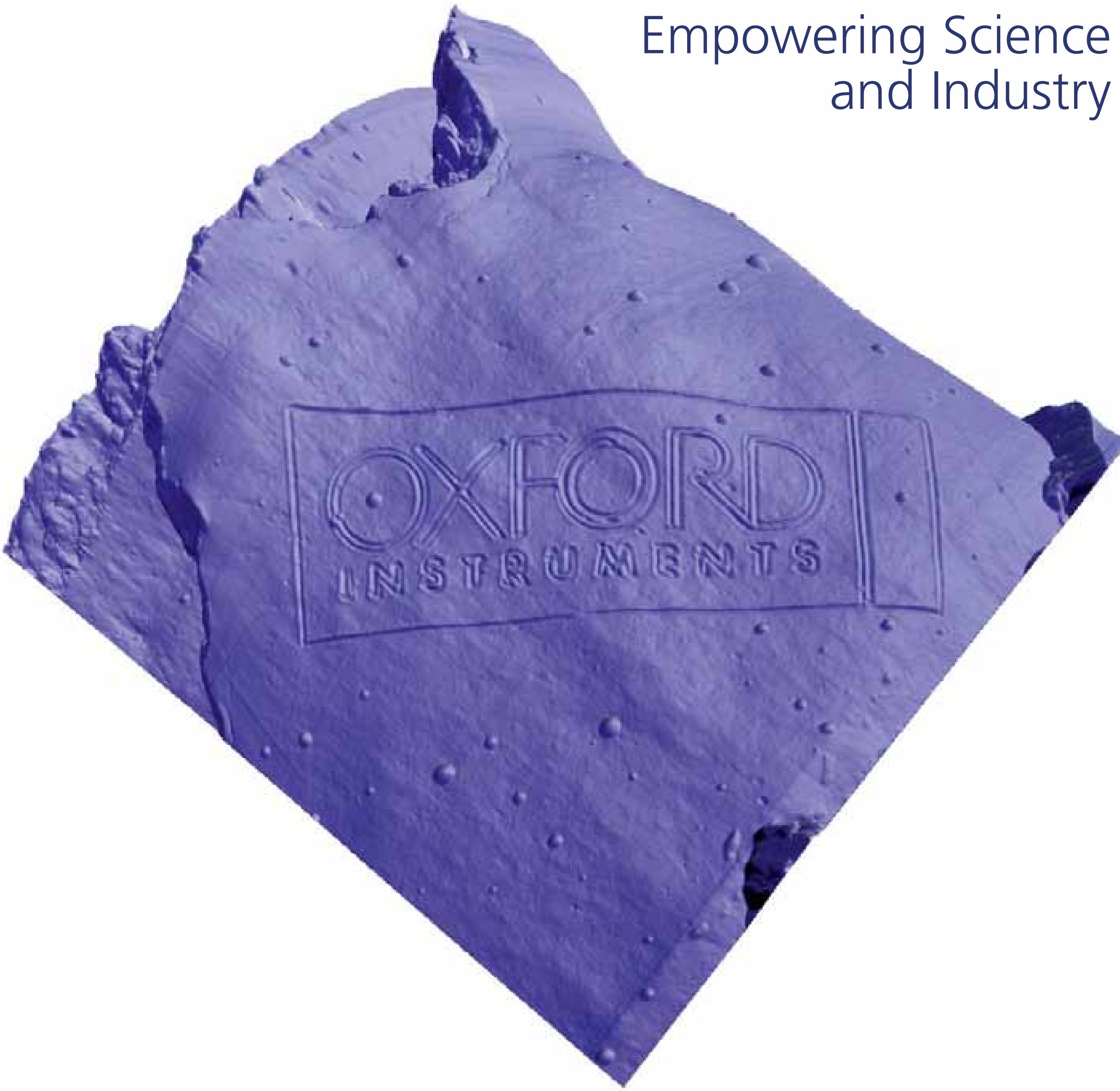
OXFORD
INSTRUMENTS

The Business of Science®

Empowering Science and Industry



Oxford Instruments plc

Report and Financial Statements 2016

Oxford Instruments plc is a leading provider of high technology tools and systems for industry and research.

We use innovation to turn smart science into world-class products that support research and industry to address the great challenges of the 21st Century.

WHAT'S INSIDE

Strategic Report

We discuss developments and the global issues that have had an impact on our business

Governance

Read about how we manage our Company and maintain high standards

Financial Statements

See how we are performing in light of developments in the past year

Company information

Additional information about us

Front cover image: the Oxford Instruments logo etched onto a human hair using atomic force microscopy. Using this technique we are easily measuring features 100,000 times smaller than the diameter of a hair.

Highlights

The Group delivered profit growth against a difficult macroeconomic backdrop.

Revenue (£m)

2016	361.6
2015	380.1

£361.6m
-4.9%

Continuing adjusted earnings per share[1] (p)

2016	49.2
2015	48.4

49.2p
+1.7%

Adjusted profit before tax[1] (£m)

2016	37.0
2015	35.7

£37.0m
+3.6%

Dividend per share (p)

2016	13.0
2015	13.0

13.0p

Orders (£m)

2016	380.8
2015	382.4

£380.8m
-0.4%

Our NanoTechnology Tools and Service sectors delivered steady performance, whilst Industrial Products continued to face pressure due to weakness in its end markets, in particular structural changes within the superconducting wire market. The Medical Imaging Resources, Inc ("MIR") acquisition has progressed well and has made a considerable contribution to the increase in revenues, orders and profit within the Service sector. We have placed our Omicron business into a joint venture with GDI's Scientia Scientific AB, which is making good progress towards profitability. Margins for the Group increased in the year, supported by the successful delivery of our cost reduction programme.

Read more
page 14

Highlights include:

- adjusted profit before tax up 3.6%, in line with expectations;
- reported revenue down 4.9%, and 5.7% at organic constant currency[1], driven by structural changes within the superconducting wire market and completion of a service contract;
- strong cash performance with operating cash flow up 27.5%; leverage maintained at 2.3 times;
- improved profit performance in NanoTechnology Tools and Service sectors; decline in Industrial Products due to market softness;
- early action on cost reduction delivered operational benefits of £9.4 million; and
- appointment of Ian Barkshire as Chief Executive in line with succession plan, and Gavin Hill as Group Finance Director. Alan Thomson to assume Chairman role in September 2016.

1. Throughout these financial statements we make reference to adjusted numbers. These are presented as, in the opinion of the Directors, they present a clearer picture of the business performance. A full definition of adjusted numbers can be found in Note 1. Where we make reference to organic numbers, these exclude the effect of acquisitions and disposals. Where we make reference to constant currency numbers, these are prepared using the exchange rates which prevailed in the previous year rather than the actual exchange rates which prevailed in the year.

Our Business

As one of the world's first university spin-out companies, we have been at the forefront of technological innovation for more than 55 years.

Through our deep understanding of our customers we use our innovation to turn smart science into world class solutions and services that support research and industry to address the great challenges of the 21st Century.

OUR BUSINESS IS STRUCTURED AROUND THREE SEGMENTS THAT REFLECT OUR EXPERTISE AND BUSINESS OBJECTIVES:

NanoTechnology Tools

High technology tools to characterise, analyse, manipulate and fabricate at the nanoscale

Read more page 14

Industrial Products

Technologically superior tools and components for industrial applications

Read more page 18

Service

Supplying knowledgeable support services, training and refurbishment of our own products

The service, sale and rental of third party MRI and CT machines

Read more page 20

OUR GLOBAL MARKET IS COMPRISED OF SIX AREAS:

Research and academia

Our target market sector includes research into nanotechnology applications, new materials, Quantum Information Processing and other developments.

Semiconductors/IT

This includes semiconductor electronics, Micro Electro Mechanical Systems ("MEMS"), compound semiconductor materials, thin film and particle analysis.

Life sciences

A growing sector that includes the support and service of MRI and CT imaging equipment as well as new opportunities driven by the convergence of physical and biological sciences.

Energy

We have been involved in the search for sustainable energy, solar technologies, oil and gas exploration, and superconductor materials.

Metals/construction

We are supporting global industries including metals, alloy manufacturing, steel foundries and scrap recycling.

Environment

This includes greener production, recycling, detection of hazardous substances in soil, and agriculture and food.

Where We Operate

We have offices in 16 countries and employ 2,077 people worldwide.

As one of the world's first university spin-out companies, we have been at the forefront of technological innovation for more than 55 years.

REVENUE FROM EXTERNAL CUSTOMERS BY DESTINATION

USA	£123.7m
Rest of World	£12.4m
UK	£32.2m
Germany	£22.3m
Rest of Europe	£45.9m
China	£51.8m
Rest of Asia	£38.4m
Japan	£34.9m

For a full list of our locations please visit our website: **www.oxford-instruments.com/offices**

Chairman's Statement

Against a difficult macroeconomic backdrop we achieved profit growth on lower revenue.

The Group delivered a profit performance in line with expectations. Against a difficult macroeconomic backdrop we achieved profit growth on lower revenue. Reported Group revenue was £361.6 million (2015: £380.1 million) with adjusted profit before tax rising to £37.0 million (2015: £35.7 million). Profit before tax increased to £13.1 million (2015: loss of £9.6 million).

Our NanoTechnology Tools and Service sectors delivered steady performance, whilst Industrial Products continued to face pressure from weaknesses in its end markets. Good control of working capital led to strong cash conversion in the year.

At the beginning of 2015, recognising the difficult trading environment, we instigated a wide ranging cost reduction programme across the Group to bring our cost base in line with trading and secure efficiencies that enhance our performance. This cost reduction programme has delivered the expected savings and enabled us to improve profitability despite the constrained market backdrop.

DID YOU KNOW?

Our systems produce highly efficient power semiconductors resulting in **greater green energy** potential

We continued to actively manage the Group's portfolio. In May 2015, we acquired Medical Imaging Resources, Inc ("MIR"), a US company specialising in the build, lease, sale and service of mobile medical imaging laboratories. In the same month, we entered into a joint venture with GD Intressenter AB of Sweden ("GDI") to create the world's largest player in the highly specialised ultra high vacuum surface science field. The joint venture comprises Oxford Instruments' Omicron NanoTechnology GmbH ("Omicron") and GDI's Scienta Scientific AB ("Scienta"). It is making good progress towards profitability.

Given the modest growth in adjusted continuing earnings per share of 1.7%, the Directors are proposing to maintain the final dividend at last year's level. This would result in a final dividend of 9.3 pence (2015: 9.3 pence), bringing the total dividend for the year to 13.0 pence (2015: 13.0 pence).

Since the financial year end, we have announced Ian Barkshire's appointment as Chief Executive following Jonathan Flint's decision to step down after eleven years in the role. This followed our earlier announcement of Gavin Hill's appointment as Group Finance Director to succeed Kevin Boyd, who left the Group in April 2016. Ian and Gavin assumed their respective new roles in May 2016.

I would like to thank Jonathan for his immense contribution. Under his leadership, Oxford Instruments has grown to become a global leader in the provision of nanotechnology tools, high technology industrial products and services to the research and commercial sectors. In that period the Group has significantly improved profitability and more than doubled sales. Jonathan will remain on the Board until July 2016 to close out the 2016 year end and ensure a smooth transition to Ian's leadership.

I am delighted that Ian is succeeding Jonathan and that our succession planning has seen a colleague with such experience and quality take the helm. Ian joined Oxford Instruments in 1997 and has held a number of senior leadership roles including NanoCharacterisation Divisional Head and Group Technical Director, before his appointment as Chief Operating Officer in 2015. His proven track record of delivering results in technology businesses makes him particularly well placed to lead our Group.

We have previously announced a number of other changes to the Board. I would like to thank Jennifer Allerton and Jock Lennox, who will be standing down from the Board at the AGM this September. Jennifer has been a Board member since June 2013; Jock has been a Board member since April 2009, and is Chairman of the Audit and Risk Committee, and Senior Independent Director.

Mary Waldner will take over from Jock as Chairman of the Audit and Risk Committee when Jock steps down from this role on 16 June 2016. Mary is CFO at Lloyd's Register, a privately owned global engineering, technical and business services organisation. She has a broad range of experience across a variety of sectors having held senior financial positions with a number of major public and private companies including Ultra Electronics Holdings PLC and QinetiQ. Mary graduated from Oxford University with an MA in Physics and is a fellow of the Chartered Institute of Management Accountants.

I have also decided that the time is right for me to step down after 17 years. It has been a great privilege to serve as Chairman of Oxford Instruments and I take enormous satisfaction in what has been achieved in changing the Group to one that has become increasingly customer-led, while retaining its leading edge technical solutions. I am delighted that we have found such an able and experienced successor in Alan Thomson, who joined the Board in June and will step up to Chairman at our AGM in September.

It has been an exciting journey and I look forward to seeing Oxford Instruments build on its great strengths and lead the way in the advancement of technological and commercial innovation.

Nigel Keen
Chairman

15 June 2016

OUR TOOLS-BASED DEVELOPMENT MODEL

OXFORD INSTRUMENTS

The Business of Science®

Tools and systems are used by customers at all levels

- Fundamental research
- Development of new technologies
- Commercialisation and manufacture

Global markets

Research and academia — Life sciences — Semiconductor/IT
Energy — Metals and construction — Environment

Key growth technologies

Repeatable fabrication and analysis tools

New scientific discoveries

Chief Executive's Review

We add value for our customers through superior performance and improved ease of use for better productivity in both research and manufacturing.

I am delighted to have been given the opportunity to take over from Jonathan Flint as Chief Executive of Oxford Instruments. In my time with the Group, I have worked in many parts of the Company and now look forward to leading the organisation.

Oxford Instruments is a leading provider of high technology capital goods to support industry and academia in developing, understanding and commercialising the applications of nanotechnology. Our focus is on areas where we can offer significant competitive advantage through our expertise, skill and intellectual property that can be applied to nanotechnology such as high performance scientific imaging, cryogenics, superconductivity, x-ray fluorescence and spectroscopy. We add value for our customers through superior performance and improved ease of use for better productivity in both research and manufacturing. Added value is obtained through intuitive user interfaces and innovative applications which allow complex science to be undertaken by a wider range of users.

We continue to build on our strategy to grow our business in our core markets of physical and material science, while exploiting scientific convergence to expand into life sciences. The use of techniques previously associated with the physical sciences, where the Group has great strength, in the biological sciences produces an important opportunity for growth.

