
- discount rate of 20.5% (2010: 16.5%) or higher had been selected; or
- at a long term growth rate of nil%, no impairment would be recorded (2010: impairment occurs at a long term growth rate of 0.5%).

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15. Impairment testing of goodwill (continued)

e2v aerospace & defense Inc. – QP Semiconductors
In light of current performance and in conjunction with the Group's strategic review the future prospects of this cash generating unit have been reassessed such that the headroom over goodwill has been identified to be of the order of US$18m (2010: US$31m). Sensitivity levels on these calculations indicate impairment would need to be considered if:

- revenue reduced by 25% (2010: 30%); or
- operating margin reduced by 25% (2010: 30%); or
- discount rate of 18.6% (2010: 21.0%) or higher had been selected; or
- at a long term growth rate of nil% no impairment would be recorded (2010: no impairment at a nil% growth rate).

16. Business combinations

No business combinations have been completed during the current or prior year.

In relation to the acquisition of e2v aerospace and defense Inc. (formerly QP Semiconductor Inc.) additional consideration of £490,000 became due during the prior year on the realisation of certain tax assets and consequently goodwill was increased by that amount.

17. Inventories

	2011 £000	2010 £000
Raw materials and consumables	19,269	17,351
Work-in-progress	18,461	10,465
Finished goods	9,716	7,665
Total inventories at lower of cost and net realisable value	**47,446**	35,481

18. Trade and other receivables (current)

	2011 £000	2010 £000
Trade receivables	40,783	41,246
Other debtors	6,597	8,358
Prepayments and accrued income	2,626	1,590
	50,006	51,194

Trade receivables are non-interest bearing and are generally on 30 or 60 day terms and are shown net of provision for impairment. Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customers. As at 31 March 2011 trade receivables with a value of £760,000 (2010: £1,254,000) were impaired and provided for due to poor payment history, insolvency of the debtor or their age profile. The movements on the provision for impairment of receivables were as follows:

	2011 £000	2010 £000
Provision at 1 April	1,254	1,230
Amounts written off	(227)	(201)
Unused amounts reversed	(317)	(572)
Amounts transferred to accruals	(218)	-
Provisions created in the year	279	830
Foreign exchange on retranslation	(11)	(33)
Provision at 31 March	**760**	1,254

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18. Trade and other receivables (current) (continued)

	Trade receivables past due but not impaired		Impaired trade receivables	
	2011 £000	2010 £000	**2011 £000**	2010 £000
0-30 days overdue	**4,255**	2,072	**224**	11
31-60 days overdue	**669**	690	**118**	3
61-90 days overdue	**434**	230	**21**	11
91-120 days overdue	**185**	–	**37**	52
120+ days overdue	**623**	924	**360**	1,177
Total	**6,166**	3,916	**760**	1,254

The credit quality of the receivables which are neither past due nor impaired is assessed on an ongoing basis and as at the balance sheet date, the risk of impairment was not considered significant.

The Directors consider the carrying amount of trade and other receivables is approximately equal to their fair value.

19. Cash

	2011 £000	2010 £000
Cash at bank and in hand	**12,886**	22,011
Short term deposits	**–**	5,800
	12,886	27,811

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates. The book value of cash also represents its fair value.

20. Trade and other payables

	2011 £000	2010 £000
Trade payables	**25,972**	24,593
Taxation and social security costs	**4,753**	3,470
Other payables	**2,023**	578
Contract balances received on account	**5,604**	3,218
Accruals and deferred income	**18,272**	15,146
	56,624	47,005

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables and other payables are non-interest bearing and are normally settled on 60 day terms or within six months, respectively. Interest payable is settled monthly, quarterly or half-yearly throughout the year depending upon the draw down periods of the term loans and revolving credit facilities.

The Directors consider that the carrying amount of trade payables approximates their fair value.

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21. Borrowings

	2011 £000	2010 £000
Non-current		
Bank debt	**39,582**	69,471

The Group's current banking facility, which became effective on 31 December 2009 and expires on 31 December 2012, comprises term loan and revolving credit facilities. This facility provides for repayments of £10,000,000 against the term loan facility scheduled annually on 31 December, starting from 31 December 2010. In addition to this scheduled £10,000,000 repayment made on 31 December 2010, mandatory prepayments of the term loan totalling £4,721,000 were made during the year. Furthermore the Group cancelled £24,590,000 of the revolving facility during the year. As at 31 March 2011 exchange rates, the total facility is £65,589,000 (2010: £107,486,000) and comprises: £40,972,000 (2010: £56,455,000) of term loans (denominated in Sterling and US dollars) and a revolving credit facility of £24,617,000 (denominated in Sterling and US dollars) (2010: £51,031,000 (denominated in Sterling, US dollars and Euros)).

Provided covenants continue to be met, the draw down under the revolving credit facility is at the discretion of the Group and consequently the loan is treated as non-current.

As at 31 March 2011, £nil (2010: £16,173,000) was drawn down under the revolving credit facility and £40,972,000 (2010: £56,455,000) was drawn down as term loans.

As at 31 March 2011, unamortised debt issue costs were £1,390,000 (2010: £3,157,000). During the year, issue costs of £53,000 (2010: £3,608,000) were incurred in conjunction with arranging the facility, which are being amortised over the expected life of the debt.

The term loan facility can be drawn down for periods of three or six months, at which point the interest rate is set for the draw down period. The revolving credit facility is repaid and re-drawn at periodic intervals ranging from one week to six months, with the interest rate set at each draw down date. Interest is set by reference to LIBOR plus a margin which is determined based on the level of the reported leverage covenant (defined as net borrowings : earnings before interest, tax, depreciation and amortisation).

At 31 March 2011, the Group had available £24,617,000 (2010: £34,858,000) of un-drawn committed borrowing facilities in respect of which all conditions precedent had been met.

The bank loans are secured by a floating charge over the net assets of the Group.

22. Other financial assets and liabilities

	2011 £000	2010 £000
Other financial assets		
Current		
Forward currency contracts	**534**	–
Other financial liabilities		
Current		
Interest rate swap	**(192)**	(708)
Forward currency contracts	**–**	(807)
	(192)	(1,515)
Non-current		
Interest rate swap	**–**	(131)
	(192)	(1,646)

Further details of the derivative financial instruments are included in note 32.

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23. Provisions

	Onerous project losses £000	Environmental £000	Business improvement programme £000	Product warranty £000	Total £000
At 1 April 2010	**480**	**410**	**20,637**	**5,035**	**26,562**
Arising during the year	**1,353**	**920**	**588**	**2,158**	**5,019**
Released during the year	**(9)**	**(150)**	**–**	**(558)**	**(717)**
Utilised	**(6)**	**(208)**	**(10,182)**	**(2,136)**	**(12,532)**
Exchange adjustment	**43**	**–**	**(443)**	**(52)**	**(452)**
At 31 March 2011	**1,861**	**972**	**10,600**	**4,447**	**17,880**
Current 2011	**1,861**	**772**	**8,663**	**4,447**	**15,743**
Non-current 2011	**–**	**200**	**1,937**	**–**	**2,137**
	1,861	**972**	**10,600**	**4,447**	**17,880**
Current 2010	480	212	14,807	5,035	20,534
Non-current 2010	–	198	5,830	–	6,028
	480	410	20,637	5,035	26,562

The effect of the time value of money is not material and therefore the above provisions are not discounted.

Onerous project losses

A provision is recognised for expected losses on projects in progress at the balance sheet date. It is expected that the losses will be incurred in the next financial year.

Environmental

A provision is recognised for expected environmental costs relating to UK manufacturing operations. It is expected that these costs will be incurred within two years of the balance sheet date.

Business improvement programme

With the business improvement programme at Lincoln having been completed during the year, as at 31 March 2011, the restructuring provision relates to the business improvement programme at the Group's Grenoble facility. The front end fabrication plant at Grenoble will be closing in June 2011, after the completion of the last time inventory build programme. French termination payments are made for a period of up to 12 months after a person leaves the business and as such termination payments are expected to be incurred over the period to June 2012. Other payments associated with the programme are expected to be incurred over the period to December 2012.

Product warranty

A provision is recognised for expected warranty claims on products sold that are within their warranty period at the end of the year. The warranty period can be date or hours usage based. It is expected that these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on relevant sales levels and current information available about warranty claims.