SUMMARY

- Profits in line with expectations
- Margin improvements
- Cost reduction delivered operational benefits
- Active management of portfolio
- Improved order book

Our NanoTechnology Tools sector produces the very best scientific instruments, which are matched to our customers' needs. The businesses in this sector offer the opportunity for good organic growth in the medium term as nanotechnology applications are adopted by a broader range of research users and increasingly within commercial end markets.

Our Industrial Products sector develops technologies which are predominantly deployed in industrial applications, where our customers are interested in optimising quality and productivity. These products provide an opportunity for scalability in a broad range of addressable markets. We recognise that this is a competitive arena and we therefore concentrate on products where we have a clear advantage.

Our Service sector addresses the aftermarket for our own and third party equipment. The technical complexity of our own products means our customers highly value our aftermarket support and the increasing level of service contracts provide the opportunity for growth. Our ability to grow in the third party arena is enhanced by the Group's strong brand and technical capabilities.

Looking back over the previous financial year, our NanoTechnology Tools and Service sectors have both delivered improved profit performances against an uncertain macroeconomic background. In our Industrial Products sector, Industrial Analysis has shown improved performance as a result of management actions, despite challenging industrial end markets. However, our Superconducting Wire business has suffered from a structural change in the market, which has reduced demand from our MRI customers.

Orders in the year were £380.8 million (2015: £382.4 million). NanoTechnology Tools grew by 4% (after the removal of Omicron) offsetting a decline of 3% in Industrial Products. The acquisition of MIR contributed to good growth in the Service sector. At the end of the year the Group order book for future deliveries stood at £140.4 million (2015: £125.2 million), growth of 12.1%.

Revenue in the period was £361.6 million (2015: £380.1 million) a decline of 4.9%. Organic constant currency revenue declined by 5.7%. This performance reflects the material impact of structural changes within the superconducting wire market and the previously reported completion of a Siemens MRI service contract. In Europe revenue declined by 12.8% (0.3% on an organic constant currency basis), while in Asia a reported decline of 2.9% translated into organic constant currency growth of 2.2%. The loss of the MRI contract contributed to a decline of 0.6% (16.9% at organic constant currency) in North America.

Adjusted profit before tax at Group level was £37.0 million (2015: £35.7 million). Our early action on cost reduction, implemented in 2015, has contributed to operational benefits of £9.4 million and has enabled us to deliver improved profits this year. Adjusted return on sales rose to 12.3% (2015: 11.3%). Adjusted operating margins in our NanoTechnology Tools sector improved from 9.8% to 11.4% reflecting the removal of the Omicron business and a better performance from Plasma Technology, Andor Technology, Asylum Research and NanoAnalysis. Adjusted operating margins in Industrial Products fell from 6.1% to 4.7% due to the decline in the superconducting wire market. This was partially offset by improved margins in our Industrial Analysis business. Adjusted operating margins in the Service sector have increased to 24.0% (2015: 23.7%).

The Group spent £29.3 million on Research and Development ("R&D") in the period (2015: £35.2 million), reflecting improved efficiency brought about by the consolidation of sites and the fact that the ongoing R&D programme in our Omicron joint venture is no longer included in these figures. Some of our new and innovative products are outlined in the Operations Review section. We monitor the fraction of our revenues which originate from products developed in the last three years (our Vitality Index). Our Vitality Index stands at 31% down from 44% in 2015, reflecting the continued success of the RRP Wire and the AZtec and X-Max platforms, whose introduction now falls outside the three year window. The Index remains in the range where we believe a high technology business should be. We continue to have a healthy pipeline of new products in development that will push the boundaries of technical performance and scientific understanding. These developments are aligned to our strategic roadmaps and plans for growth across the Group.

People

I would like to thank our staff around the world for their excellent contributions this year. It is their hard work, diligence and understanding of many technological disciplines that make Oxford Instruments the unique business that it is.

Kevin Boyd, our long standing Finance Director, stood down on 8 April 2016. Kevin has been an important part of the emergence of Oxford Instruments as a key player in the high technology field and I would like to thank him for his enormous contribution.

I would like to welcome Gavin Hill, Kevin's successor, who joined us on 9 May 2016. Gavin was Group Finance Director of Synergy Health plc from April 2010 until the combination with STERIS Corporation on 3 November 2015. Prior to that, he was Corporate Finance Director of Serco Group plc where he held a number of senior finance and commercial positions. Prior to joining Serco, Gavin worked in a variety of finance and corporate treasury roles with Syngenta AG and AstraZeneca plc. Gavin is a Chartered Accountant and an associate member of the Institute of Corporate Treasurers. I look forward to working with Gavin in the next stage of the evolution of Oxford Instruments.

Current trading and outlook

In continuing uncertain market conditions we remain focused on new product development, customer service and cost optimisation, and expect to make progress in the year. Revenue for the first two months of trading in the current year is in line with last year with profits marginally ahead.

The increasing role of nanotechnology in both the physical and life sciences will continue to yield long-term structural growth in demand for high technology tools for use in research. We will continue to invest in growing the business in our core markets of physical and materials science, and exploiting convergence to expand into life sciences.

Ian Barkshire
Chief Executive

15 June 2016

Key Performance Indicators

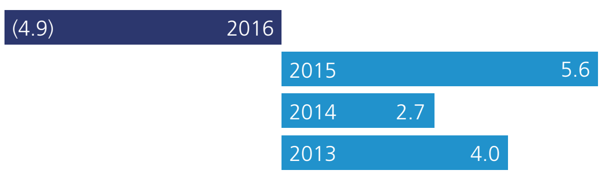
The Group uses a range of measures to monitor progress against its strategic plans.

The key performance indicators are presented below:

Our financial goal:

To deliver Shareholder return through growth in turnover and margin.

Revenue growth (%)



Tracks our performance on our growth strategy

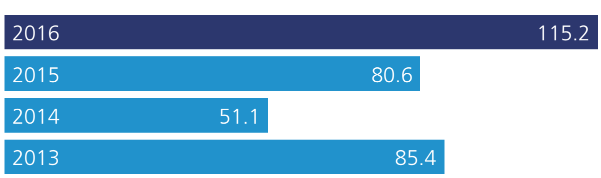
Net return on sales[1] (%)

Tracks our performance on our profitability strategy

Strategic priorities:

Liberating cash.

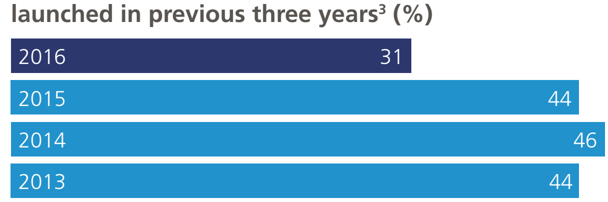
Cash conversion from profit[2] (%)



Monitors our use of fixed assets, working capital and R&D

Inventing the future.

Proportion of revenue coming from products launched in previous three years[3] (%)



Measures the effectiveness of our R&D programmes

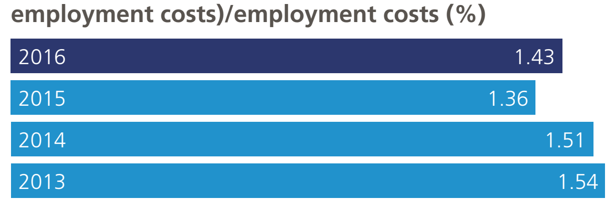
Realising the brand.

Net Promoter score[4] (%)

Measures customer feedback

Adding personal value.

"Value Add" – (adjusted operating profit + employment costs)/employment costs (%)



Measures efficiency

1. Calculated as adjusted operating profit divided by revenue.
2. Cash conversion is defined as the ratio of cash generated to adjusted operating profit (see Income Statement). Cash generated is calculated as adjusted operating profit plus depreciation on property, plant and equipment and amortisation on R&D, minus capital expenditure on property, plant and equipment, and R&D, and adjusted for movements in working capital.
3. To ensure this metric better reflects the performance of those business which invest in R&D, the revenue from the Group's OI Healthcare division has been excluded from this metric. Result from previous years have been restated to show this.
4. The Net Promoter score is a metric which is compiled by asking customers whether they would recommend Oxford Instruments to a friend or colleague. Customers give a score between zero and ten. Those customers who score nine or ten are promoters, those customers who score seven or eight are neutral and customers who score six or less are detractors. The net promoter score is the difference between the numbers of promoters and the number of detractors (both expressed as a percentage of the number of replies received). The score can range between –100 (no customers are promoters) and +100 (all customers are promoters). A positive score indicates that the Company has fewer detractors than promoters.

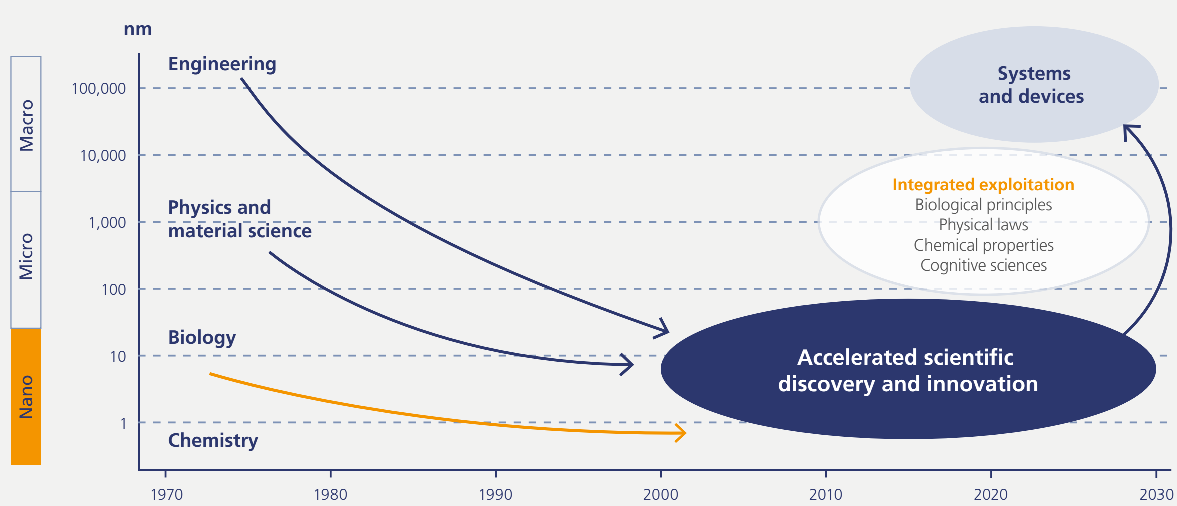
Convergence allows us to offer products to an ever-widening pool of researchers and high tech manufacturers who increasingly need to operate at the nanoscale.

Convergence is the merging of previously distinct areas of research and technology into a unified discipline that creates new scientific and commercial opportunities. The tools that were once restricted to one discipline are now being utilised across a number of areas, exposing us to a larger addressable market and a new set of customers needing to work at the atomic and molecular level.

We continue to build on our strategy to grow our business in our core markets of physical and material science, while exploiting scientific convergence to expand into life sciences. The use of techniques previously associated with the physical sciences, where the Group has great strength, in the biological sciences produces an important area of growth.

We support industry and academia as they develop, understand and commercialise the applications of nanotechnology. We focus on those areas where we can offer significant competitive advantage through our expertise, skill and intellectual property. We enable our customers to generate more value in their markets through the exploitation of advanced material properties, made possible through nanotechnology. This is why nanotechnology continues to be so important. As a result, researchers and commercial organisations are operating at the smaller scale, using tools that are more advanced; our aim is to ensure these are Oxford Instruments tools.

One example of convergence is the techniques developed by physicists for x-rays and magnetic resonance imaging are now widely used in clinical applications settings. Oxford Instruments services, leases and sells refurbished MRI and CT machines that utilise technology created in physical sciences for life science applications.

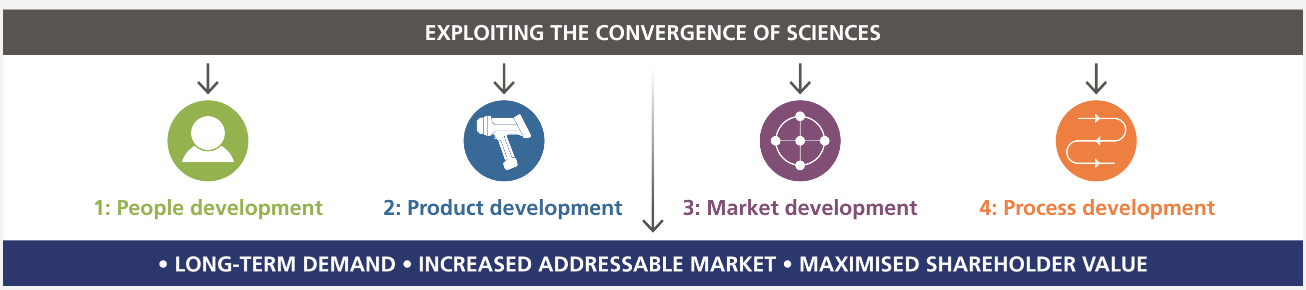


Source: based on slide from Slideshare.net

Our Strategy

Oxford Instruments continues to provide solutions to those wishing to explore new frontiers at the nanoscale.

As well as seeking opportunities in growing markets, we also aim to increase our addressable markets as new customers and new applications for our tools and services result from ongoing convergence of the sciences and increasing exploitation of nanotechnology across broader markets. Four key themes underpin our plan for delivering on this strategy while maximising customer and shareholder value.



People development

Our employees are key to our continued growth and success, bringing high levels of technical skill and a deep understanding of technology trends. We build on the talents and skills in the business through extensive training and development programmes and look to enhance our skill base further through focused recruitment.

We focus on the following areas:

- Adaptability
- Engagement
- Calibre
- Skill

We benchmark staff engagement externally and measure our progress through regular employee surveys. We undertook a pulse staff survey in January 2016.

Product development

We are driven to provide customers with the latest high technology tools, building on our customer relationships to understand the long-term market trends. We utilise our resources to retain our high level of innovation and to push the boundaries of our technology to develop tools for the future.

Our focus is on:

- R&D that is strategic and market driven
- The alignment of development with a long-term vision
- The creation of a delivery-enabled environment
- The production of market-leading, high margin tools
- Adding value for our customers through advanced performance and unprecedented ease of use

We monitor our progress through the Vitality Index, a measure of the proportion of revenues coming from new products introduced in the last three years. Our 2016 Vitality Index is 31%.

Market development

We continue to focus on our strategy to exploit the increasing demand for nanotechnology tools driven by the convergence of the sciences. This presents us with broader commercial opportunities, developing tools for both material sciences and life science markets. We will do this through organic growth and strategic acquisition.

Our goals are:

- To target fast growing markets
- To expand our portfolio of techniques
- To expand into attractive adjacent markets
- To offer unrivalled service and support for our customers

One measure of our success is the growth in our addressable markets and we continue to chart this throughout the year.

Process development

Continuous improvement in our operational excellence forms a key part of our strategy. Through problem solving, teamwork and effective leadership we continue to make progress here. We work hard to ensure our processes deliver the benefits of economies of scale as the business grows and we consider operational excellence to be the cornerstone of overall excellence. To achieve operational excellence we build on the strong fundamentals of ISO standards to set ourselves apart from others.

We aim to:

- Promote a culture of continuous improvement
- Deliver business excellence in everything we do

We measure the value and success of operational excellence through the Value Add Index. This shows the value each employee adds to the business. **Value Add Index = (adjusted operating profit + employment costs)/employment costs.** Our 2016 Value Add Index is 1.43%.

Business Model

High technology tools and systems that analyse and manipulate matter at the nanoscale.

The Group sells tools to customers who wish to exploit the opportunities offered by nanotechnology to perform groundbreaking research and make better, safer, green products.

HOW IT WORKS

New discoveries:

To exploit the advanced properties of materials, researchers and manufacturers are working at a smaller scale and therefore require advanced nanotechnology tools.

Convergence:

Through the convergence of science, the tools traditional to engineering and physics are now being applied to life science research.

Innovation:

We use our customer intimacy, our high level of technical skills and our understanding of technology trends to create new tools using the latest nanotechnology techniques.

Global markets:

We generate revenues from a broad range of geographies and industries, thus the Group does not incur undue exposure to any one application or market.

TOOLS FOR CUSTOMERS

Research:

cutting edge tools

In the research field our high technology products are used to advance the frontiers of science from atoms to galaxies. We help our customers break new ground, enabling them to make advancements previously thought impossible.

Innovation approach →

Product application insight →

Industry:

industrial-scale tools

Within industry our tools are used for quality control, environmental monitoring and compliance testing. We produce reliable, robust, accurate and efficient tools to help others develop the most effective production processes and innovative products.

Customer base →

Support:

adding value

We help our customers remain operational and give them peace of mind by offering maintenance service contracts, spare parts and refurbished systems for our own products. We offer service, support and sale of refurbished MRI and CT machines.

NanoTechnology Tools

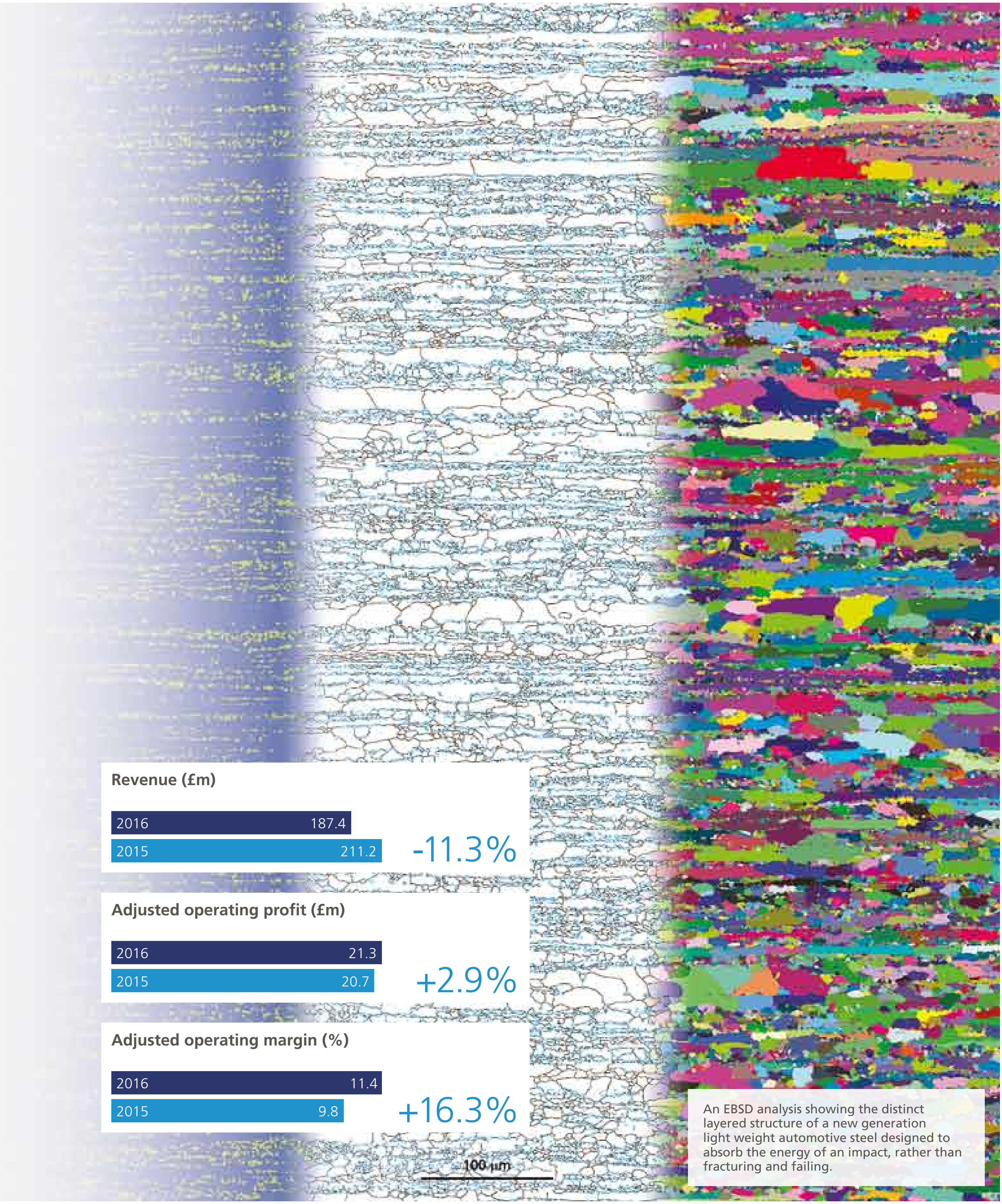
We design and manufacture equipment that can fabricate, analyse and manipulate matter at the atomic and molecular level.

The NanoTechnology Tools sector produces our highest technology products, primarily for research customers; 83% of its revenues come from research and academia with over a quarter of this coming from biological sciences. Our customers in this sector provide a unique insight into emerging trends in public and privately funded research, thus informing our approach to innovation and product application. In the physical and life science research fields, our tools are used to advance the frontiers of science. We count many Nobel Laureates amongst our customers.

The NanoTechnology Tools sector comprises two divisions: NanoCharacterisation, which includes NanoAnalysis, Andor Technology and Asylum Research; and NanoSolutions, which includes NanoScience and Plasma Technology. Omicron was previously reported in this division but its revenues and profits are now excluded as it is now part of a minority owned investment in Scienta Scientific AB. Our organic performance reflects the effect of the change in treatment. Our increase in margins reflects the strong performance in our NanoAnalysis, Andor and Asylum businesses, an improvement in Plasma Technology and the transition of Omicron into the joint venture.

Our NanoAnalysis business delivers leading-edge solutions and services that enable materials characterisation and sample manipulation at the nanoscale. Our products are used on electron microscopes and ion-beam systems in academic institutions and industrial applications including semiconductors, renewable energy, mining, metallurgy and forensics. We continue to be very strong in our end markets and continue to deliver good commercial and technical results. This year we launched AZtecOne, which is the ideal solution for carrying out complex tasks as quickly and easily as possible, without the need for substantial training or advanced knowledge of the underlying technique. AZtecOne can be used to analyse the composition of a wide range of materials in the Scanning Electron Microscope and has been well received in the market. We also launched our X-Max Extreme detector, which is able to achieve previously unattainable analysis of features at the very small scale. The X-Max Extreme is the most sensitive x-ray detector on the market for lithium characterisation at the nanoscale. This is important for those working to make lithium ion batteries last longer while being both lighter and more powerful. We continue to develop software and hardware that enable our customers to obtain their results easily while instilling confidence that results are both accurate and dependable. By focusing on ease of use we are also allowing a broader range of users to exploit the range of techniques we offer.

Andor Technology is a global leader in the design and manufacture of high performance scientific imaging cameras, spectroscopy solutions and microscopy systems for research and industrial markets. Andor continues to show growth and is delivering a good performance. The integration of the Andor international sites into our federal offices is complete, providing market and operational synergies. We have announced the relocation of our microscopy systems production from our Canadian site to our main manufacturing site in Belfast to further improve operational efficiency. We have received strong interest in our iKon XL camera within the astronomy community where the camera's large area high sensitivity and ability to operate without the requirement for liquid cryogens provides significant advantages over the previous technology. This has generated particularly strong sales in China. Our superior performance cameras, microscopy systems and visualisation software have been used recently to observe how cancer drugs and other therapies are operating at a molecular and cellular level. This will help researchers come up with more effective cancer therapies and develop a better understanding of autoimmune diseases such as multiple sclerosis and arthritis.



Revenue (£m)

2016	187.4
2015	211.2

-11.3%

Adjusted operating profit (£m)

2016	21.3
2015	20.7

+2.9%

Adjusted operating margin (%)

2016	11.4
2015	9.8

+16.3%

An EBSD analysis showing the distinct layered structure of a new generation light weight automotive steel designed to absorb the energy of an impact, rather than fracturing and failing.

NanoTechnology Tools

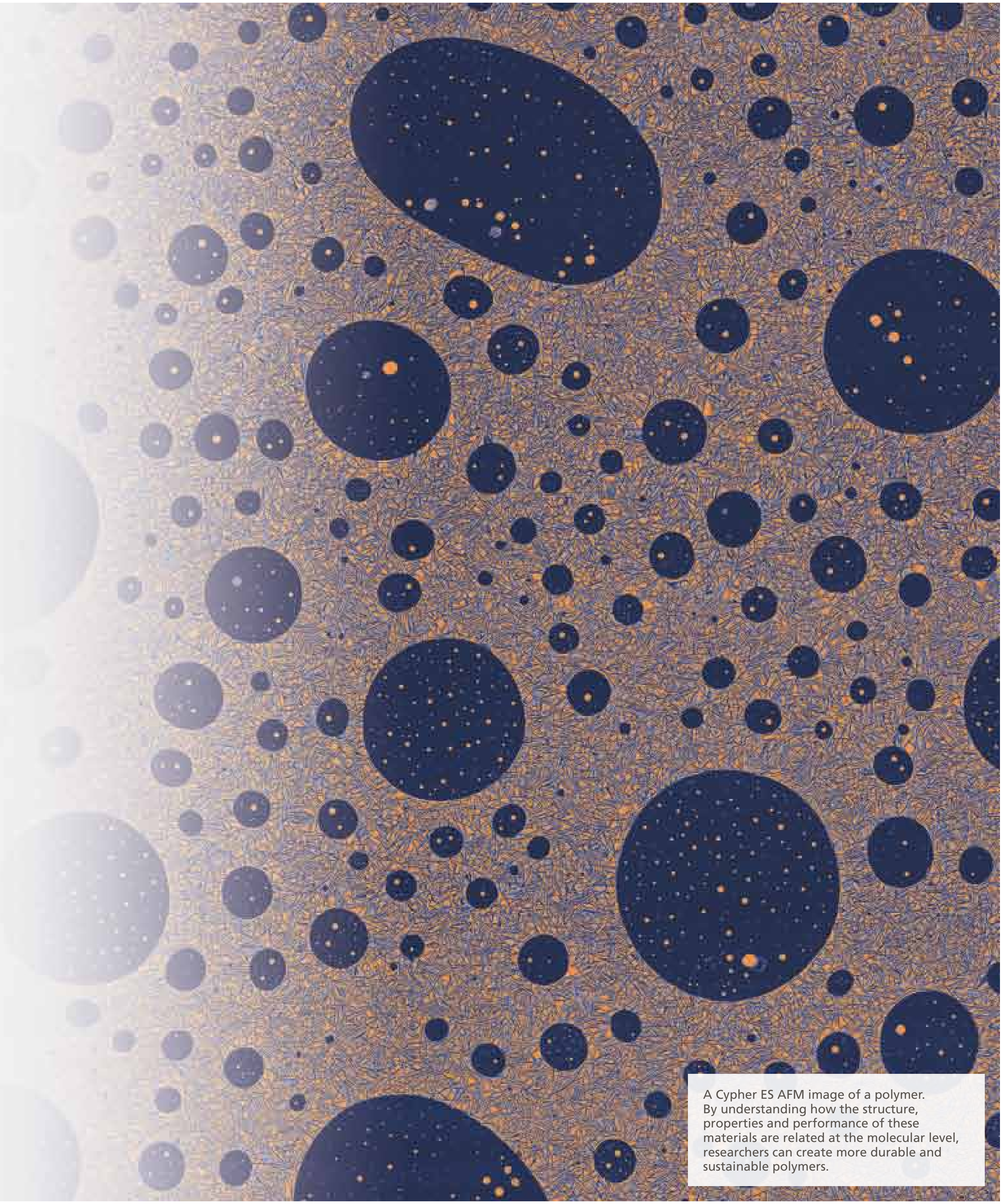
continued

Asylum Research is the technology leader in Atomic Force Microscopy ("AFM") for both materials and bioscience applications. Asylum has the opportunity for long-term growth as our products continue to take market share. We have seen growth in demand for our new AFM products from a broad range of applications and end markets; including facilitating advancements in energy storage and generation. Our microscopes are being used to help understand the physical properties of organic solar cells that are more efficient, cheaper and simpler to make. This will lead to the creation of more cost efficient means of powering many consumer devices. The MFP-3D-BIO is being used to help researchers understand more about how the stiffness of scar tissue and healthy heart tissue can reduce heart function in heart attack survivors.