24. Deferred tax

The movements on deferred tax liabilities and (assets) during the year are as follows:

	Total £000
At 1 April 2010	**(1,699)**
Credited to income statement	**(1,214)**
Charged to other comprehensive income	**1**
Credited direct to equity	**(605)**
Effect of change in tax rate – income statement	**81**
Exchange adjustment	**(340)**
At 31 March 2011	**(3,776)**

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24. Deferred tax (continued)

Deferred income tax balances relate to the following:

	2011 £000	2010 £000
Deferred income tax liabilities		
Accelerated depreciation for tax purposes	**319**	599
Fair value of intangible assets	**6,079**	8,500
Fair value of land and buildings	**476**	757
Revaluation of financial instruments	**97**	–
	6,971	9,856
Deferred income tax assets		
Employment benefits	**(1,492)**	(323)
Revaluation of financial instruments	**–**	(461)
Share based payment charges	**(762)**	(99)
Deferred tax allowances on provisions and accruals	**(8,389)**	(9,368)
Losses carried forward	**(104)**	(1,304)
	(10,747)	(11,555)
Net deferred income tax (asset)	**(3,776)**	(1,699)
Deferred tax asset	**(10,408)**	(10,197)
Deferred tax liability	**6,632**	8,498
	(3,776)	(1,699)

At 31 March 2011, the UK government had enacted a 1% reduction in the main rate of UK corporation tax and substantively enacted a further 1% reduction in the main rate of UK corporation tax reducing the rate from 28% to 26% from 1 April 2011. The UK deferred tax balances as at 31 March 2011 have been calculated based on the application of the reduced 26% UK corporation tax rate and the effect of the re-measurement has been recorded in the income statement or statement of other comprehensive income as appropriate.

The UK government has also proposed reducing the UK corporation tax rate by a further 1% per annum to 23% by 1 April 2014. These further rate changes have not been substantially enacted at the balance sheet date and their effects are not therefore included in these financial statements. We do not expect the enactment of these changes will have a material effect on the deferred tax balance of the Group.

There are no income tax consequences for the Company attaching to the payment of dividends to its shareholders.

Management have reviewed the situation for those jurisdictions where deferred assets arise and have determined, based on current forecasts prepared by management, that these assets can be recovered through future taxable profits within a reasonable time horizon.

As at 31 March 2011, the aggregate amount of undistributed earnings of overseas subsidiaries for which deferred tax liabilities have not been recognised is approximately £71 million (2010: £66 million). No liability has been recognised in respect of these differences because the Group is in the position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It is likely that the majority of the overseas earnings would qualify for the UK dividend exemption.

As at 31 March 2011, the Group has unused and unrecognised tax losses arising in Switzerland of £7 million (2010: £8 million) available for offset against future profits. They expire between now and 2016.

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25. Called up share capital

Ordinary shares issued and fully paid, 5p each	No.	£000
At 1 April 2009	62,569,593	3,128
Shares issued – share placing November 2009	31,428,571	1,571
Shares issued – rights issue December 2009	120,854,782	6,043
Issued for cash on exercise of share options	1,110	–
At 31 March 2010	214,854,056	10,742
Issued for cash on exercise of share options	**7,855**	**–**
At 31 March 2011	**214,861,911**	**10,742**

	Held by Company		Held by EBT	
Own shares	**No.**	**£000**	**No.**	**£000**
At 1 April 2009	–	–	518,856	5
Rights acquired during the year	–	–	268,877	–
At 31 March 2010	–	–	787,733	5
Shares acquired during the year	**2,400,000**	**2,177**	**–**	**–**
At 31 March 2011	**2,400,000**	**2,177**	**787,733**	**5**

The market value of the own shares at 31 March 2011 was £3,682,000 (2010: £311,000). See notes 26 and 28.

During the year the Company increased its issued share capital on the exercise of options under share option schemes. Total proceeds from shares issued under exercise of share options amounts to £2,400 (2010: £400).

During the prior year, 31,428,571 new ordinary shares of 5p each were placed with institutions at a price of 70 pence per share on 22 November 2009 and 120,854,782 new ordinary shares of 5p each were issued under a rights issue with existing shareholders on 6 December 2009. The gross proceeds of these issues were £55,839,000 and issue costs of £3,646,000 were incurred (some of which had been accrued but not paid at 31 March 2010) resulting in net proceeds of £52,193,000. The firm placing and rights issue were enacted via the use of a new subsidiary Eberry Capital Limited, registered in Jersey; in each transaction RBS Hoare Govett subscribed for greater than 10% of the ordinary shares and 100% of 3 classes of preference shares in the subsidiary, which was subsequently exchanged for an allotment of the newly issued ordinary shares in the Company.

Under the terms of the Group's various share option schemes (see note 28 for further details), the following options to subscribe for ordinary shares are outstanding:

Date of Grant	Option price (pence)	Exercise period	2011 No.	2010 No.
Long Term Incentive Plan				
16 July 2007	–	From 14 July 2010	**–**	318,997
15 July 2008	–	From 15 July 2011	**515,615**	567,676
16 April 2009	–	From 16 April 2012	**–**	63,296
5 May 2009	–	From 5 April 2012	**105,626**	105,626
24 June 2009	–	From 24 June 2012	**591,619**	742,423
3 August 2010	–	From 3 August 2013	**2,235,964**	–
3 August 2010	–	From 3 August 2014	**2,235,987**	–
18 November 2010	–	From 3 August 2013	**106,367**	–
18 November 2010	–	From 3 August 2014	**11,093**	–
Executive Share Option Plan				
12 January 2007	250.56	1 February to 31 December 2010	**–**	71,199
20 December 2007	160.51	1 January to 31 December 2011	**–**	287,960
Share Save Scheme				
9 February 2007	222.12	1 April to 30 September 2010	**–**	69,255
11 January 2008	142.18	1 March to 31 August 2011	**93,533**	142,458
4 February 2009	142.18	1 March to 31 August 2012	**22,142**	37,168
14 August 2009	36.02	1 November 2012 to 30 April 2013	**3,786,254**	3,975,687
8 December 2010	89.75	1 January 2014 to 30 June 2014	**362,235**	–
			10,066,435	6,381,745

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26. Reserves

Nature and purpose of reserves

Share premium reserve

Generally, additions to this reserve are made when shares are issued, for cash or otherwise, by the Company for amounts in excess of their nominal value. This reserve can be utilised to issue fully paid bonus shares, to write-off any issue costs and to provide for any premium payable on the redemption of any debentures of the Company.

Merger reserve

As discussed in note 25, both the placing and the rights issue undertaken in the prior financial year were affected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital being recognised within a merger reserve, which the Directors' believe is currently distributable.

Own shares reserve

The own share reserve records movements in e2v technologies plc's shares held by the EBT or the Company. The movement in the year relates to the shares purchased by the Company during the year (note 25).

Capital redemption reserve

The capital redemption reserve is used to record reserve transfers required on the redemption of shares. This reserve is not distributable.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the net investments hedged in these subsidiaries.

27. Commitments and contingencies

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain properties, motor vehicles and items of machinery where it is not in the best interest of the Group to purchase these assets. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	2011 £000	2010 £000
No later than one year	**1,727**	1,471
After one year but not more than five years	**1,374**	2,947
	3,101	4,418

Capital commitments

At 31 March 2011, the Group has commitments of £1,137,000 (2010: £727,000) principally relating to the acquisition of new plant and equipment.

Contingent liabilities

In the ordinary course of business, the Group may issue performance and advance payment guarantees to third parties. As at 31 March 2011, guarantees of £2,603,000 (2010: £3,790,000) were outstanding. The Directors are of the opinion that the risk to the Group associated with these guarantees is not material and consequently no provision is recorded.

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28. Equity settled share based payments

The Group operates four share based award schemes as follows:

Long Term Incentive Plan (LTIP)

Those awards issued prior to 31 March 2010 vest on the third anniversary of the date of the award subject to performance targets being met. Targets relate to Total Shareholders' Return (TSR) relative to the TSR of a specified list of peer group companies. In addition, no award will vest (irrespective of the Group's relative TSR performance) unless an adjusted EPS growth "underpin" of Retail Price Index (RPI) plus 2% over the three year performance period has been satisfied (unless the Remuneration Committee considers, in exceptional circumstances, that it would be inappropriate to apply this "underpin"). For those awards made during the year vesting will occur in August 2013 and August 2014 and are subject to a target level of TSR being achieved at the vesting date. All awards under this scheme have a nil exercise price and have no end date by which they must be exercised. The following table provides details of awards made under this scheme:

	2011 No.	2010 No.
Outstanding at the beginning of the year	**1,798,018**	792,725
Granted in the year	**5,009,345**	647,350
Awards lapsed during the year	**(1,005,092)**	(341,049)
Adjustment for rights issue	**–**	698,992
Outstanding at the end of the year	**5,802,271**	1,798,018

Shares in relation to the LTIP will initially be issued from those currently held by the EBT and from those held in treasury by the Company. See note 25 for the number of shares held and for the resulting balance recorded within reserves.

There were no options exercisable at the balance sheet date (2010: nil).

Executive Share Option Plan (ExSOP)

The Group has an ExSOP for the granting of non-transferable options to certain employees. Options granted under the plan vest on the first day on which they become exercisable which is typically three years after the grant date. The overall life of the options is under four years. The vesting period for the ExSOP is finite allowing eligible employees to exercise the option in a fixed period, once conditions are met. These options are settled in equity once exercised. The options may not be exercised unless, over the vesting period, the adjusted EPS has increased by a fixed percentage above the RPI as detailed below.

For a period of three years, commencing with the financial year in which the option is granted, the increase in EPS must be more than the increase in RPI as follows:

	Tier 1	**Tier 2**	**Tier 3**
EPS exceeds RPI by 15%	20%	40%	100%
EPS exceeds RPI by 20%	50%	100%	
EPS exceeds RPI by 25%	100%		

The EPS is adjusted EPS, calculated on a consistent basis over the three year period, and excludes amortisation of acquired intangibles, business improvement programme expenses and other items determined to be of a non-recurring nature. The percentages in the above table are the percentages of the option that will vest should the performance criteria be achieved.

All options issued under the ExSOP lapsed during the year.

The following table illustrates the number, weighted average remaining contractual life and the weighted average exercise prices (WAEP) of share options for the ExSOP.

	2011 No.	**2011 WAEP (pence)**	2010 No.	2010 WAEP (pence)
Outstanding at the beginning of the year	**359,159**	**178.36**	403,500	258.08
Lapsed during the year	**(359,159)**	**178.36**	(180,575)	224.34
Adjustment for rights issue	**–**	**–**	136,234	n/a
Outstanding at the end of the year	**–**	**–**	359,159	178.36
Exercisable at the end of the year	**–**	**–**	79,110	241.56
Weighted average remaining contractual life (months)		**–**		19

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28. Equity settled share based payments (continued)

Share Incentive Plan (SIP)

No awards have been made to date under this scheme.

Share Save Scheme (SAYE)

The Group operates an HM Revenue and Customs approved SAYE for all UK employees and Executive Directors and managers can apply to join the scheme.

The following table illustrates the number, weighted average remaining contractual life and the weighted average exercise prices (WAEP) of share options for the SAYE.

	2011 No.	**2011 WAEP (pence)**	2010 No.	2010 WAEP (pence)
Outstanding at the beginning of the year	**4,224,568**	**43.58**	691,388	244.16
Exercised during the year	**(7,855)**	**36.02**	(1,110)	36.02
Lapsed during the year	**(328,019)**	**98.18**	(654,507)	198.98
Granted during the year	**375,470**	**89.75**	2,595,296	57.00
Adjustment for rights issue	**–**	**–**	1,593,501	n/a
Outstanding at the end of the year	**4,264,164**	**43.46**	4,224,568	43.58
Exercisable at the end of the year	**149,500**	**103.20**	–	n/a
Weighted average share price on date of exercise of options (pence)		**90.90**		39.50
Weighted average remaining contractual life (months)		**26**		30

The fair value of all share option plans is estimated as at the date of grant. For LTIP awards during the year and for all awards in the previous year the binomial model has been utilised. The fair value of the SAYE awards during the year has utilised the Black-Scholes model. The following table gives the assumptions made. No subsequent amendments have been made to assumptions estimated at the date of grant.

	Dividend yield %	**Expected volatility %**	**Risk free interest rate %**	**Expected life of option years**	**Fair value of option pence**
LTIP					
Awards granted 16 April 2009	4.0%	52%	2.08%	3 years	57.6
Awards granted 5 May 2009	4.0%	58%	1.98%	3 years	77.7
Awards granted 24 June 2009	4.0%	62%	2.06%	3 years	35.2
Awards granted 3 August 2010	**4.4%**	**68%**	**1.19%**	**3 years**	**29.9**
Awards granted 3 August 2010	**5.0%**	**61%**	**1.61%**	**4 years**	**31.2**
Awards granted 18 November 2010	**3.5%**	**70%**	**1.20%**	**2.71 years**	**40.4**
Awards granted 18 November 2010	**3.8%**	**64%**	**1.76%**	**3.71 years**	**42.6**
SAYE					
Awards granted 14 August 2009	4.0%	60%	2.23%	3.25 years	14.6
Awards granted 8 December 2010	**3.4%**	**66%**	**1.61%**	**3.25 years**	**30.7**

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

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29. Pensions, other post-employment and other employment benefits

Defined contribution plans

The Group has defined contribution plans in the UK and North America, covering substantially all of its employees, which require contributions to be made to a separately administered fund. The Group contributes to state schemes for Continental European activities. Such schemes are defined contribution schemes and there is no Group exposure to any scheme liabilities. Contributions of £165,000 (2010: £155,000) were outstanding at the end of the financial year and have been included in other creditors.

Other post-employment and other employment benefits

In addition to the state pension scheme, e2v semiconductors SAS has unfunded arrangements where there are obligations to provide termination allowances and 'Medailles du Travail' (long service awards). The liability has been calculated at 31 March 2011 by a qualified actuary using the projected unit credit method. The cost of providing these benefits is charged to the income statement in the period in which those benefits have been earned by the employees. Actuarial gains and losses are recognised in full in the period in which they arise. For the termination allowance the actuarial gains and losses are recorded in other comprehensive income whereas for the long service award the actuarial gains and losses are recorded in the income statement.

The main assumptions used in determining the liabilities of the arrangements include the discount rate for discounting scheme liabilities, the expected rate of salary inflation, staff turnover rates and future mortality in service assumptions. For each of these assumptions, there is a range of possible values. Relatively small changes in some of these variables can have a significant effect on the level of the total obligation.

As at 31 March 2011, a non-current liability of £2,941,000 (2010: £2,839,000) has been recognised with respect to the termination allowance and long service award.

The table below details the combined present value of the termination allowance and long service awards plan obligations and experience adjustments recognised.

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of plan's obligations	**3,125**	2,839	3,527	3,206	2,792
Past service cost not yet recognised in the balance sheet	**(184)**	–	–	–	–
Liability recorded in the balance sheet	**2,941**	2,839	3,527	3,206	2,792
Experience (losses)/gains recognised in the year	**(135)**	(114)	(336)	(108)	226

A plan amendment has arisen due to change in rules of the termination allowance scheme. The liability will be charged to the income statement over the average remaining service life of the employees in the scheme.

£37,000 (2010: credit £819,000) of administrative expenses and £118,000 (2010: £189,000) of interest expense have been recognised in the income statement.

	Long service award		**Termination allowance**		**Total**	
	2011 £000	2010 £000	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Service cost	**52**	62	**112**	142	**164**	204
Interest on defined benefit liabilities	**33**	55	**85**	134	**118**	189
Actuarial gains and losses	**30**	142	**–**	–	**30**	142
Past service cost	**–**	–	**13**	–	**13**	–
Curtailment	**(37)**	(324)	**(133)**	(841)	**(170)**	(1,165)
Total expense/(income)	**78**	(65)	**77**	(565)	**155**	(630)

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29. Pensions, other post-employment and other employment benefits (continued)

The actuarial gains and losses relating to the long service award are recorded in the income statement whilst those relating to the termination allowance are recorded in other comprehensive income. The actuarial loss recognised for the current and prior year can be analysed as follows:

	Long service award		Termination allowance		Total	
	2011 £000	2010 £000	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Demographic changes	**56**	51	**135**	71	**191**	122
Staff turnover	**–**	12	**–**	18	**–**	30
Salary increases	**–**	(29)	**–**	(87)	**–**	(116)
Discount rate	**(39)**	119	**(72)**	253	**(111)**	372
Change in retirement age	**–**	–	**(24)**	–	**(24)**	–
Difference between the benefits paid	**13**	(11)	**(45)**	90	**(32)**	79
Total actuarial gains and losses	**30**	142	**(6)**	345	**24**	487

The cumulative amount of actuarial gains and losses recognised since 1 August 2006 (date of acquisition of the liabilities) in the Consolidated statement of comprehensive income and expense is £17,000 (2010: £23,000).