Plasma Technology provides processes and solutions to semiconductor research laboratories and advanced specialised production facilities, developing devices and materials for novel applications of nanotechnology. Whilst Plasma is making a good recovery and has maintained its position in the academic and corporate research market, there is still some way to go to reach an acceptable level of performance. We launched an enhanced PlasmaPro100 range of etch and deposition tools to offer our customers working in areas such as high brightness LEDs ("HBLEDs") and photovoltaic development a more flexible and compact platform. We also introduced the Astrea product line designed to enable improved uniformity and larger area processing. We have built on our expertise gained through our work in HBLEDs to help our customers develop more efficient power devices, which reduce the associated production and running costs of electronic devices. In addition, these capabilities are helping customers fabricate ultraviolet LEDs that will be used in the manufacture of water purification systems. LED sources are attractive as they can be more effective with a lower cost of ownership than historical UV purification methods.

NanoScience designs, manufactures and supports market-leading research tools that enable quantum technologies, new materials and device development in the physical sciences. We continue to see strong demand for our Ultra Low Temperature systems in line with the growing interest in understanding the fundamentals of quantum science and the associated industrial applications. Our next generation Triton refrigeration system launched this year has been well received, providing customers with improved throughput and access for larger samples and experiments. Quantum sensors are receiving increased amounts of funding and have the potential to offer unparalleled speed and sensitivity to the measurement of electrical current, magnetic field, and even time. This can enable the development of platforms that can be applied in a wide range of situations from environmental sensing to medical imaging, such as sensitive brain scanning. Our cryomagnetic system is at the heart of the GE SPINlab product, which is used to significantly enhance the sensitivity of a clinical MRI scan and revolutionise applications such as monitoring the effectiveness of cancer treatment. This can identify the effectiveness of a treatment for individual patients within days rather than months. While this is still in the research phase, early results are proving extremely positive.

The Omicron Scienta joint venture created the largest player in the ultra high vacuum surface science field. Its restructuring programme and the integration of the two businesses is going well. The financial performance has improved and, whilst there is still more to be done, it is making good progress toward profitability. The Group has a 47% share in the joint venture.



A Cypher ES AFM image of a polymer. By understanding how the structure, properties and performance of these materials are related at the molecular level, researchers can create more durable and sustainable polymers.

Industrial Products

Our Industrial Products sector sells products primarily to industrial customers working in areas such as the environment, construction and energy.

Our Industrial Products sector sells more mature, though still technically advanced, products primarily to industrial customers; 57% of its revenues come from industrial customers working in areas such as the environment, construction and energy. The tools and systems produced by this sector enable us to benefit from the economies of scale offered by trading in the larger industrial markets, thereby maximising the returns from our R&D programmes. In the industrial field, our tools are used to improve production efficiency, ensure high standards of quality control and demonstrate compliance with environmental legislation.

This sector saw a decline in revenues, due to a drop in sales in the Superconducting Wire business and this, alongside continued difficulties in the metals and construction markets served by Industrial Analysis and X-ray Technology, resulted in a decline in margins and orders.

Industrial Analysis designs and sells a range of spectrometers for industrial markets. Our customers span global industries from metals, steel foundries and scrap recycling through to automotive, solar, petrochemicals, cement, recycling, and food and agriculture. We have improved our trading position and profitability despite the challenging macroeconomic conditions where many of our end industrial markets remain depressed. Through our focused efforts we continue to take market share from competitors with our handheld analysers and have made a number of changes in our global distribution channels to further improve our position. We launched the Foundry-Master Smart earlier in the year. This analyser is smaller and more mobile than existing systems and is used to analyse the majority of metals and their alloys. This has been well received and orders are ahead of expectation. Archaeologists in Italy have used both the mPulse and the XMET8000 to undertake analysis of metallic pieces while investigating an air crash that happened in April 1945. Our analysers allowed them to rapidly and reliably identify the wreckage as that of a Messerschmitt aircraft shot down towards the end of World War II. Our Pulsar is the highest resolution benchtop nuclear magnetic resonance spectrometer on the market and is currently generating increased interest from a broad range of industrial and academic markets. The Pulsar is currently being used to identify potentially dangerous levels of restricted pharmaceuticals in herbal remedies and dietary supplements.

Industrial Components comprises our Superconducting Wire and X-ray Technology businesses. As previously announced, we have disposed of our non-core Austin Scientific business. Our Superconducting Wire business supplies wire for the MRI scanner market and here we continue to be affected by the pricing pressures exerted on us by the MRI system manufacturers and the reduced demand for wire from our OEM customers. The effect of this reduced MRI pricing will be somewhat offset by signed contracts to supply leading edge technology niobium tin conductor for the High Luminosity upgrade to the Large Hadron Collider project at CERN. Our X-ray Technology business supplies x-ray sources for industry, research and medical applications including material composition analysis, real time medical imaging and analysis of multi-layer printed circuit boards. Our X-ray Technology business has been impacted by softening in our industrial customers' end markets, however we continue to see a good level of interest in our latest integrated x-ray source, especially from electronic equipment OEM customers.

Revenue (£m)

2016	96.6
2015	104.1

-7.2%

Adjusted operating profit (£m)

2016	4.5
2015	6.4

-29.7%

Adjusted operating margin (%)

2016	4.7
2015	6.1

-23.0%

An X-MET8000 being used in a scrap yard to identify the composition of scrap metal.

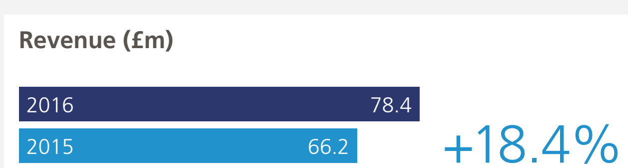
Operations Review
continued

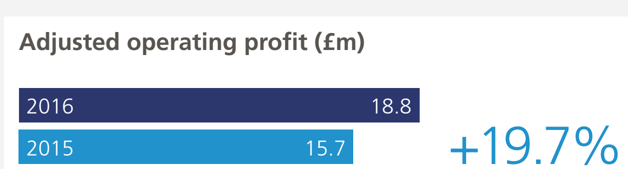
Service

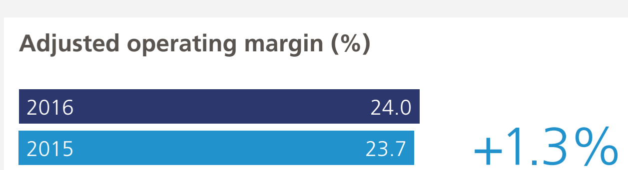
The Service sector comprises the Group's maintenance service contracts, billable repairs and spare part sales for Oxford Instruments' own products; and the service, sale and rental of refurbished third party MRI and CT machines under the OI Healthcare brand.

Our strength and reputation for customer service and support is a key element of our brand and market position, and offers further opportunities for growth. The trend in servicing is for increased uptime across both the academic and industrial sectors and this has led to a demand for value added service, such as predictive servicing and remote diagnostics and we continue to build our capabilities in these areas. Group Service revenue increased year-on-year due to a strong result in billable business offsetting a decline in spare parts and a slight reduction in contract revenue. Our NanoTechnology Tools sector performed well showing growth in revenue and margin.

We acquired Medical Imaging Resources, Inc ("MIR") to complement our range of service offerings for our customers. The integration has progressed according to plan and has made a considerable contribution to the increase in revenues, orders and profit we had this year in Service. This has helped offset the expected decline in revenue as a result of the completion of the Siemens MRI service contract in the USA. Japan had a strong year with record revenues and a large increase in billable repairs and spare parts. We also experienced a slight recovery in Korea; this was after the MERS outbreak that had impacted our revenues at the half year.







An Oxford Instruments support engineer servicing a CT Scanner.

Principal Risks and Uncertainties

Risk 1: Technical risk

The Group provides high technology equipment and systems to its customers.

Risk	Impact	Associated strategic priorities	Mitigation
• Failure of the advanced technologies applied by the Group to produce commercial products, capable of being manufactured and sold profitably.	• Lower profitability and financial returns. • Negative impact on the Group's reputation.	• **Realising the Brand** Using 'Voice of the Customer' to drive rapid new product development. • **Liberate Cash** Support and develop our employees to maximise their value add.	• The Group has moved away from large scale, single customer development programmes towards more commercially orientated products. • The New Product Introduction programme that any new R&D projects must pass through provides a framework within which the commercial viability of projects are scrutinised and assessed.

Risk 2: Economic environment

Government spend on R&D has been constrained.

Risk	Impact	Associated strategic priorities	Mitigation
• Demand for the Group's products may be lower than anticipated.	• Lower profitability and financial returns.	• **Realising the Brand** Developing a strong brand in existing and developing markets. • **Delivering Shareholder Value** Focus on balanced and attractive global markets.	• The Group has a broad spread of customers, applications and geographical markets.

Risk 3: Political risk

The Group operates in global markets and can be required to secure export licences from governments.

Risk	Impact	Associated strategic priorities	Mitigation
• Changes in political relations may affect the granting of licences.	• An inability to sell certain products to certain countries.	• **Delivering Shareholder Value** Focus on balanced and attractive global markets. • **Liberating Cash** Developing a competitive global supply base that supports our growth.	• Maintaining a diversified geographical customer base. • Ensure low commitment to inventory before attaining export licences.

Risk 4: Acquisitions

Growth for Oxford Instruments is planned to come from acquisitions which provide the Group with complementary technologies.

Risk	Impact	Associated strategic priorities	Mitigation
• Appropriate acquisition targets may fail to provide the planned value.	• Lower profitability and financial returns. • Management focus taken away from the core business in order to manage integration issues.	• **Realising the Brand** Developing a strong brand in existing and developing markets. • **Inventing the Future** Using 'Voice of the Customer' to drive rapid new product development. • **Adding Personal Value** Supporting and developing our employees.	• Extensive financial, technical and commercial due diligence is undertaken by the Group during any acquisition programmes. • Each transaction has a comprehensive post acquisition integration plan which is monitored at the highest level.

Risk 5: Foreign exchange volatility

The Group's Sterling cost basis is higher than its Sterling revenue sources meaning that a significant proportion of the Group's profit is made in foreign currencies.

Risk	Impact	Associated strategic priorities	Mitigation
• The Group's profit levels are exposed to fluctuations in exchange rates.	• Lower profitability and financial returns.	• **Delivering Shareholder Value** Focus on balanced and attractive global markets. • **Liberating Cash** Developing a competitive global supply base that supports our growth.	• The Group seeks to mitigate the exposure to transactional risk by the use of natural hedges wherever possible. • The remaining transactional foreign exchange risk in any year is mitigated through the use of forward and non-premium based option exchange contracts.

Risk 6: Customer concentration

The Group's Superconducting Wire business is reliant on a small number of MRI manufacturers as customers.

Risk	Impact	Associated strategic priorities	Mitigation
• These customers can exert significant customer power in terms of price and volume.	• Lost sales and decreased margins.	• **Delivering Shareholder Value** Focus on balanced and attractive global markets. • **Liberating Cash** Developing a competitive global supply base that supports our growth.	• Attempt to broaden customer base to include all OEMs. • Explore alternative applications for superconducting wire.

Risk 7: Outsourcing

The Group's strategic plan includes the outsourcing of a significantly higher proportion of the costs of its products to benefit from economies of scale and natural currency hedges.

Risk	Impact	Associated strategic priorities	Mitigation
• Failures in the supply chain impacting sales.	• Disruption to customers. • Negative impact on the Group's reputation.	• **Liberating Cash** Developing a competitive global supply base that supports our growth. • **Realising the Brand** Developing a strong brand in existing and developing markets.	• Relationships with outsourcing businesses are monitored closely and any potential issues are acted upon swiftly to avoid disruption. • Where practical, dual sources are used for key components and services.

Risk 8: Pensions

The Group's calculated pension deficit is sensitive to changes in the actuarial assumptions.

Risk	Impact	Associated strategic priorities	Mitigation
• Movements in the actuarial assumptions may have an appreciable effect on the reported pension deficit.	• Additional cash required by the Group to fund the deficit. • Reduction in net assets.	• **Delivering Shareholder Value** Focus on balanced and attractive global markets. • **Liberating Cash** Developing a competitive global supply base that supports our growth.	• The Group has closed its defined benefit pension schemes in the UK and US to future accrual. • The Group has a funding plan in place to reduce the pension deficit over the short to medium term.

Principal Risks and Uncertainties
continued

Risk 9: People

A number of the Group's employees are business critical.

Risk	Impact	Associated strategic priorities	Mitigation
• The employee leaves the Group.	• Lower profitability and financial returns.	• **Adding Personal Value** Supporting and developing our employees. • **Inventing the Future** Providing an environment for inventing and innovation.	• The Group undertakes a regular employee survey and implements and reviews resulting action plans. • A comprehensive succession planning process is in place, together with a talent network which identifies and manages contacts with people who could provide external succession for critical current and future roles. • A management development programme provides exposure to key skills needed for growth. Regular individual performance reviews take place.

Risk 10: Routes to market

In some instances the Group's products are components of higher level systems and thus the Group does not control its route to market.

Risk	Impact	Associated strategic priorities	Mitigation
• The systems integrator switches supplier denying the Group's route to market.	• Lower profitability and financial returns.	• **Inventing the Future** Developing products that offer the best technical solution. • **Realising the Brand** Ensuring that end customers appreciate the benefits of Oxford Instruments technology.	• Use of the stage gate process and 'Voice of the Customer' to make sure that the Group's products are the best in the market. • Co-marketing with system integrators to promote the merits of the Group's products to end customers. • Seeking to increase the number of integrators supplied by the Group.

Viability Statement

In accordance with provision C.2.1 of the UK Corporate Governance Code 2014, the Directors have carried out a robust assessment of the principal risks facing the Company, including those which threaten its business model, future performance, solvency or liquidity. This assessment can be found in the Principal Risks and Uncertainties section on pages 22 to 24 of this Report and Financial Statements.

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the viability of the Group over a three year period to 31 March 2019, taking into account the Group's current position and the potential financial impact of those principal risks.

The Directors have determined that a three year period to 31 March 2019 is an appropriate period over which to assess viability, on the basis that it is the period over which the Group has a well established medium-term planning process and good visibility of markets.

The medium-term plan is underpinned by a strategic road map, the purpose of which is to ensure that the Group's Research and Development effort is focused on developing products which create high customer value. The medium-term plan is a metrication of the strategic road map which considers the Group's revenue growth and profitability, cash flows and compliance with banking covenants over the period.

The Group's three distinct segments, all with diverse geographic markets, assist in reducing the risk of regional economic challenge and sector specific issues. With eleven business units operating from more than 30 sites around the world and with no reliance on any one customer, each business is able to respond flexibly to issues that affect it. This flexibility together with the capacity of business unit management to adjust their own pricing structure and cost bases as market conditions or prospects change helps protect the Group's viability in the face of adverse economic conditions and/or political uncertainty.