Changes in the present value of the defined benefit obligation are given below:

	Long service award		Termination allowance		Total	
	2011 £000	2010 £000	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Opening defined benefit obligation	**876**	1,060	**1,963**	2,467	**2,839**	3,527
Exchange rate movement	**(3)**	(47)	**(3)**	(112)	**(6)**	(159)
Service cost	**52**	62	**112**	142	**164**	204
Interest expense	**33**	55	**85**	134	**118**	189
Benefits paid	**(34)**	(72)	**–**	(172)	**(34)**	(244)
Actuarial loss/(gain)	**30**	142	**(6)**	345	**24**	487
Past service cost	**–**	–	**190**	–	**190**	–
Effect of business improvement programme	**(37)**	(324)	**(133)**	(841)	**(170)**	(1,165)
Closing defined benefit obligation	**917**	876	**2,208**	1,963	**3,125**	2,839

The valuation assumptions used to estimate the defined benefit obligation are:

	2011	2010
Retirement age	**64 years**	64 years
Discount rate	**4.88%**	4.59%
Salary increases – administration	**2.54%**	2.54%
Salary increases – operators	**3.12%**	3.12%
Salary increases – engineers	**3.19%**	3.19%
Staff turnover rates – administration	**1.85%**	1.85%
Staff turnover rates – operators	**1.20%**	1.20%
Staff turnover rates – engineers	**2.50%**	2.50%

The actuarial valuation takes account of estimated mortality rates up to the date of retirement. The mortality rates are based on the French mortality tables TF 2000-2002 (women) and TH 2000-2002 (men). No account is taken of post-retirement mortality rates as there is no liability after the date of retirement.

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30. Related party disclosures

Compensation of key management personnel of the Group

Key management comprises the Board of Directors. Further details of their remuneration can be found in the Directors' Remuneration Report.

	2011 £000	2010 £000
Short term employee benefits (including social security)	**1,342**	1,008
Compensation for loss of office (including social security)	**–**	186
Defined contribution pension costs	**68**	65
Share based payments	**50**	59
Total compensation paid to key management personnel	**1,460**	1,318

No Director had any material interest in any contract connected with the Group's business during the year or at the end of the year.

31. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Group also enters into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the year is discussed in note 32. The Group's accounting policies in relation to derivatives are set out in note 2.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long term debt obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed upon notional principal amount. At 31 March 2011, after taking into account the effect of interest rate swaps, approximately 65% (2010: 99%) of the Group's borrowings were at a fixed rate of interest.

Based on the borrowings and interest rate swaps outstanding at the end of the year and assuming constant exchange rates, it is estimated that an increase of 1% in interest rates on the Group's borrowings would increase the annual interest payable by £0.2m (2010: £nil). A 1% increase in interest rates on bank deposits is estimated to increase finance income by less than £0.1m (2010: less than £0.1m).

Foreign currency risk

The Group has operations in the United States, Europe and Asia. As a result the Group's balance sheet can be affected significantly by movements in the US dollar and Euro exchange rates. The Group does not currently hedge this exposure, other than by using foreign currency borrowings, in part, to finance overseas investments.

The Group also has transactional currency exposures. Such exposure arises from sales by an operating unit in currencies other than the unit's functional currency. Approximately 82% (2010: 79%) of the Group's sales are outside of the UK and a significant proportion of these sales are not Sterling and therefore subject to foreign exchange. The Group also incurs operational costs in both US dollars and Euros. The Group manages its transactional currency exposures centrally by using forward currency contracts to minimise the net currency exposures. It is the Group's policy to enter into forward exchange contracts to cover specific foreign currency receipts and payments within the next 12 months on a reducing proportion basis.

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31. Financial risk management objectives and policies (continued)

The following table demonstrates the Group's sensitivity to a reasonably possible strengthening in the US dollar and a weakening of the Euro exchange rates in relation to Sterling with all other variables held constant. The obverse movements would be of the same magnitude. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the balance sheet date. The sensitivity excludes external loans as exchange gains and losses on retranslation are not reported within profit before taxation.

	Change in US$/Euro rate	Effect on profit before tax £000
2011 – US$	**20% strengthening in US$**	**1,290**
2011 – Euro	**20% weakening in Euro**	**(943)**
2010 – US$	20% strengthening in US$	(2,890)
2010 – Euro	20% weakening in Euro	(2,580)

The increase (2010: reduction) in profit before tax in respect of US dollar sensitivity includes a loss of £2,803,000 (2010: £4,472,000) in relation to the estimated effect on the valuation of forward foreign currency exchange contracts. The reduction in profit before tax in respect of the Euro sensitivity includes a loss of £919,000 (2010: £949,000) in relation to the estimated effect on the valuation of forward foreign currency exchange contracts.

The effect of translating the net assets of foreign operations into Sterling is excluded from the sensitivity analysis. The Group has no foreign currency exposure with regard to transactions accounted for directly within equity.

The Group's net borrowings are subject to currency risk due to cash and bank borrowings held in foreign currencies. The analysis of net borrowings by currency is shown in the table below:

		Year end exchange rate	2011 £000
Denominated in Euro	**€ 3,740,000**	**1.13**	**3,305**
Denominated in US dollar	**$ 6,738,000**	**1.61**	**4,191**
Denominated in Sterling	**£ (36,046,000)**	**1.00**	**(36,046)**
Other currencies			**464**
			(28,086)

		Year end exchange rate	2010 £000
Denominated in Euro	€ 5,674,000	1.12	5,049
Denominated in US dollar	$ (47,055,000)	1.52	(31,063)
Denominated in Sterling	£ (18,965,000)	1.00	(18,965)
Other currencies			162
			(44,817)

Credit risk

The Group trades only with businesses it considers creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

With respect to credit risk arising from financial assets of the Group, which comprise trade and other receivables and cash, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Group.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance lease contracts. The Group's policy is to use funds in excess of the ongoing operating requirements to make early repayments against the bank borrowings.

The Group's objective is to maintain a positive cash balance at a level adequate for daily operations while retaining the option to use revolving credit facilities for short term flexibility as necessary.

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31. Financial risk management objectives and policies (continued)

The table below summarises the maturity profile of the Group's non-derivative financial liabilities at 31 March 2011 and 2010 based on contractual undiscounted payments.

	Carrying amount £000	Contractual cash flows £000	Within 1 year £000	1-2 years £000	2-3 years £000
31 March 2011					
Interest-bearing loans and borrowings (note 21)	**39,582**	**40,972**	**10,000**	**30,972**	**–**
Interest payable on loans and borrowings	**130**	**3,059**	**1,755**	**1,304**	**–**
Trade and other payables	**47,061**	**47,061**	**47,061**	**–**	**–**
Onerous project losses	**1,861**	**1,861**	**1,861**	**–**	**–**
	88,634	**92,953**	**60,677**	**32,276**	**–**
31 March 2010					
Interest-bearing loans and borrowings	69,471	72,628	11,525	10,000	51,103
Interest payable on loans and borrowings	1,265	8,413	4,516	2,336	1,561
Trade and other payables	40,468	40,468	40,468	–	–
Onerous project losses	480	480	480	–	–
	111,684	121,989	56,989	12,336	52,664

The carrying value of interest-bearing loans and borrowings is after a deduction for unamortised debt issue costs of £1,390,000 (2010: £3,157,000). Interest payable on loans and borrowings is calculated on an undiscounted basis at borrowing rates applicable at the end of the year and only takes into account scheduled repayments on the term loan.

The maturity analysis for derivative financial liabilities is detailed in note 32.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's capital comprises shareholders' funds as detailed in notes 25 and 26 and net borrowings as detailed above and in note 21. The Group manages its capital structure through maintaining close relationships with its bankers who provide the majority of funds used for operational requirements.

During the year, as detailed in note 25, the Group has purchased 2,400,000 shares in the Company. These shares are being held as treasury shares and are seen as a hedge against those shares which may be required to be transferred to satisfy options under the LTIP scheme as they vest.

The Group is required to maintain covenant ratios in respect of: leverage (defined as net debt to earnings before interest, tax, depreciation and amortisation); interest cover (defined as net interest costs to earnings before interest, tax and amortisation) and, if leverage is greater than 1.25:1, cash cover (defined as operating cash flow to debt servicing costs). The Group has met its covenant ratios for the year ended 31 March 2011.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

As a result of the significant improvement in profits the Company has restored its progressive dividend programme with an interim dividend of 1.2p per share and a proposed final dividend of 2.4p per share.

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32. Financial instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

	Carrying amount		Fair value	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Financial assets				
Loans and receivables				
Cash	**12,886**	27,811	**12,886**	27,811
Forward currency contracts	**534**	–	**534**	–
Financial liabilities				
Interest-bearing loans and borrowings				
Floating rate borrowings	**(39,582)**	(69,471)	**(40,972)**	(72,628)
Held for trading at fair value through profit or loss				
Forward currency contracts	**–**	(807)	**–**	(807)
Interest rate swaps	**(192)**	(839)	**(192)**	(839)

The carrying value of interest-bearing loans and borrowings is after a deduction for debt issue costs of £1,390,000 (2010: £3,157,000).