In performing the viability assessment, the medium-term plan was subject to sensitivity analysis which included considering the impact of a progressive strengthening of Sterling over the period of the assessment combined with reducing revenue as a result of the crystallisation of technical, economic, political and market risks. Additionally, the impact of people and outsourcing risks on profitability was considered. The Board also considered the actions available to management that could be implemented to mitigate the impact of the crystallisation of the risks described above.

In making this assessment the Directors assumed that debt finance would be readily available at a leverage (i.e. net debt to EBITDA) covenant of three times. The Group currently has committed credit facilities in place until February 2020, thus covering the period of this statement, which provides substantial headroom above existing and forecast funding requirements.

Based on a review of the Group's current strategic road map and medium-term plan; its financial arrangements through to February 2020; its cash flow requirements over the next three years; its principal risks and uncertainties; and the consideration of the available mitigating actions, the Board has a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over the next three year period. Whilst the Directors have no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty involved we believe this presents users of the Report and Financial Statements with a reasonable degree of confidence whilst still providing a longer-term perspective.

Financial Review

Cash generated from operations increased by 27.5% to £49.6 million, primarily due to strong working capital inflow.

Reported revenue declined by 4.9% to £361.6 million (2015: £380.1 million), with adjusted operating profit increasing by 4.2% to £44.6 million (2015: £42.8 million). Revenue on a constant currency basis declined by 7.7%, with the movement in average currency exchange rates over the last year positively impacting reported revenue by £10.9 million. Organic constant currency revenue, excluding the impact of acquisitions and disposals, declined by 5.7%. Orders during the period were broadly flat at £380.8 million (2015: £382.4 million). At the end of the year, the Group order book for future deliveries stood at £140.4 million (2015: 125.2 million), growth of 12.1%.

Adjusted operating profit, excluding currency effects, grew by 6.1%. Adjusted operating margin increased by 100 basis points to 12.3% (2015: 11.3%), largely driven by cost savings following a restructuring programme implemented at the end of the last financial year. Operating profit increased to £24.2 million (2015: £3.4 million).

Non-recurring and acquisition related items were £4.5 million and the mark-to-market valuation of currency hedges in place was a loss of £2.7 million. An analysis of non-recurring and aquisition related items is set out in Note 1 to the Financial Statements.

SUMMARY

- Adjusted profit before tax, up 3.6%, in line with expectations
- Adjusted operating profit margin up 100 basis points to 12.3%, reflecting delivery of cost saving programme
- Reported revenue down 4.9% and 5.7% at organic constant currency, driven by structural changes within the superconducting wire business and completion of a service contract
- Strong cash performance, with operating cash flow up 27.5%; leverage maintained at 2.3 times
- Dividend maintained at 13.0 pence for the full year
- Improved Group order book at year end, 12.1% above prior year

Adjusted profit before tax of £37.0 million (2015: £35.7 million) represents a margin of 10.2% (2015: 9.4%). Profit before tax of £13.1 million (2015: loss of £9.6 million) represents a margin of 3.6%.

Continuing adjusted basic earnings per share grew by 1.7% to 49.2 pence. Earnings per share was 16.1 pence (2015: loss of 10.9 pence).

Cash generated from operations increased by 27.5% to £49.6 million, primarily due to strong working capital inflow. This reflected a conversion of adjusted operating profit into operating cash (defined as adjusted EBITDA, less working capital, Research and Development, and capital expenditure) of 115.2% (2015: 80.6%). The acquisition of Medical Imaging Resources, Inc ("MIR") and deferred consideration paid for Platinum Medical Imaging, Inc ("PMI") and Asylum Research Corporation ("Asylum") contributed to an increase in net debt to £128.2 million from £118.9 million at the year end, representing a net debt to EBITDA ratio (for banking covenant purposes) of 2.3 times, comfortably within our banking covenant of 3.5 times.

During the year, the Group disposed of its Austin Scientific business and this has been treated as a discontinued operation in the Financial Statements. Accordingly, the numbers detailed in the Financial Review exclude the results of Austin Scientific in both the current and prior periods.

Adjusted operating profit is stated before amortisation of acquired intangibles, non-recurring items, acquisition-related costs and the mark-to-market valuation of unexpired currency hedges, as set out in Note 1 to the Financial Statements.

Income Statement

The Group's Income Statement is summarised below:

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m	Change
Revenue	**361.6**	380.1	-4.9%
Adjusted gross profit	**161.9**	169.8	-4.7%
Administrative expenses	**(117.3)**	(127.0)	
Adjusted operating profit	**44.6**	42.8	+4.2%
Net finance costs	**(7.6)**	(7.1)	
Adjusted profit before tax	**37.0**	35.7	+3.6%
Amortisation of acquired intangibles	**(16.7)**	(21.7)	
Non-recurring items and acquisition-related costs	**(4.5)**	(18.8)	
Mark-to-market of currency hedges	**(2.7)**	(4.8)	
Profit before tax	**13.1**	(9.6)	
Tax	**(3.9)**	3.4	
Profit for the period	**9.2**	(6.2)	
Effective tax rate[1]	**24.1%**	22.7%	
Continuing adjusted earnings per share – basic	**49.2p**	48.4p	+1.7%
Earnings per share – basic	**16.1p**	(10.9)p	
Continuing adjusted earnings per share – diluted	**49.1p**	48.2p	+1.9%
Earnings per share – diluted	**16.1p**	(10.9)p	
Dividend per share	**13.0p**	13.0p	

1. The effective tax rate is calculated excluding amortisation on acquired intangibles, non-recurring and acquisition related items and the mark-to-market of financial derivatives.

DID YOU KNOW?

We have been supplying systems to leading **space agencies** since the 1980s

Financial Review
continued

Adjusted operating profit increased by 4.2% to £44.6 million (2015: £42.8 million), representing an adjusted operating profit margin of 12.3%, an increase of 100 basis points against last year.

Revenue

Reported revenue of £361.6 million (2015: £380.1 million) declined by 4.9%. The movement in average currency exchange rates over the last year (notably a strengthening of the US Dollar against Sterling), has increased reported revenue by £10.9 million. Revenue, excluding currency effects, showed a decline of 7.7%. Organic constant currency revenue, which excludes the impact of acquisitions and disposals (the disposal of Omicron to a joint venture and the acquisition of MIR), declined by 5.7%.

Organic constant currency revenue by sector showed a marginal reduction of 2.5% in NanoTechnology Tools, 11.4% in Industrial Products and 6.5% in Service.

Gross profit

Adjusted gross profit fell by 4.7% to £161.9 million (2015: £169.8 million), representing an adjusted gross profit margin of 44.8%, a 10 basis point increase over the previous year. Gross profit fell by 5.1% to £160.9 million (2015: £169.6 million).

Operating profit

Adjusted operating profit increased by 4.2% to £44.6 million (2015: £42.8 million), representing an adjusted operating profit margin of 12.3%, an increase of 100 basis points against last year. Margins (expressed after the allocation of corporate overhead) have risen across NanoTechnology Tools and Service. The cost reduction programme initiated by the Group has led to an improvement in margin of 160 basis points to 11.4% for NanoTechnology Tools and a rise of 30 basis points to 24.0% for the Service sector. Continuing challenging market conditions for Industrial Products led to a fall in margin of 140 basis points to 4.7%.

Removing the impact of Omicron and MIR, adjusted operating profit on an organic constant currency basis grew by 0.2%. Currency effects (including the impact of transactional currency hedging) have reduced reported adjusted operating profit by £0.8 million. Blended hedged rates for the Euro and Japanese Yen resulted in a currency headwind against last year that more than offset a small gain on the US Dollar.

Non-recurring and acquisition related items

Net non-recurring and acquisition related items during the period were £4.5 million. Acquisition related costs were £2.5 million comprising professional fees relating to the acquisition of MIR, deferred consideration relating to PMI and financial commitments made by Andor Technology ("Andor") prior to its acquisition by Oxford Instruments. Non-recurring items totalled £2.0 million representing restructuring costs across the Group of £4.2 million, (of which £1.3 million relates to the Scienta Omicron associate), £1.0 million of acquisition fair value adjustments, a £0.9 million loss on the disposal of the Omicron business and a credit balance of £4.1 million reflecting contingent consideration no longer deemed payable.

The Group uses derivative products to hedge its exposure to fluctuations in foreign exchange rates. It is Group policy to have in place at the beginning of the financial year hedging instruments to cover 80% of its forecast transactional exposure for that year. The Group has decided that the additional costs of meeting the extensive documentation requirements of IAS 39 to apply hedge accounting to these foreign exchange hedges cannot be justified. Accordingly, the Group does not use hedge accounting for these derivatives.

Net movements on mark-to-market such derivatives at the balance sheet date are disclosed in the Income Statement as financial expenditure and excluded from our calculation of adjusted profit before tax.

The mark-to-market loss in respect of derivative financial instruments was £2.7 million (2015: £4.8 million loss). This reflects the fair value on currency derivatives that are hedging future transactional currency exposures for the Group. The uncrystallised loss is attributable to a fall in the value of Sterling at the balance sheet date against the US Dollar, Euro and Japanese Yen, against a blended rate achieved on hedging transactions expected to arise in the 2016/17 financial year.

Net finance costs

The Group's net finance costs, before mark-to-market movements as described in the previous paragraph, rose by £0.5 million to £7.6 million (2015: £7.1 million) with finance charges rising by £0.6 million to £5.9 million, pension costs falling by £0.2 million to £1.7 million and financial income falling by £0.1 million. The rise in finance charges was due to an increase in financing costs following the move into a higher interest ratchet band as the Group's net debt to EBITDA leverage rose above 2.0 times at the end of September 2015, combined with a rise in average net debt over the period.

Profit before tax

Adjusted profit before tax increased by 3.6% to £37.0 million (2015: £35.7 million). The adjusted profit before tax margin increased by 80 basis points to 10.2% (2015: 9.4%).

Profit before tax increased to £13.1 million (2015: loss of £9.6 million). The profit before tax margin was 3.6%.

Amortisation of acquired intangibles

Amortisation of acquired intangibles of £16.7 million relates to intangible assets identified on acquisitions, being the value of customer relationships and brands, the largest component of which relates to amortisation of £7.2 million on intangibles recognised on the acquisition of Andor.

Tax

The adjusted tax charge of £8.9 million (2015: £8.1 million) represents an effective tax rate of 24.1% (2015: 22.7%). The increase is due to a change in the proportional mix of territories where profits are generated.

Earnings per share ("EPS")

Adjusted basic earnings per share and adjusted diluted earnings per share, after adjusting for amortisation of intangibles and non-recurring items, increased by 1.7% and 1.9% respectively. Basic and diluted earnings per share increased from a negative position last year to 16.1 pence.

Undiluted weighted average shares have stayed flat at 57.1 million.

Dividend

The Board has proposed to hold the dividend at last year's level. This results in a final dividend of 9.3 pence, bringing the total dividend for the year to 13.0 pence. The final dividend will be paid, subject to shareholder approval, on 20 October 2016 to Shareholders on the register as at 23 September 2016.

Cash flow

The Group cash flow is summarised below:

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Adjusted operating profit	**44.6**	42.8
Non-cash items	**10.4**	10.2
Adjusted EBITDA	**55.0**	53.0
Working capital movement	**7.3**	(5.1)
Acquisition related costs	**(1.8)**	(1.9)
Restructuring costs	**(4.7)**	(1.2)
Pension scheme payments above charge to op. profit	**(6.7)**	(5.9)
Equity settled share schemes	**0.4**	(0.2)
Loss on disposal of plant and equipment	**0.1**	0.2
Cash generated from operations	**49.6**	38.9
Interest	**(5.6)**	(5.0)
Tax	**(3.5)**	(9.1)
Capitalised development expenditure	**(8.2)**	(8.0)
Expenditure on tangible and intangible assets	**(2.7)**	(5.4)
Acquisition of subsidiaries, net of cash acquired	**(27.1)**	(0.8)
Proceeds from sale of subsidiary undertaking	**0.6**	—
Proceeds from issue of share capital	**—**	0.2
Increase in long-term receivables	**(3.0)**	—
Dividends paid	**(7.6)**	(7.1)
Increase/(decrease) in borrowings	**4.6**	(12.9)
Net increase in cash and cash equivalents from continuing operations	**(2.9)**	(9.2)

Note: adjusted EBITDA is earnings before interest, tax, depreciation, intangible amortisation, mark-to-market of financial derivatives and other non-cash items.

Financial Review
continued

On 1 May 2015, the Group acquired Medical Imaging Resources, Inc, a US company specialising in the build, lease, sale and service of mobile medical imaging laboratories.

Cash generated from operations

Cash generated from operations in the year increased by 28% to £49.6 million (2015: £38.9 million), reflecting a conversion of adjusted operating profit into operating cash (defined as adjusted EBITDA, less working capital, Research and Development and capital expenditure) of 115.2% (2015: 80.6%), primarily due to a large inflow of working capital over the period.

Included in working capital is £3.0 million of expenditure on MRI related assets for the US Healthcare business. These are refurbished and subsequently rented, after which these assets may be sold. During the year, revenue and adjusted operating profit of £13.8 million and £1.7 million respectively was booked to the Income Statement against the sale of refurbished assets.

Interest

Net interest paid was £5.6 million (2015: £5.0 million). The difference from last year is primarily due to higher financing costs arising from a higher level of average net debt compared to the comparative period.

Tax

Tax paid was £3.5 million (2015: £9.1 million), the large reduction reflecting the high level of tax deductible restructuring costs in the prior period.

Investment in Research and Development ("R&D")

Total cash spend on R&D in the year was £29.3 million, equivalent to 8.1% of sales, (2015: £35.2 million, 9.3% of sales). A reconciliation between the amounts charged to the Income Statement and the cash spent is in the table below:

Acquisitions

On 1 May 2015, the Group acquired Medical Imaging Resources, Inc ("MIR"), a US company specialising in the build, lease, sale and service of mobile medical imaging laboratories. Consideration comprised an initial $9.4 million (circa £6.1 million) with an additional $10.1 million (circa £6.6 million) paid as deferred consideration in May 2016. MIR had $4.0 million (circa £2.6 million) of debt on completion.

On 28 May 2015 the Group entered into a joint venture with GD Intressenter AB of Sweden ("GDI") to create the world's largest player in the highly specialised ultra high vacuum surface science field. The joint venture comprises Oxford Instruments' Omicron NanoTechnology GmbH ("Omicron") and GDI's Scienta Scientific AB ("Scienta"). In consideration for new shares in Scienta, Oxford Instruments holds a 47% interest in the share capital of Scienta, with GDI holding the remaining 53%. The transaction resulted in loss on disposal of £0.9 million. The Group's share of the post tax profit or loss of the joint venture is reported in the Income Statement as a share of income from associate.

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
R&D expense charged to the Income Statement	**24.6**	30.5
Less: depreciation of R&D related fixed assets	**(0.8)**	(0.8)
Add: amounts capitalised as fixed assets	**1.2**	2.2
Less: amortisation of R&D costs capitalised as intangibles	**(3.9)**	(4.7)
Add: amounts capitalised as intangible assets	**8.2**	8.0
Total cash spent on R&D during the year	**29.3**	35.2

Net debt and funding

Net debt

Net debt increased in the period from £118.9 million to £128.2 million. Operating cash flow of £49.6 million was utilised by interest, tax, acquisition payments, investment in capital and Research and Development, and dividend payments. Expenditure of £30.1 million relates to the acquisition of MIR and deferred consideration paid for the acquisitions of PMI and Asylum, acquired in 2011 and 2012 respectively, as well as a small loan to the new associate. In addition, the Group invested in tangible and intangible assets of £2.7 million and capitalised Research and Development of £8.2 million.

Movement in net debt	£m
Net debt as at 31 March 2015	**118.9**
Operating cash flow	(49.6)
Interest	5.6
Tax	3.5
Capital expenditure on tangible and intangible assets	2.7
Capitalised development expenditure	8.2
Acquisitions, net of cash acquired and loan to associate	30.1
Proceeds from sale of subsidiary undertaking	(0.6)
Dividends paid	7.6
Other items	1.8
Net debt as at 31 March 2016	**128.2**

Funding

The Group has in place an unsecured multi-currency revolving facility agreement which is committed until February 2020. The facility has been entered into with a group of three banks and comprises a Sterling denominated multi-currency facility of £100.0 million and a US Dollar denominated multi-currency facility of $37.0 million.

The Group has also issued a bilateral private placement note of £44.5 million, which matures in 2021, and a £25.0 million amortising fixed rate loan from the European Investment Bank that matures in 2020. In addition, the Group has uncommitted facilities of £20.0 million.

Debt covenants are net debt to EBITDA less than 3.5 times (until and including 30 September 2016), reducing to 3.0 times thereafter, and EBITDA to interest greater than 4.0 times. As at 31 March 2016 net debt to EBITDA was at 2.3 times and EBITDA to interest was 9.6 times, both comfortably within our banking covenants.

Pensions

The Group has defined benefit pension schemes in the UK and USA. Both have been closed to new entrants since 2001 and closed to future accrual from July 2010.

At 31 March 2016, the net liability arising from our defined benefit scheme obligations was £35.0 million (2015: £53.5 million), a fall of £18.5 million. The reduction in the deficit was due to lower inflation than expected, a small increase in the discount rate and a favourable change in experience assumptions since the last triennial review. Total scheme assets at 31 March 2016 were £239.5 million (2015: £238.6 million) while liabilities were £274.5 million (2015: £292.1 million).

The annual deficit recovery payment to the UK scheme was £6.8 million for the financial year, payable through to and including 2021. For the years up to and including 2018, the payment will rise by the higher of inflation and growth in dividend per share; thereafter, the payment will increase in line with inflation.

Employees

The average number of people employed during the year was 2,077, a reduction of 343 over the prior year, due primarily to the disposal of Omicron and the restructuring commenced in January 2015.

Going concern

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

The diverse nature of the Group, combined with its financial strength, provides a solid foundation for a sustainable business. The Directors have reviewed the Group's forecasts and flexed them to incorporate a number of potential scenarios relating to changes in trading performance. The Directors believe that the Group will be able to operate within its existing debt facilities. This review also considered hedging arrangements in place. The Directors believe that the Group is well placed to manage its business risks successfully.

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

Viability

The Directors have considered the longer-term viability of the Group in the Viability Statement found on page 25 and have concluded that it is appropriate for the Financial Statements to be prepared on a going concern basis.

Forward-looking statements

This document contains certain forward-looking statements. The forward-looking statements reflect the knowledge and information available to the Company during the preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future thereby involving a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.

Gavin Hill
Group Finance Director

15 June 2016

Corporate Responsibility

Corporate responsibility is integral to our ongoing business success.

Corporate responsibility is integral to our ongoing business success. It reminds us of the need to minimise our impact on the environment, encourages us to pay attention to the needs of our customers, employees and investors, and to build engagement with local communities.

Oxford Instruments is committed to the following guiding principles of corporate responsibility:

- To establish and maintain long-term, effective stakeholder relationships
- To offer our people an excellent employment experience
- To strengthen our business through diversity and inclusion
- To operate in an ethical, sustainable and environmentally responsible manner

Our values:

- Inclusive: we listen and engage with customers, colleagues, Shareholders and partners for mutual success
- Trusted: we build long-term relationships based on integrity, trust and respect
- Innovative and progressive: we bring skill, experience and openness to new ideas to address the needs of the 21st Century
- Wholehearted: we approach what we do with passion, with care and with pace

Our Stakeholders

Investors

The Board recognises the importance of maintaining positive, effective relationships with our Shareholders. In line with the Stock Exchange and other relevant requirements, we provide investors with regular and transparent communications on all matters that are material to an understanding of the performance and future prospects of the organisation.

The Chief Executive and Group Finance Director meet with investors and analysts when requested and hold conference calls with them also. Twice a year they present the results to the financial markets and support this with a comprehensive roadshow to meet with investors and analysts.

To promote transparency, this year we recorded our results presentations and made these available on our investor webpages. They have been viewed by a number of our investors, analysts and employees. We will continue to make these recordings available. The investor pages of Oxford Instruments website provide a comprehensive overview of the Group.

www.oxford-instruments.com/investors

THE KEY AREAS WHERE WE FOCUS OUR EFFORTS ARE:

- BRAND AND EMPLOYEE ENGAGEMENT
- DIVERSITY AND INCLUSION
- HEALTH AND SAFETY AND ENVIRONMENTAL MONITORING
- BUSINESS ETHICS INCLUDING HUMAN RIGHTS AND BUSINESS MALPRACTICE

Customers

Building effective customer relationships is essential to achieving customer satisfaction and loyalty and is central to our business. We seek to demonstrate our values of being inclusive, trusted, wholehearted, innovative and progressive at all our touchpoints with customers.

We continue to focus on how we listen to customers and understand the challenges they face to ensure we provide solutions that will meet their needs and further their capabilities. Launching and supporting new products is an important part of this. The percentage of revenue that is made up of products launched or acquired in the last three years is a key indicator of the vitality of our new product development and was at 31% for the financial year 2015/16.

Externally, we continue to use a wide range of communication channels to keep our stakeholders up to date. This includes business-specific newsletters, emails and social media messaging. The Group websites are mobile responsive, with a growing number of visitors viewing the sites on a mobile or tablet device.

Employees

Our employees are central to our business, driving innovation and contributing to our growth. Our aim is to create a safe, modern place of work that recognises the value of diversity and encourages people to give their best. We continue to invest in our people, developing environments and opportunities that will attract, develop, motivate and retain talented employees.

Training and development

We have identified through our "Talent Framework" the skill sets that employees require to be successful in an organisation such as ours. We use this insight to develop our Learning Academy Portfolio to offer a range of relevant training courses, providing our employees with programmes that can help build their capability and careers. Our flagship Management Development Programme ("MDP") covers many of the skills needed to be a successful manager in Oxford Instruments. We see the positive impact the MDP has on our employees, with those completing the course reporting an average increase of 20% in their self-assessed skill levels. In 2016, we plan to introduce a Technical Development Programme aimed at developing the skills needed for a successful technical career. We are now running our High Potential Programme for the second cohort of candidates. Those that completed the inaugural course have a robust career development plan in place to help them map their future. We are making preparations for the third cohort of our Early Career programme and have adjusted this to run more in line with the academic cycle to ensure we attract the best candidates.

This year we have developed a Group-wide Technical Career structure to offer technical employees a clear career path within Oxford Instruments without taking on people management roles. This helps us attract and retain the best technical expertise. New this year is an OI Fellows Programme aimed at recognising our pre-eminent technical contributors. This will help us raise the profile of technical skills across the business.

Corporate Responsibility
continued

CENTRE FOR DOCTORAL TRAINING CASE STUDY

Oxford Instruments has been working with a number of Centres for Doctoral Training ("CDT"), providing students with the opportunity to build on their educational learning with practical, project-based experience.

NanoScience ran a "Skills for Business" workshop for three CDTs led by Bristol University, helping give the students an understanding of commercial high technology product development. The groups worked to developed product ideas that fit with our aim to develop nanotechnology as a solution to the challenges researchers continue to face.

NanoScience has offered two of the students a placement for six weeks to allow them to continue working on their projects within the New Product Innovation department. Working with the CDTs has allowed us to provide students with a better understanding of the nanotechnology industry, while also highlighting the opportunities that exist within our organisation for able people like them.

MANAGEMENT DEVELOPMENT PROGRAMME

Since June 2014, six new MDP cohorts have run, including one in China

71 additional delegates

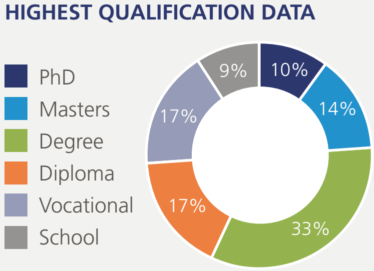
11% promoted after completing the programme

SENIOR LEADERSHIP PROGRAMME

1 course since June 2014

58 senior leaders have now completed the course

HIGHEST QUALIFICATION DATA



Our businesses are active in recruiting interns and two of our businesses have been working with local Centres for Doctoral Training ("CDT"). For both interns and CDTs we offer support centrally, demonstrating the opportunities that are available within the wider Group organisation for career development.

As a result of this work to develop our talented workforce, we have seen an increase in the number of employees that are rated high potential and we are promoting more individuals internally to Director roles. We will continue to encourage able people to join us, stay with Oxford Instruments and progress.

Diversity and inclusion

We believe diversity helps us achieve and sustain excellence. We aim to build an inclusive environment that welcomes and supports differences and to ensure there are equal opportunities for all employees. Having a diverse workplace allows us to draw on different perspectives, enhancing the quality of our decision making, efficiency and effectiveness. Selection, promotion and succession planning processes ensure that we recruit, train and promote the best candidates based on suitability for the job. Our Code of Conduct and Ethics requires that all employees are treated fairly and no one suffers harassment or intimidation.

Our Diversity Champion is Dawn Brooks, Managing Director, Industrial Analysis. Together with Claire Flint, Group HR and Brand Director, Dawn hosted the first Women in OI event in October 2015, bringing together a selection of women from across the globe. The purpose of this meeting was to explore the topic of diversity and inclusion and to gain a better understanding of what women want from working at Oxford Instruments. You can read more about this group and the outcomes from this activity in the case study.

WOMEN IN OI CASE STUDY

At Oxford Instruments we strive to maximise the potential of our employees by making the business a more inclusive place to work. In support of this we held the first Women in OI event, bringing women from across all divisions together.

The event allowed attendees to share their insights, experiences and observations as female employees working in a majority male environment, and highlighted a number of ways we can offer them more support.

Inspired by the initial meeting, some attendees have found mentors to help them develop personally and professionally. Others have started to look at how they can work with local schools and colleges to promote our drive to get more women into science, technology, engineering and mathematics ("STEM") subjects and careers.

The initial Women in OI cohort continues to meet regularly and is looking at how we can replicate the success of this initial network across other similar groups in the business.

We have been working to further embed diversity and inclusion within the culture of the Group. We focus on it within our MDP, with 130 people managers receiving diversity awareness training since 2013. We have developed unconscious bias training and will roll this out across the Group in 2016. We have also adapted the language and content within recruitment activity and our Early Careers Programme to appeal more to women. This, along with our enhanced leave schemes, aims to attract and retain female employees across Oxford Instruments.

We have met last year's aim of continuing to have each level of our Executive Management reflect approximately the same gender balance as exists in the Company overall. We are working towards an environment where the gender balance at Manager level also reflects the Company's gender balance overall. Our Women in OI programme is one of a number of proactive plans that we have in place to support our diversity aim, with further activities also mentioned within this report.

Gender diversity

	Female	Male
Oxford Instruments	22.0%	78.0%
Board	22.0%	78.0%
Management Board	25.0%	75.0%
Managers	20.5%	79.5%
Employees	22.0%	78.0%

Communication

We continue to build on the feedback we receive from employees regarding better communications about our performance and strategy. We have made the recordings of our results presentations easily available on our intranet and have recently released a short video introducing the latest developments in the delivery of our strategy.

Many of our businesses hold "Espresso" meetings, short informal presentations over coffee or lunch, where topics of interest can be discussed. Examples of these presentations include a focus on new products, understanding what it means to be a plc and Business Excellence case studies.

This year to support our Employee Survey, we also ran a short Pulse questionnaire for the first time to hear how we have been addressing the concerns our employees raised previously. We had a good response rate and results have shown an improvement in how our employees feel we communicate our business performance, reflecting the focus we have placed on this.

Corporate Responsibility
continued

ANDOR EMPLOYEE WELLBEING CASE STUDY

We continue to recognise the importance of employee wellbeing and look to ensure we have measures in place to positively affect the welfare of our employees. With that in mind one of our businesses, Andor Technology, launched a health and wellbeing initiative with a local charity, Cancer Focus.

Across nine days, 197 employees in Belfast visited a cancer focus van to receive a health check. This included body composition, blood pressure, pulse and blood glucose checks. Nurses spoke about self-examinations and information packs on physical activity, nutrition and lifestyle programmes were provided.

With some employees following up with their GPs and others setting goals and targets for themselves this has been a very positive and successful initiative that has helped our employees maintain a healthy lifestyle.

Reward and recognition

We continue to look at ways to enhance the benefits we offer our employees. We provide our Extra intranet site to offer benefits such as discounts on local activities, merchandise, insurance, health and dental cover. To build on this we have recently introduced a leave purchase scheme globally, where appropriate. In the UK we have also improved our maternity, paternity and parental leave scheme and are currently reviewing a similar scheme in the USA. These enhancements allow employees the opportunity to improve their work-life balance, a concern that was raised in our last employee survey.