Fair value hierarchy

In accordance with IFRS 7, "Financial Instruments: Disclosures", the Group classifies fair value measurement using a fair value hierarchy that reflects the significance of inputs used in making measurements of fair value. The fair value hierarchy has the following levels:

Level 1 quoted prices (unadjusted) in active markets for identifiable assets or liabilities;

Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of interest rate swap contracts and forward currency contracts are calculated by management based on external valuations received from the Group's bankers and are based on future interest yields and forward exchange rates, respectively. The fair value measurement basis of the instruments is categorised within Level 2. The carrying amount of the other financial instruments of the Group, i.e. short term trade receivables, payables and provisions that are not included in the above table, is a reasonable approximation of fair value.

Currency – forward exchange contracts

The Group holds several forward exchange contracts designated to reduce the transactional exchange risk of US dollar denominated sales to customers. The terms of these contracts are as follows:

Total currency value of contracts	Average exchange rate	Maturing within 1 year £000
31 March 2011		
US$9,100,000	**US$: £1.5613**	**5,829**
US$8,200,000	**US$: €1.3135**	**5,517**
31 March 2010		
US$17,850,000	US$: £1.6227	11,000
US$8,600,000	US$: €1.3641	5,610

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32. Financial instruments (continued)

Interest rate swaps

The Group has interest rate swap agreements in place in relation to its term loan whereby it pays a fixed or secured rate of interest and receives a variable rate equal to the notional amount.

Notional amount	Maturity	Secured rate	Variable rate
31 March 2011			
£26,250,000	**31 December 2011**	**2.018%**	**3 month GBP LIBOR**
31 March 2010			
£26,250,000	31 December 2011	1.955%	3 month GBP LIBOR
US$24,400,000	31 December 2011	1.38%	3 month USD LIBOR
€24,710,063	12 July 2011	3.31% - 5.00%	6 month EUR Euribor

Based on exchange rates and interest rates on the balance sheet date the Group's liability under the interest rate swap arrangements on an undiscounted basis is a payment of £79,000 on a quarterly basis through to 31 December 2011. The Group's equivalent liability at 31 March 2010 was quarterly payments of £130,000 through to 31 December 2010 and quarterly payments of £105,000 through to December 2011.

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Independent auditor's report to the members of e2v technologies plc

We have audited the consolidated financial statements of e2v technologies plc for the year ended 31 March 2011 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of cash flows, the Consolidated statement of changes in equity and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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' statement of responsibilities set out in the Directors' Report, the Directors are responsible for the preparation of the consolidated 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 consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the consolidated financial statements:

→ give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its profit for the year then ended;

→ have been properly prepared in accordance with IFRSs as adopted by the European Union; and

→ have been prepared in accordance with the requirements of Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

→ 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 Report 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:

→ 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 Report has not been prepared by the Company.

Under the Listing Rules we are required to review:

→ the Directors' Report in relation to going concern;

→ the part of the Corporate Governance Report 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.

Other matter

We have reported separately on the parent company financial statements of e2v technologies plc for the year ended 31 March 2011 and on the Directors' Remuneration Report that is described as having been audited.

Robert Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Cambridge

3 June 2011

Notes:

1 The maintenance and integrity of the e2v website is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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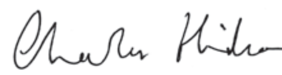
Company balance sheet

As at 31 March 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Tangible assets	2	**–**	–
Investments	3	**120,462**	120,281
		120,462	120,281
Current assets			
Debtors			
– due within one year	4	**26,197**	18,821
– due after one year	4	**22,791**	179
Cash at bank and in hand		**7**	600
		48,995	19,600
Creditors: amounts falling due within one year	5	**(9,212)**	(3,573)
Net current assets		**39,783**	16,027
Total assets less current liabilities		**160,245**	136,308
Creditors: amounts falling due after more than one year	6	**(39,582)**	(31,974)
Net assets		**120,663**	104,334
Capital and reserves			
Called up share capital	8	**10,742**	10,742
Share premium account	9	**41,783**	41,780
Merger reserve	9	**44,557**	44,579
Capital redemption reserve	9	**274**	274
Own shares reserve	9	**(2,182)**	(5)
Retained earnings	9	**25,489**	6,964
Equity shareholders' funds	10	**120,663**	104,334

Approved by the Board of Directors on 3 June 2011.

K Attwood
Chief Executive



C Hindson
Group Finance Director

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Notes to the financial statement

1. Accounting policies

Basis of preparation

The separate financial statements of e2v technologies plc (Company) are presented as required by the Companies Act 2006 (Act) and were approved for issue by the Board of Directors on 3 June 2011. They have been prepared on the historical cost basis, with the exception of financial instruments as described below, and in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP).

As permitted under section 408 of the Act the Company has elected not to present its own profit and loss account for the year. The profit dealt with in the financial statements of the parent company is disclosed in note 9.

The Company has taken exemption from the requirement to prepare a cash flow statement under the terms of FRS 1 (revised), "Cash Flow Statements".

The Company has taken advantage of the exemption in paragraph 2D of FRS 29, "Financial Instruments: Disclosures", and has not disclosed information required by the Standard as the consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7, "Financial Instruments: Disclosures".

The Company has taken advantage of the exemption available under FRS 8, "Related Party Disclosures", and not disclosed related party transactions with wholly owned subsidiary undertakings.

The principal accounting policies adopted are set out below and have been applied consistently in the current and prior financial year.

Going concern

The Directors, having considered all of the relevant information, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and as such believe that it is appropriate to prepare the financial statements on a going concern basis, as detailed in the Directors' Report. These financial statements have therefore been prepared on a going concern basis which assumes that the Company will be able to meet its liabilities as they fall due for the foreseeable future.

Foreign currencies

The presentation and functional currency of the Company is Sterling. Transactions denominated in foreign currencies are recorded at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Currency translation differences are recognised in the profit and loss account.

Tangible assets

Motor vehicles are stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided so as to write-off the cost of the asset on a straight-line basis over the estimated useful life of three years. The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments in subsidiaries are held at historical cost less provision for impairment. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rate and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

The Company contributes to personal pension arrangements for its employees. The pension cost is the amount of contributions payable in the year. Differences between contributions payable in the year and contributions paid are shown either as accruals or prepayments in the balance sheet.

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1. Accounting policies (continued)

Share based payments

Employees (including Directors) of the Company receive remuneration in the form of share based transactions, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model, further details of which are given in note 28 to the consolidated financial statements. In valuing equity settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each reporting date reflects the extent to which the vesting period has expired and management's best estimate of the number of awards that will ultimately vest.

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the Company in its individual financial statements with the Company recording an increase in its investment in subsidiaries and a credit to equity.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. If a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new shares are treated as if they were a modification of the original award.

Dividend income

Dividend income from subsidiary undertakings is recognised at the point the dividend has been declared. Dividends declared after the balance sheet date are not recognised in the profit and loss account.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. After initial recognition, interest-bearing bank loans are subsequently measured at amortised cost using the effective interest method.

A financial liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments have been recognised as assets and liabilities measured at their fair values at the balance sheet date. Changes in the fair values have been recognised in the profit and loss account as they do not qualify for hedge accounting.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Own shares

Shares in e2v technologies plc held by the Company or the Employee Benefit Trust (EBT) are stated at cost and are presented in the balance sheet as a deduction from equity.

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2. Tangible assets

Motor vehicles	£000
Cost	
At 1 April 2010 and **31 March 2011**	**12**
Accumulated depreciation	
At 1 April 2010 and **31 March 2011**	**12**
Net book value	
At 31 March 2010 and **31 March 2011**	**–**

3. Investments

Equity interests in subsidiary undertakings	£000
Cost	
At 1 April 2010	**132,179**
Additions – share option awards to employees of subsidiary undertakings	**181**
At 31 March 2011	**132,360**
Impairment	
At 1 April 2010 and **31 March 2011**	**11,898**
Net book value	
At 31 March 2010	120,281
At 31 March 2011	**120,462**

Interests in Group undertakings

The Company has investments in the following subsidiary undertakings that principally affect the profits or net assets of the Group. Shares are held directly by the Company, except where noted below. The Company has control over 100% of the ordinary share capital in respect of each of its subsidiary undertakings. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

Name of undertaking	Country of incorporation	Principal activity
e2v technologies (UK) Limited	England & Wales	Electronic component manufacturer
e2v technologies GmbH(1)	Germany	Sales & distribution
e2v Limited	England & Wales	Sales & distribution
e2v scientific instruments Limited	England & Wales	Electronic component manufacturer
e2v technologies SAS	France	Holding company
e2v semiconductors SAS(2)	France	Electronic component manufacturer
e2v SAS(2)	France	Sales & distribution
e2v Holdings Inc.	USA	Holding company
e2v Inc.(3)	USA	Sales & distribution
e2v aerospace and defense Inc. (formerly QP Semiconductor Inc.)(3)	USA	Electronic component manufacturer
e2v technologies overseas (holdings) Limited	England & Wales	Holding company, sales & distribution
e2v Asia Pacific Limited(4)	Hong Kong	Sales & distribution
MiCS Microchemical Systems SA(4)	Switzerland	Electronic component manufacturer
e2v microsensors SA(4)	Switzerland	Electronic component manufacturer

(1) held through e2v technologies (UK) Limited.
(2) held through e2v technologies SAS.
(3) held through e2v Holdings Inc.
(4) held through e2v technologies overseas (holdings) Limited.