We work hard to offer a workplace where individuals can develop their skills and build their careers. To this end we recognise those employees who have been with the Company for many years with our long-service awards. This year was a special year as we celebrated one employee's 50th year with the company. Mick Cooper started as an Electronics Technician in 1965 and is presently our Facilities Support Technician. In celebration of his time with the Company our founders Sir Martin and Lady Audrey Wood presented Mick with a special award.

Suppliers/partners

The Group recognises that relationships built on trust and respect with our business partners establishes mutually beneficial relations. This includes our suppliers, banks and collaborative associates. We continue to work on the roll out of our new enterprise resource planning ("ERP") system that will offer a more efficient means to manage our supplier relationships, including how we purchase materials and serve our customers.

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

Local communities

We want to help make our local communities better places to work and live in. We recognise the impact we have socially and economically and aim to support those around us in a number of ways. We encourage our sites to support their communities through charity and community activities. This year we have raised money for a range of charities including Macmillian Nurses, Helen and Douglas House, British Heart Foundation, American Red Cross and the Alzheimer's Society. Staff have engaged in a range of activities to raise money, including football matches between sites, bake-offs, coffee mornings, fishing matches, collecting toys for Christmas donations and running quiz nights.

Many of our businesses have worked with local schools and colleges to help introduce science and engineering to a new audience. We have participated in some speed networking events and educational outreach programmes to engage with students interested in companies like ours. We have also sponsored an annual event at Oxford University, May Music, which aims to combine a range of scientific talks with classical music to introduce both to a new audience.

Ethics

We have a Code of Business Conduct and Ethics that supports our commitment to do the right thing. All employees are aware of this Code and have full access to it. We endeavour to build a culture of trust and inclusiveness, and expect any person or company who represents us or provides services for us, to act in a way that is consistent with our Code and its principles. We perform regular due diligence on our agents, distributors and suppliers to minimise the risk of any unethical behaviour. Suppliers are required to prove they do not employ workers under the age of 15 or, in those countries subject to the developing country exception of the ILO Convention 138, employ no children under the age of 14.

We take a risk-based approach to define our anti-bribery and corruption policies and procedures. All higher risk employees are required to complete our anti-bribery and corruption training. We do not tolerate any form of bribery, corruption or fraud.

The Board regularly reviews and updates the range of policies in place to support our Code of Conduct. Clear guidelines exist regarding the reporting and management of any perceived risk and all employees are made aware of, and regularly reminded about, Safecall, a fully independent, confidential service, where they can report any wrongdoing in the business.

Oxford Instruments does not make political donations.

Human rights

We are a company united by strong standards and values; our employees have the right to expect that their basic human rights and dignity are respected. We continue to review our policies and systems supporting human rights. Our policy is guided by the United Nations Guiding Principles on Business and Human Rights. Our Human Rights Policy states our intent to be inclusive, supportive and safe, covering matters including forced labour, child labour, discrimination and the right to form or join a trade union and to bargain collectively.

We expect every employee to adhere to the spirit of our policy and it is fully supported by our Board. All members of the Group's Executive Committee take responsibility for ensuring its implementation within their part of the Group. We also extend our expectations on human rights to those we work with; our partners, contractors and suppliers.

We are committed to preventing acts of modern slavery and human trafficking from occurring within our business and supply chain and to putting in place effective systems and controls in order to do so. This will include a review of, and improvements to, our supplier due diligence and audit procedures. We have a zero-tolerance approach to all forms of modern slavery, including servitude, forced, bonded and compulsory labour, and human trafficking, and we expect our suppliers to adopt the same approach.

Health, Safety and Environment

Health and safety within Oxford Instruments is managed at the Executive level by Charles Holroyd, Group Business Development Director, who is assisted by Dave Wales, the Group Health, Safety and Environment Manager. Each Group site has a nominated Health, Safety and Environment Manager or representative responsible for ensuring that day to day activities are carried out safely. All large sites are audited annually by the Group auditing team, which comprises six auditors drawn from our four UK businesses.

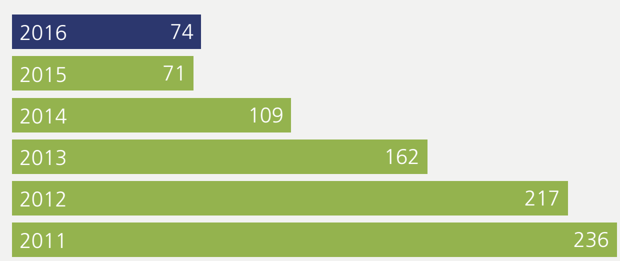
Global accident figures remain at a low level

The total number of accidents recorded worldwide during 2015/16 showed a slight increase to 74 compared to 71 in the previous year. The substantial reduction in accidents over the previous five years has been broadly maintained. The low number of accidents demonstrates that our sites are operating in a very safe manner.

Globally, four serious accidents were reported during the year, an increase from two in the previous year. For reporting purposes, global serious accidents were normalised using the UK definition of over seven days absence from work.

We have continued to focus on making our sites safer places to work and the six year picture in the graph below shows the positive trend.

Annual global accident figures



Corporate Responsibility
continued

Sustainability – protecting the environment

Our overall environmental priority is that our operations around the world minimise their environmental footprint. We monitor our energy use and ensure that the energy we consume is used as efficiently as possible. We also aim to minimise our waste outputs and ensure that as little as possible goes to landfill. Several of our sites are now "zero to landfill" where waste is recycled either directly – cardboard, metals, wood – or indirectly by sending to waste plants to be used in energy generation.

Each business has an Energy Champion at a local level. They monitor energy use, waste streams, recycling and emissions to air, water and land. They also look for and encourage ways to reduce energy consumption.

- Oxford Instruments consumed globally 21.09GWh of energy in 2015/16. The Company's measure of energy efficiency was slightly up at 58.75MWh/£million revenue compared to 58.34 MWh/£million revenue in the previous year, an increase of 0.7%.
- Oxford Instruments is a full participant in the UK Carbon Reduction Commitment Energy Efficiency Scheme ("CRC") and purchases carbon allowances to cover its UK energy use as required. For the 2015/16 year 4,200 carbon allowances have been purchased to cover the year's carbon emissions.
- As part of the UK Companies Act 2006 (Strategic Report and Directors' reports) Regulations 2013, Oxford Instruments has a mandatory duty to report greenhouse gas emissions as tonnes of carbon dioxide equivalent ("tCO_2e"). The Company's measure of carbon emissions is tonnes of carbon dioxide equivalent per £million of revenue. This year the carbon emissions figure is 24.72 tCO_2e/£million revenue (2015: 23.43 tCO_2e/£million revenue).

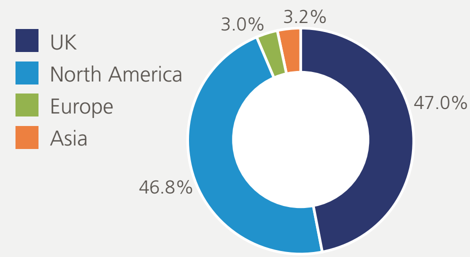
Greenhouse gas ("GHG") emissions

Oxford Instruments is a global business with operations in many parts of the world. It has been monitoring energy use and carbon emissions since 2008. Emissions from 18 company sites are monitored and are reported in the chart above. Some small sales offices where energy consumption is less than 0.01% of the Group's total energy consumption are omitted. The amount of recorded hydro-fluorocarbons is below 5kg globally and has therefore not been included in the figures.

Emissions

Emissions from purchased electricity, fuel for heating or process purposes (gas and oil) and fugitive emissions from process gases are reported in tCO_2e.

Greenhouse gas emissions reporting ($tC0_2e$)



Total greenhouse gas emissions = 8,873.3 $tC0_2e$
Carbon intensity ratio = 24.72 tCO_2e/£million revenue

Intensity ratio – greenhouse gas

The Company's declared intensity ratio for greenhouse gas reporting is tCO_2e per £million of revenue. With revenues for the year at £359.0 million and the total emissions of carbon dioxide equivalent of 8,873.3 tonnes, this gives an intensity ratio as follows:

$$\frac{\text{Carbon emissions}}{\text{Revenue}} = \frac{24.72\ tCO_2e}{\text{£million revenue}}$$

In addition to the mandatory greenhouse gas reporting, the Company also makes a voluntary report to the Carbon Disclosure Project ("CDP") on its emissions. The CDP is an international, not-for-profit organisation providing a global system for companies to measure, disclose, manage and share environmental information.

In accordance with its Energy and Environmental Policies the Group is committed to improving its energy efficiency and we continue to invest in energy reducing technologies such as LED lighting at our sites. We are investigating the feasibility of installing solar photovoltaics at our sites where there is a proven benefit.

PLASMA TECHNOLOGY GO GREEN CASE STUDY

Plasma Technology ("Plasma") is a business within the Oxford Instruments Group that has many customers working in sustainable areas such as LED lighting, power conversion for wind turbines and electric vehicles. Plasma, keen to join its customers in contributing to a sustainable future by reducing its own carbon footprint and improve energy efficiency, joined Bristol's 2015 Go Green Scheme.

The "Turn it off" campaign has encouraged people to turn off their computer monitors, PCs and office lighting each evening. The changes, along with switching off air conditioning units and electric heaters out of hours, have saved Plasma £32,500 to date.

Reduced water and oil usage, and the installation of LED lighting are all part of the ongoing Go Green action plan. Plasma is also refining the energy efficiencies of a number of its products, passing on savings to customers globally.

In recognition of its ongoing efforts, Plasma has received Bristol's Go Green Energy and Efficiency Best Newcomer Award.

Oxford Instruments also measures the energy equivalent of employee air travel for the UK and USA operations. Air travel for the 2015/16 financial year totalled 17 million kilometres which was a 23% reduction on the previous year. This equated to a carbon footprint of 2,619 tCO_2e based on 80% long haul and 20% short haul.

The Group complies with all environmental legislation in countries where it operates including European Directives such as the Waste Electronic and Electrical Equipment ("WEEE") Directive, the Restriction on use of Hazardous Substances ("RoHS") Directive and the Registration, Evaluation, Authorisation of Chemicals ("REACh") Directive.

Summary

We will maintain the focus on corporate responsibility in the way we run Oxford Instruments. We will continue to meet our customer needs through advanced technology and premium service, and we will maintain a wholehearted commitment to all our stakeholders to conduct our business in an ethical and sustainable manner.

Ian Barkshire
Chief Executive

15 June 2016

Welcome to Corporate Governance

IN THIS SECTION

Compliance statement

The Company compiled with the provisions of the UK Corporate Governance Code published in September 2012, which applied throughout the financial year ended 31 March 2016.

Board of Directors

Nigel Keen
Non-Executive Chairman

Ian Barkshire
Chief Executive

Gavin Hill
Group Finance Director

Jonathan Flint CBE
Executive Director

Alan Thomson
Independent Non-Executive Director and Chairman Designate

Jock Lennox
Senior Independent Non-Executive Director

Mary Waldner
Independent Non-Executive Director

Thomas Geitner
Independent Non-Executive Director

Professor Sir Richard Friend
Independent Non-Executive Director

Jennifer Allerton
Independent Non-Executive Director

Susan Johnson-Brett
Company Secretary

Board of Directors
continued

Nigel Keen
Non-Executive Chairman

Appointed to the Board
February 1999
Standing down at 2016 AGM

Committee membership
Nomination, Chairman
Remuneration

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

External appointments
Chairman of:
Bioquell Plc
Deltex Medical Group Plc
Syncona Partners LLP
(a Wellcome Trust company)
ISIS Innovation Ltd (an Oxford University company)
Oxford Academic Health Science Network
Trustee of:
The David Shepherd Wildlife Foundation

Ian Barkshire
Chief Executive

Appointed to the Board
November 2015
Appointed Chief Executive May 2016

Committee membership
None

Background
Holds a BSc and DPhil in physics from the University of York and is a Member of the Institute of Physics. Ian has worked for Oxford Instruments since 1997 in a number of senior leadership roles including NanoCharactersation Divisional Head, Group Technical Director and Chief Operating Officer.

Previous experience
Senior Principal Scientist of:
GEC Marconi Materials Technology
Research Fellow:
University of York

Gavin Hill
Group Finance Director

Appointed to the Board
May 2016

Committee membership
None

Background
Holds a BA in economics & agricultural economics from Exeter University. Gavin is a Chartered Accountant, a Fellow of the Institute of Chartered Accountants and an Associate Member of the Association of Corporate Treasury.

Previous experience
Group Finance Director of:
Synergy Health plc
Director, Corporate Finance of:
Serco Group plc
Senior finance positions within:
Syngenta AG and AstraZeneca plc

Jonathan Flint CBE
Executive Director

Appointed to the Board
April 2005
Chief Executive until May 2016
Standing down 31 July 2016

Committee membership
None

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

External appointments
Non-Executive Director of:
Cobham plc

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

Alan Thomson
Independent Non-Executive Director and Chairman Designate

Appointed to the Board
June 2016

Committee membership
Nomination
Remuneration

Background
Holds a Masters degree from Glasgow University and is qualified as a Chartered Accountant with the Institute of Chartered Accountants of Scotland.

External appointments
Chairman of:
Bodycote PLC
Hays PLC

Previous appointments
Chairman of:
Polypipe Group plc
Senior Independent Director:
Johnson Matthey plc
Non-Executive Director of:
Laporte plc
Chief Financial Officer:
Smiths Group plc

Jock Lennox
Senior Independent Non-Executive Director

Appointed to the Board
April 2009
Standing down at 2016 AGM

Committee membership
Audit and Risk
Nomination, Remuneration

Background
Holds a law degree from Edinburgh University and is qualified as a Chartered Accountant with the Institute of Chartered Accountants of Scotland.

External appointments
Non-Executive Director of:
Dixons Carphone plc
EnQuest PLC
Hill & Smith Holdings PLC
A&J Mucklow Group plc

Previous experience
Senior Audit Partner at:
EY

Mary Waldner
Independent Non-Executive Director

Appointed to the Board
February 2016

Committee membership
Audit and Risk, Chairman
Nomination, Remuneration

Background
Holds a MA in physics from Oxford University and is a Fellow of the Chartered Institute of Management Accountants. She started her career at Coopers & Lybrand Management Consultancy Services and then went on to hold senior financial positions in a number of major commercial companies.