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4. Debtors

	2011 £000	2010 £000
Amounts due within one year		
Amounts receivable from subsidiary undertakings	**26,041**	18,643
Other debtors	**31**	91
Prepayments and accrued income	**125**	87
	26,197	18,821
Amounts due after more than one year		
Amounts receivable from subsidiary undertakings	**22,673**	–
Deferred tax asset (note 7)	**118**	179
	22,791	179
	48,988	19,000

5. Creditors: amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	**201**	1,574
Amounts payable to subsidiary undertakings	**6,819**	67
Other taxation and social security costs	**409**	156
Other creditors – pension contributions	**13**	15
Accruals and deferred income	**1,578**	1,605
Interest rate swaps	**192**	156
	9,212	3,573

6. Creditors: amounts falling due after more than one year

	2011 £000	2010 £000
Bank loans	**39,582**	31,843
Interest rate swaps	**–**	131
	39,582	31,974

Details of banking facilities available and the maturity of the debt are provided in note 21 to the consolidated financial statements. The bank loans are secured by a floating charge over the net assets of the Group.

Interest rate swaps

Interest rate swaps are recorded in the balance sheet at fair value and mature as follows:

	2011 £000	2010 £000
Due within one year	**192**	156
After more than one year and less than two years	**–**	131
	192	287

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7. Deferred tax asset

	£000
At 1 April 2010	**179**
Charged to profit and loss account	**(61)**
At 31 March 2011	**118**

Deferred tax is comprised as follows:

	2011 £000	2010 £000
Other timing differences	**118**	179

The Company is part of a UK tax group and management has determined that based on the current forecast prepared the deferred tax assets are recoverable against future taxable profits of that Group and a valuation allowance is not required.

8. Called up share capital

Ordinary shares issued and fully paid	No.	£000
At 1 April 2010	**214,854,056**	**10,742**
Employee share option schemes – options exercised	**7,855**	**–**
At 31 March 2011	**214,861,911**	**10,742**

Details of movements in shares held by the Company and by the EBT are also given in note 25 to the consolidated financial statements.

The information as disclosed in the Group's consolidated financial statements under IFRS 2, "Share Based Payment", is comparable with the UK GAAP disclosure requirements under FRS 20, "Share Based Payment", therefore please refer to note 28 to the consolidated financial statements for further information regarding the Company's equity settled share based payment arrangements. The following Long Term Incentive Plan (LTIP), Share Save Scheme (SAYE) and Executive Share Option Plan (ExSOP) awards, number and weighted average exercise price (WAEP) relate to employees of the Company.

LTIP	2011 No.	2010 No.
Outstanding at the beginning of the year	**1,798,018**	792,725
Lapsed during the year	**(928,726)**	(341,049)
Granted during the year	**2,813,385**	647,350
Adjustment for rights issue	**–**	698,992
Outstanding at the end of the year	**3,682,677**	1,798,018
Exercisable at the end of the year	**–**	–

SAYE	2011 No.	2011 WAEP (pence)	2010 No.	2010 WAEP (pence)
Outstanding at the beginning of the year	**146,764**	**40.13**	24,663	225.00
Employee transfer	**–**	**–**	2,048	225.00
Lapsed during the year	**(30,877)**	**55.56**	(25,995)	189.48
Granted during the year	**–**	**–**	89,157	57.00
Adjustment for rights issue	**–**	**–**	56,891	n/a
Outstanding at the end of the year	**115,887**	**36.02**	146,764	40.13
Exercisable at the end of the year	**–**	**n/a**	–	n/a
Weighted average remaining contractual life (months)		**19**		30

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8. Called up share capital (continued)

ExSOP	2011 No.	2011 WAEP (pence)	2010 No.	2010 WAEP (pence)
Outstanding at the beginning of the year	**11,076**	**199.10**	–	–
Employee transfer	–	–	12,000	273.58
Lapsed during the year	**(11,076)**	**199.10**	(5,000)	215.50
Adjustment for rights issue	–	–	4,076	n/a
Outstanding at the end of the year	–	–	11,076	199.10
Exercisable at the end of the year	–	**n/a**	–	n/a
Weighted average remaining contractual life (months)		–		9

9. Reserves

	Share premium £000	Merger reserve £000	Capital redemption £000	Own shares £000	Retained earnings £000	Total £000
At 1 April 2010	41,780	44,579	274	(5)	6,964	93,592
Profit for the year	–	–	–	–	18,517	18,517
Shares issued (net of issue costs)	3	(22)	–	–	–	(19)
Treasury shares purchased during the year	–	–	–	(2,177)	–	(2,177)
Share based payments	–	–	–	–	(173)	(173)
Share options issued to employees of subsidiary undertakings	–	–	–	–	181	181
At 31 March 2011	41,783	44,557	274	(2,182)	25,489	109,921

The Directors believe that the merger reserve is distributable. The reserve for own shares arises in connection with the e2v technologies plc shares held by the Company and by the Company's EBT, a discretionary trust established to facilitate the operation of the Company's LTIP for senior management. See notes 25 and 28 to the consolidated financial statements for further details.

10. Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Profit/(loss) for the year	**18,517**	(1,973)
Shares issued (net of issue costs)	**(19)**	52,193
Treasury shares purchased	**(2,177)**	–
Share based payments	**(173)**	137
Share options issued to employees of subsidiary undertakings	**181**	306
Net increase in shareholders' funds	**16,329**	50,663
Opening shareholders' funds	**104,334**	53,671
Closing shareholders' funds	**120,663**	104,334

For details on dividends paid and proposed since the year end refer to note 12 to the consolidated financial statements.

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11. Commitments and contingent liabilities

The Company has no contracts for future expenditure which have not been provided for (2010: £nil).

The Company acts as a guarantor on the Group's borrowing facilities. Loans of £nil (2010: £37,628,000) were drawn by subsidiary undertakings at the balance sheet date.

12. Directors' remuneration

Details of Directors' remuneration, pension benefits and share option awards are included in the Directors' Remuneration Report.

13. Auditor's remuneration

The auditor's remuneration for the audit of the Company is disclosed in note 7 to the consolidated financial statements. Fees paid to the auditors for non-audit services to the Company are not required to be disclosed in the Company's financial statements because consolidated financial statements are prepared which disclose such fees on a consolidated basis.

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Independent auditor's report to the members of e2v technologies plc

We have audited the parent company financial statements of e2v technologies plc for the year ended 31 March 2011 which comprise the parent company Balance sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practices).

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' statement of responsibilities set out in the Directors' Report, the Directors are responsible for the preparation of the parent company 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 parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Other matter

We have reported separately on the consolidated financial statements of e2v technologies plc for the year ended 31 March 2011.

Robert Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Cambridge

3 June 2011

Notes:

1. The maintenance and integrity of the e2v website is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Notice of Annual General Meeting (AGM)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in e2v technologies plc, please forward this document and the accompanying Form of Proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice of an Annual General Meeting of e2v technologies plc to be held at 3 p.m. on Wednesday 27 July 2011 at Investec Investment Banking, 2 Gresham Street, London, EC2V 7QP is set out in this document.

A Form of Proxy for use in connection with the Annual General Meeting is enclosed. To be valid, the Form of Proxy should be completed and returned to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZX. Alternatively, if you are a CREST member, you can appoint a proxy through the CREST electronic proxy appointment service in accordance with the procedures set out in the CREST Manual, further details of which are given in the notes to this document.

The Form of Proxy must be received by 3 p.m. on Monday 25 July 2011. Completion and return of the Form of Proxy or a CREST Proxy Instruction will not prevent you from attending and voting at the Annual General Meeting in person, should you so wish.

Notice is hereby given that the next Annual General Meeting of e2v technologies plc (the Company) will be held at Investec Investment Banking, 2 Gresham Street, London, EC2V 7QP at 3 p.m. on Wednesday 27th July 2011, for the following purposes:

Ordinary business

1 To receive and adopt the financial statements and the reports of the Directors and auditor for the year ended 31 March 2011 (resolution 1).

2 To declare a final dividend of 2.4 pence per Ordinary Share for the year ended 31 March 2011 (resolution 2).

3 To elect Krishnamurthy Rajagopal as a Director (resolution 3).

4 To elect Kevin Dangerfield as a Director (resolution 4).

5 To re-elect Keith Attwood (who was due to retire by rotation) as a Director (resolution 5).

6 To re-appoint Ernst & Young LLP as the Company's auditor (resolution 6).

7 To authorise the Directors to determine the remuneration of Ernst & Young LLP (resolution 7).

8 To approve the Directors' Remuneration Report as set out in the Annual Report for the year ended 31 March 2011 (resolution 8).

9 To generally and unconditionally authorise the Directors pursuant to section 551 of the Companies Act 2006 (the Act) to exercise all the powers of the Company:

9.1 to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company "Relevant Securities", up to a maximum aggregate nominal amount of £3,541,088; and further

9.2 to allot Relevant Securities comprising equity securities (within the meaning of section 560 of the Act) up to an aggregate nominal amount of £3,541,088 in connection with an offer by way of a rights issue in favour of holders of ordinary shares of 5 pence each in the capital of the Company (Ordinary Shares) in proportion (as nearly as may be practicable) to their existing holdings of Ordinary Shares but subject to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to fractional entitlements or any legal, regulatory or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;

for a period expiring (unless previously revoked, varied or renewed) on 27 October 2012 or, if sooner, the end of the next Annual General Meeting of the Company, but the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after this authority expires and the Directors may allot Relevant Securities in pursuance of such offer or agreement as if this authority had not expired (resolution 9).

All previous unutilised authorities given to the Directors pursuant to section 80 Companies Act 1985 or section 551 of the Act shall cease to have effect at the conclusion of this Annual General Meeting, save to the extent that those authorities are exercisable pursuant to section 551(7) of the Act by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date.

10 To resolve as a special resolution that subject to the passing of resolution 9 above, the Directors be generally empowered pursuant to section 570 and section 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash, pursuant to the authority conferred by resolution 9 as if section 561(1) of the Act did not apply to such allotment, provided that this power shall expire on 27 October 2012 or, if sooner, the end of the next Annual General Meeting of the Company. This power shall be limited to the allotment of equity securities:

10.1 in connection with an offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement save that in the case of an allotment pursuant to the authority conferred by paragraph 9.2 of resolution 9, such offer shall be by way of rights issue only) in favour of holders of Ordinary Shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings of Ordinary Shares but subject to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to fractional entitlements or any legal, regulatory or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

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Ordinary business (continued)

10.2 otherwise than pursuant to paragraph 10.1 up to an aggregate nominal amount of £531,163;

but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after this power expires and the Directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired (resolution 10).

The power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(2)(b) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by resolution 9" were omitted.

All previous unutilised powers given to the Directors pursuant to section 95 Companies Act 1985 or section 570 of the Act shall cease to have effect at the conclusion of this Annual General Meeting.

11 To resolve as a special resolution that the Company be generally authorised pursuant to section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares on such terms and in such manner as the Directors shall determine, provided that:

11.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 21,246,530;

11.2 the maximum price which may be paid for each Ordinary Share shall be the higher of (i) 5 per cent above the average of the middle market quotations for an Ordinary Share (as derived from The Stock Exchange Daily Official List) for the five business days immediately before the day on which the purchase is made and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out or otherwise as stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (2273/2003/EC) (in each case exclusive of expenses);

11.3 the minimum price which may be paid for each Ordinary Share shall be 5 pence; and

11.4 this authority (unless previously revoked, varied or renewed) shall expire on 27 October 2012 or, if sooner, the end of the next Annual General Meeting of the Company except in relation to the purchase of Ordinary Shares the contract for which was concluded before such date and which will or may be executed wholly or partly after such date (resolution 11).

Special business

12 To consider and, if thought fit, pass a resolution as a special resolution that general meetings (other than any Annual General Meeting) of the Company may be called on not less than 14 clear days notice (resolution 12).

By order of the Board

Charlotte Parmenter
Company Secretary

6 June 2011

e2v technologies plc
Company No. 4439718

Registered office
106 Waterhouse Lane
Chelmsford
Essex CM1 2QU

Registered number
4439718

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Notes

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and to speak and vote instead of him/her. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
2. A proxy form which may be used to make such appointment and give proxy directions accompanies this notice. If you do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Equiniti on the telephone number(s) given in note 16 below.
3. To be valid a form of proxy and, if applicable, any power of attorney or other authority under which it is signed, or a notarially certified copy of such power of authority, should be sent so as to reach Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZX not less than 48 hours before the start of the meeting.
4. Members returning a form of proxy will also be able to attend the meeting and vote in person should they wish to do so.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement have a right to give instructions to the member as to the exercise of voting rights.
6. The statement of the rights of members in relation to the appointment of proxies in notes 1, 2 and 3 above does not apply to Nominated Persons. The rights described in those notes can only be exercised by members of the Company.
7. For the purposes of determining who is entitled to attend and vote (whether on a poll or otherwise) at the meeting, a person must be entered on the register of members by 6.00 p.m. on 25 July 2011 (or, in the event of any adjournment, by 6:00 p.m. on the date which is two days before the date of the adjourned meeting) and shall be able to vote only on those Ordinary Shares registered in that person's name at that time. Any changes to entries made after the relevant deadline shall be disregarded in determining the rights of any person to attend or vote at the meeting.
8. As at 3 June 2011 the Company's issued share capital comprised 212,465,300 Ordinary Shares (excluding treasury shares). Each Ordinary Share carries the right to vote on a poll at a general meeting of the Company and, therefore, the total voting rights in the Company as at that date are 212,465,300. As at 3 June 2011, the Company held 2,400,000 Ordinary Shares as treasury shares.
9. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
10. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 Companies Act 2006. Where the Company is required to place a statement on a website under section 527 Companies Act 2006, it must forward the statement to the Company's auditor no later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 Companies Act 2006 to publish on a website.
11. A copy of this notice, and other information required by section 311A Companies Act 2006, can be found on the website at www.e2v.com.
12. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
13. There will be available for inspection at Macfarlanes LLP, 20 Cursitor Street, London EC4A 1LT during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) and at Investec Investment Banking, 2 Gresham Street, London, EC2V 7QP for at least 15 minutes prior to and during the Annual General Meeting, the letter of appointment of each non-executive Director.
14. You may not use any electronic address provided in this notice of Annual General Meeting for communicating with the Company for any purposes other than those expressly stated.
15. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

    In order for a CREST proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in compliance with Euroclear UK & Ireland Limited's specifications and must contain the necessary information, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti (ID RA19) no later than 3 p.m. on Monday 25 July 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner required by CREST. After that time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

    CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

    The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) Uncertificated Securities Regulations 2001.
16. If you have any questions relating to this notice of Annual General Meeting or the completion and return of the form of proxy, you can contact Equiniti's helpline on 0871 384 2689. Calls to this number cost 8p per minute from a BT landline. Other providers' costs may vary. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday. Callers from outside the UK should dial +44 (0) 121 415 7047.

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Explanation of AGM Business

These notes are intended to help you understand the effect and purpose of the resolutions proposed.

Resolution 1 – To receive and adopt the Annual Report and Consolidated Financial Statements

The Company's consolidated financial statements and the reports of its Directors and Auditor in respect of the year ended 31 March 2011 (the Annual Report and Consolidated Financial Statements) are being sent to shareholders with the Notice of Annual General Meeting. The Directors recommend that the Company adopt the Annual Report and Consolidated Financial Statements.

Resolution 2 – Declaration of dividend

Following the Company's Interim Management Statement in January 2011 and the Year End Trading Update in April 2011 the Board announced its intention to return to a progressive dividend policy. For the financial year ended 31 March 2011, the Board intends to pay dividends totalling 3.6 pence per ordinary share. Of this, 1.2 pence per share has been paid as an interim dividend on 27 May 2011 to e2v shareholders on the register as at 3 May 2011 and, subject to approval by shareholders, 2.4 pence per share will be paid on 3 August 2011 to e2v shareholders on the register as at 8 July 2011 as a final dividend. Resolution 2 asks shareholders to approve this final dividend.

Resolution 3 – To elect Krishnamurthy Rajagopal as a Director

Krishnamurthy Rajagopal was appointed as a new Non-Executive Director of the Company on 1 November 2010. Information on Krishnamurthy Rajagopal may be found in the section of the Annual Report and Consolidated Financial Statements on the Board of Directors.

The Company's articles of association state that when the Board appoints a new Director, that Director must retire and is eligible for re-election at the next Annual General Meeting. Krishnamurthy Rajagopal will therefore retire and stand for re-election at this year's Annual General Meeting.

Krishnamurthy Rajagopal's letter of appointment may be terminated by the Company on notice. A copy of his letter of appointment is available for inspection at the registered office of the Company and will be available for inspection at the Annual General Meeting.

Resolution 4 – To elect Kevin Dangerfield as a Director

Kevin Dangerfield was appointed as a new Non-Executive Director of the Company on 28 January 2011. Information on Kevin Dangerfield may be found in the section of the Annual Report and Consolidated Financial Statements on the Board of Directors.

The Company's articles of association state that when the Board appoints a new Director, that Director must retire and is eligible for re-election at the next Annual General Meeting. Kevin Dangerfield will therefore retire and stand for re-election at this year's Annual General Meeting.

Kevin Dangerfield's letter of appointment may be terminated by the Company on notice. A copy of his letter of appointment is available for inspection at the registered office of the Company and will be available for inspection at the Annual General Meeting.

Resolution 5 – To re-elect Keith Attwood as a Director

The Company's articles of association state that each Director shall retire at the Annual General Meeting held in the third calendar year following the year in which he was elected or last re-elected but such Director(s) shall be eligible for re-election. In accordance with these provisions of the Company's articles, Keith Attwood is due to retire at this year's Annual General Meeting and will stand for re-election.

Information on Keith Attwood is in the section of the Annual Report and Consolidated Financial Statements on the Board of Directors. The Chairman confirms that, following formal performance evaluation, the Directors' performance continues to be effective and demonstrates commitment to their respective roles, including time commitments for Board and committee meetings. Keith Attwood is also the Chief Executive Officer of the Group and has extensive relevant experience which allows him to contribute to the Group's development.

The Board is therefore of the opinion that Keith Attwood should be re-elected to the Board.

Resolutions 6 and 7 – To re-appoint Ernst & Young LLP as auditor and to authorise the Directors to determine their remuneration

These resolutions propose that Ernst & Young LLP should be re-appointed as the Company's auditor and that the Directors be authorised to determine their remuneration.

Resolution 8 – To approve the Directors' Remuneration Report

The Companies Act 2006 requires listed companies to put a resolution to shareholders at each Annual General Meeting to approve the Directors' Remuneration Report, which forms part of the Annual Report. The vote is advisory in nature.

Resolution 8 in the Notice of Annual General Meeting, which will be proposed as an ordinary resolution, asks shareholders to approve the Directors' Remuneration Report, which can be found in the Annual Report and Consolidated Financial Statements.

Resolution 9 – Authority to allot shares

The Companies Act 2006 prevents Directors from allotting unissued shares, other than pursuant to an employee share scheme, without the authority of shareholders in general meeting. In certain circumstances this could be unduly restrictive. The Directors' existing authority to allot shares, which was granted at the Annual General Meeting held on 29 July 2010, will expire at the end of this year's Annual General Meeting.

Resolution 9 in the Notice of Annual General Meeting will be proposed, as an ordinary resolution, to authorise the Directors to allot ordinary shares of 5 pence each in the capital of the Company up to a maximum nominal amount of £3,541,088 representing approximately 33.3 percent of the nominal value of the ordinary shares in issue on 3 June 2011, excluding treasury shares, and up to a further maximum nominal amount of £3,541,088 (representing approximately a further 33.3 percent of the nominal value of the ordinary shares in issue on 3 June 2011) where the allotment is in connection with an offer by way of rights issue. As at 3 June 2011, the Company held 2,400,000 ordinary shares as treasury shares. This authority complies with institutional investor guidelines.

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The authority conferred by the resolution will expire on 27 October 2012 or, if sooner, at the end of next year's Annual General Meeting (unless previously revoked, varied or renewed).

The Directors have no present plans to allot unissued shares other than on the exercise of share options under the Company's employee share option schemes. However, the Directors believe it to be in the best interests of the Company that they should continue to have this authority so that such allotments can take place to finance appropriate business opportunities that may arise.

Resolution 10 – To disapply pre-emption rights

Unless they are given an appropriate authority by shareholders, if the Directors wish to allot any of the unissued shares for cash or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must first offer them to existing shareholders in proportion to existing holdings. These are known as pre-emption rights.

The existing disapplication of these statutory pre-emption rights, which was granted at the Annual General Meeting held on 29 July 2010 will expire at the end of this year's Annual General Meeting. Accordingly resolution 10 in the notice of Annual General Meeting will be proposed, as a special resolution, to give the Directors power to allot shares without the application of these statutory pre-emption rights: first, in relation to offers of equity securities by way of rights issue, open offer or similar arrangements (save that in the case of an allotment pursuant to the authority conferred by paragraph 9.2 of resolution 9, such offer shall be by way of rights issue only); and second, in relation to the allotment of equity securities for cash up to a maximum aggregate nominal amount of £531,163 (representing approximately 5 percent of the nominal value of the ordinary shares in issue on 3 June 2011 excluding treasury shares).

The powers conferred by this resolution will expire on 27 October 2012 or, if sooner, at the end of next year's Annual General Meeting. However, the Company may make an offer or agreement prior to the expiry of this power which would or might require equity securities to be allocated after the expiry of this power as if statutory pre-emption rights did not apply to such allotments. In this case, Directors will be permitted to allot such securities pursuant to such offer or agreement as if this power had not expired.

In accordance with the guidelines issued by the Pre-Emption Group, the Directors confirm their intention that no more than 7.5 percent of the issued share capital will be issued for cash on a non pre-emptive basis during any three year period.

Resolution 11 – Company's authority to purchase its own shares

At the Annual General Meeting of the Company held on 29 July 2010, the Company was authorised to make market purchases of up to 21,485,406 of its own ordinary shares. The Company has made purchases under this authority of 2,400,000 shares leaving a balance of 19,085,406.

Resolution 11 in the notice of Annual General Meeting, which will be proposed as a special resolution, will authorise the Company to make market purchases of up to 21,246,530 ordinary shares. This equals 10 percent of the Company's ordinary shares in issue on 3 June 2011. The maximum price that may be paid shall be the higher of (i) 5 percent above the average of the middle market quotations for an ordinary share for the five business days immediately before the day on which the purchase is made and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out or otherwise in accordance with Article 5(1) of the Buy-back and Stabilisation Regulation (2273/2003/EC) (in each case exclusive of expenses). The minimum price which may be paid for each ordinary share shall be 5 pence.

The authority conferred by this resolution will expire on 27 October 2012 or, if sooner, at the end of next year's Annual General Meeting.

Your Directors are committed to managing the Company's capital effectively and buying back the Company's ordinary shares is one of the options they keep under review. Purchases would only be made after considering the effect on earnings per share, and the benefits for shareholders generally.

The Company may hold in treasury any of its own shares that it purchases in accordance with the Companies Act 2006 and the authority conferred by this resolution. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with greater flexibility in the management of its capital base.

As at 3 June 2011, there were options outstanding over 10,018,108 ordinary shares which, if exercised at that date, would have represented 4.7 percent of the Company's issued ordinary share capital. If the authority given by resolution 11 were to be fully used, these would then represent 5.1 percent of the Company's issued ordinary share capital.

Resolution 12 – Notice of general meetings

Changes made to the Companies Act 2006 by the Shareholder Rights' Regulations increase the notice period required for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot be less than 14 clear days. Annual General Meetings will continue to be held on at least 21 clear days' notice.

Before the coming into force of the Shareholder Rights' Regulations on 3 August 2009, the Company was able to call general meetings (other than an Annual General Meeting) on 14 clear days' notice without obtaining such shareholder approval.

The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

Note that the changes to the Companies Act 2006 mean that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

Voting recommendation

The Directors believe that the resolutions which are to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and recommend all shareholders to vote in favour of them, as each of the Directors intend to do in respect of his own beneficial holding.

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General information

Directors

C Geoghegan (Chairman)

K Attwood (Chief Executive)

C Hindson

A Reading

J Brooks

Dr. K Rajagopal (appointed 1 November 2010)

K Dangerfield (appointed 28 January 2011)

Company Secretary

C Parmenter

Registered Office

106 Waterhouse Lane
Chelmsford
Essex CM1 2QU

Solicitors

Macfarlanes LLP
20 Cursitor Street
London EC4A 1LT

Birkett Long
Ocean House
Waterloo Lane
Chelmsford
Essex CM1 1BD

Bankers

Barclays Bank plc
1 Churchill Place
London E14 5HP

Lloyds TSB Bank plc
10 Gresham Street
London EC2V 7AE

HSBC Bank plc
8 Canada Square
London E14 5HQ

The Royal Bank of Scotland plc
250 Bishopsgate
London EC2M 4AA

Auditors

Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge CB5 8DZ

Registrars

Equiniti
The Causeway
Worthing
West Sussex BN99 6DA

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e2v technologies plc
106 Waterhouse Lane
Chelmsford
Essex CM1 2QU
United Kingdom

T +44 (0)1245 493 493
F +44 (0)1245 492 492

Investor relations enquiries to:
investorfeedback@e2v.com

e2v.com