External appointments
Chief Financial Officer:
Lloyd's Register

Previous experience
Finance Director of:
Ultra Electronics plc
Director, Group Finance of:
Qinetiq Limited

Thomas Geitner
Independent Non-Executive Director

Appointed to the Board
January 2013

Committee membership
Audit and Risk Nomination
Remuneration, Chairman

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

External appointments
Chairman of:
Bibliotheca RFID Library Systems AG Switzerland
Non-Executive Director of:
Supervisory Board of Haniel&Cie GmbH Duisburg

Previous experience
Executive Director of:
Vodafone Group Plc
Henkel AG & Co. KGaA
RWE AG

Professor Sir Richard Friend
Independent Non-Executive Director

Appointed to the Board
September 2014

Committee membership
Audit and Risk
Nomination, Remuneration

Background
Cavendish Professor of Physics at the University of Cambridge, a Fellow of the Royal Society and of the Royal Academy of Engineering and a Foreign Member of the US National Academy of Engineering.

External appointments
Council member of:
The Engineering and Physical Sciences Research Council.
Non-Executive Director of:
Eight19 Ltd
Azuri-Technologies Ltd

Jennifer Allerton
Independent Non-Executive Director

Appointed to the Board
June 2013
Standing down at 2016 AGM

Committee membership
Audit and Risk, Nomination, Remuneration

Background
Holds a BSc from Imperial College and an MSc from the University of Manitoba, Canada. She is a Cost and Management Accountant with extensive international experience beginning her career.

External appointments
Non-Executive Director of:
AVEVA Group plc
Iron Mountain Inc
Sandvik AB

Susan Johnson-Brett
Company Secretary

Committee membership
Secretary to:
Audit and Risk, Nomination, Remuneration

Background
Holds a BA from the University of Keele and has previously worked in the Secretariats of St. Modwen Properties plc, Hydro Agri (UK) Limited and TSB Group plc.

Corporate Governance

Susan Johnson-Brett Company Secretary

The Board is responsible to Shareholders for delivering sustainable incremental Shareholder value.

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

The Board endorses the main and supporting principles and the provisions set out in the 2014 UK Corporate Governance Code (the "Governance Code").

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

Board constitution

In late 2010 the Nomination Committee reviewed its Board Development programme and put in place a multi-year plan to allow for an orderly refreshing of its Non-Executive Directors over this extended period. This programme is under annual review. The Board Development programme ensures that the constitution of the Board is compliant with the Governance Code.

In line with the programme, Ian Barkshire, the Group's Chief Operating Officer, joined the Board as an Executive Director in November 2015 and was appointed Chief Executive on 11 May 2016, Mary Waldner joined the Board as an Independent Non-Executive Director in February 2016 and will become the Chairman of the Audit and Risk Committee on 16 June 2016 and Alan Thomson joined the Board after the year end on 1 June 2016 and will become Chairman of the Company and Chairman of the Nomination Committee at the conclusion of the AGM on 13 September 2016. The Board has also announced that Jonathan Flint, Chief Executive until 11 May 2016, will be retiring from the Board on 31 July 2016, Jennifer Allerton, Non-Executive Director, Jock Lennox, Senior Independent Director, and Nigel Keen, Chairman, will be retiring at the close of the AGM to be held in September 2016.

In October 2015 the Board announced that Kevin Boyd, Finance Director, would be leaving Oxford Instruments to join Spirax-Sarco Engineering plc and he ceased to be a Director of the Company on 8 April 2016. Gavin Hill joined the Board as Group Finance Director on 9 May 2016.

Resolutions for the election of all Directors will be put to Shareholders at the Company's forthcoming AGM. Once passed, this will continue to deliver a Board which meets the requirements of Provision B.1.2 of the Governance Code.

Compliance

The Board considers that, throughout the period under review, the Group has complied with the provisions recommended in the 2014 UK Corporate Governance Code.

Preservation of value

The basis on which the Group generates and preserves value over the longer term and the strategy for delivering the objectives of the Group are to be found in the Strategic Report on pages 1 to 39.

Board of Directors and management structure

Board of Directors

The Board as at the date of this Report comprises the Chairman, six Non-Executive Directors and three Executive Directors. With the changes that have been announced, after the AGM in September 2016, there will be six Directors: the Chairman, three Non-Executive Directors and two Executive Directors. The Directors' biographies and details of length of service are shown on pages 41 to 43. All the Directors have written letters of appointment that have been approved by the Board and which are available for inspection at the Company's Annual General Meeting.

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

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

Board members' length of service

Nigel Keen	17 years
Jonathan Flint	11 years
Jock Lennox	7 years
Thomas Geitner	3 years
Jennifer Allerton	3 years
Richard Friend	2 years
Ian Barkshire	<1 year
Mary Waldner	<1 year
Gavin Hill	<1 year
Alan Thomson	<1 year

Management Board

The Board delegates management of the business to the Chief Executive. To assist in this, the Chief Executive has created a Management Board that consists of the Executive Directors, senior managers with Group-wide functional responsibilities and the heads of the principal businesses of the Group's activities.

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

Operation of the Board

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

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

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

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

The Board meets on a regular basis, at least nine times a year, and otherwise as required. Of the nine regular meetings, typically six are held at Group locations and the remaining three are held by telephone conference. Other Board meetings are held on an "as needed" basis. The Board also held one off-site meeting specifically to discuss the Company's strategic direction during the year.

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

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

The Non-Executive Directors meet without the Executive Directors at least annually, with the Chairman leading these meetings. The Non-Executive Directors also meet annually without the Chairman in attendance. The Senior Independent Director chairs these meetings.

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

Corporate Governance
continued

Board balance and independence

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

Nigel Keen, Chairman, has been a member of the Board since February 1999. He has a degree in engineering from Cambridge University, is a Fellow of the Institute of Chartered Accountants and of the Institute of Engineering and Technology and has been involved in the formation and development of high technology businesses for more than 30 years. He fulfilled the independence criteria at the time of his appointment as set out in the Governance Code. Nigel Keen also serves as Chairman of Oxford Instruments Pension Trustee Limited, the Trustee of the Company's UK defined benefit pension scheme.

Both the Board of the Company and of the Trustee of the pension scheme have considered and approved the potential conflicts of interest inherent in the same person being Chairman of both Boards and have confirmed that they believe that it is in the interest of all parties for this to continue.

Nigel is Chairman of the Nomination Committee and a member of the Remuneration Committee. He will be retiring from the Board immediately following the AGM in September.

Alan Thomson was appointed to the Board as an Independent Non-Executive Director on 1 June 2016 and on 13 September 2016 will be appointed Chairman from the close of the AGM. He has a Masters degree from Glasgow University and is a Member and past President of the Institute of Chartered Accountants of Scotland. He is Chairman of Bodycote plc and Hays plc. Previously, he was Chairman of Polypipe Group plc and a Non-Executive Director of Laporte plc, Alstom SA and of Johnson Matthey plc. Earlier in his career, he worked on a variety of audits for Arthur Andersen and Price Waterhouse, followed by senior management positions with Rockwell International plc, Raychem Ltd and Courtaulds plc and was Group Finance Director of Rugby Group plc and then Smiths Group plc.

Alan is a member of the Nomination Committee and the Remuneration Committee and will become Chairman of the Nomination Committee after the AGM on 13 September 2016.

Richard Friend was appointed to the Board as an Independent Non-Executive Director on 1 September 2014. Richard is a Fellow of the Royal Society and of the Royal Academy of Engineering and he is Cavendish Professor of Physics and a Fellow of St John's College at the University of Cambridge.

His research encompasses the physics, materials science and engineering of semiconductor devices made with carbon-based semiconductors. His research advances have shown that these materials have significant applications in LEDs, solar cells, lasers and electronics. He was knighted for services to physics in the Queen's Birthday Honours List in 2003. He has also been directly involved in the commercialisation of technology through several spin-out companies from the University of Cambridge.

Richard is a member of the Audit and Risk, Remuneration and Nomination Committees.

Thomas Geitner was appointed to the Board as an Independent Non-Executive Director on 15 January 2013. He is a graduate of the Technische Universität München and holds an INSEAD MBA.

Thomas has extensive international experience in the technology and engineering sectors, having spent more than 30 years in businesses operating across the globe. Having worked in a number of global companies he understands the importance of remuneration connecting with strategy to appropriately incentivise the executive team.

The Board believes that his skills, experience and knowledge make Thomas well suited to chair the Remuneration Committee. Thomas is also a member of the Audit and Risk, and Nomination Committees.

Mary Waldner was appointed to the Board as an Independent Non-Executive Director on 4 February 2016. She is Chief Financial Officer at Lloyd's Register and was, until April 2016, Finance Director of Ultra Electronics plc. She has a Masters degree in physics from Oxford University and is a Fellow of the Chartered Institute of Management Accountants.

Mary has a broad range of experience in high technology companies that operate internationally and her background in a number of senior financial roles with major public limited companies gives her the various insights needed to make her a well qualified Chairman of the Audit and Risk Committee. On 16 June 2016 Mary will be appointed Chairman of the Audit and Risk Committee, and she is a member of the Remuneration and Nomination Committees.

Jock Lennox was appointed to the Board as an Independent Non-Executive Director on 1 April 2009 and has been Senior Independent Director since 2013. Prior to 2009, he was a Senior Audit Partner at EY where he gained extensive experience advising clients in a variety of industries on financial reporting, financing, transactions and international expansion. His skills, experience and knowledge help to enhance and maintain an effective Board and provide a well qualified Chairman of the Audit and Risk Committee. Jock is Chairman of the Audit and Risk Committee, standing down as its Chairman on 16 June 2016, and is a member of the Remuneration and Nomination Committees. Jock will be retiring from the Board immediately following the AGM in September.

Jennifer Allerton was appointed to the Board as an Independent Non-Executive Director on 11 June 2013. Jennifer is a graduate of Imperial College, London, has a Masters degree in physics from the University of Manitoba and is a chartered engineer. She has extensive international business experience which strengthens the skills and expertise of the Board. She is a member of the Audit and Risk, Remuneration and Nomination Committees. Jennifer will be retiring from the Board immediately following the AGM in September.

Independence of Non-Executive Directors

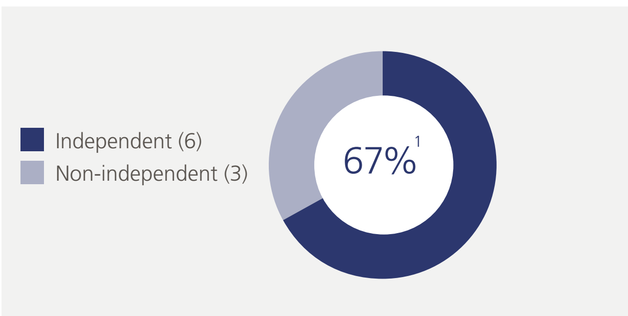
In the opinion of the Board, Alan Thomson, Mary Waldner, Thomas Geitner and Richard Friend are independent.

The Board considers that they are each independent in character and judgement and do not have relationships which are likely to affect their judgement. This opinion is based on current participation and performance on both the Board and Board Committees including consideration of the length of service at Oxford Instruments plc.

Term of appointment of Non-Executive Directors

Each Non-Executive Director was appointed for an initial term of three years. In line with provision B.7.1 of the Governance Code, the Board has determined that all Directors of the Board are to be subject to annual re-election by Shareholders and accordingly the appropriate resolutions will be put to Shareholders at the Company's forthcoming AGM.

Composition of the Board: independent vs. non-independent



1. As at the date of this report and in line with the Governance Code the Chairman is excluded from these numbers.

Board development and evaluation

Board development

On appointment, Directors undertake an induction process which is designed to develop knowledge and understanding of the Group's businesses through visits to various Group operating sites, discussion of relevant technology, as well as product demonstrations, briefings from management and familiarisation with investor perceptions of the Group. This induction is supported by briefing papers prepared by the Company Secretary.

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

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

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

Board evaluation

In light of the provisions of Section B.6.2 of the Governance Code, which expects that an externally facilitated evaluation of the Board be carried out at least triennially, in 2014/15 Colin Mayer, the Peter Moores Professor of Management Studies at Said Business School, University of Oxford, and a Board Member of the European Corporate Governance Institute, carried out a thorough review of the way the Board operates. Professor Mayer determined that Oxford Instruments is well governed, well run and a successful company which comfortably fulfils the requirements of the Governance Code in terms of the structure and conduct of its governance. He considered the formal governance and procedures in Oxford Instruments are significantly better than in most companies of a similar size. Professor Mayer suggested a number of areas in which the Company's governance could be strengthened with a view to promoting its development from a successful medium-sized firm to a truly global company of international significance.

This year, the Board carried out its annual effectiveness evaluation exercise, including a specific review of the effectiveness of its principal committees and members. This was an internal exercise under the control of the Chairman using a detailed questionnaire completed by all Directors in relation to the key areas of Board accountability and the arrangements in place to enable effective focus on these areas. Topics covered included Group strategy, performance, delegation and accountability, success, development and reward, Board and Committee composition, Board induction and training, internal control and risk management. At the individual one-to-one interviews which the Chairman held with each Director, individual performance and the operation of the Board and its Committees were discussed in more detail. The Chief Executive is also involved in the process by giving his input on the way the Board helps him in his role. The output from these evaluations allows the Chairman to review objectively the overall balance and effectiveness of the Board. The Non-Executive Directors meet annually to appraise the Chairman's performance.

Corporate Governance
continued

Attendance at meetings

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

The following table sets out the frequency of, and attendance at, Board and principal Board Committee meetings for the year to 31 March 2016:

	Main Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Number of meetings held	12	6	3	3
Nigel Keen	12	6[1]	3	3
Jonathan Flint	12	6[1]	3[1]	2[1]
Kevin Boyd	12	6[1]	0	2[1]
Ian Barkshire[2]	4	2[1]	0	0
Jock Lennox	12	6	2	3
Thomas Geitner	12	6	3	3
Jennifer Allerton	11	6	3	3
Richard Friend	12	6	3	3
Mary Waldner[3]	2	1	1	0

1. Attended by invitation.
2. Ian Barkshire was appointed to the Board on 10 November 2015. He has attended all Board meetings since his appointment.
3. Mary Waldner was appointed to the Board on 4 February 2016. She has attended all meetings since her date of appointment.

Note: both Gavin Hill and Alan Thomson were appointed to the Board after 31 March 2016.

Board Committees

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

Membership of Board Committees, which is set out on pages 41 to 43, is determined by the Board and is reviewed regularly. The written terms of reference of the Board Committees are reviewed annually by each Committee and the Board and are available on the Company's website at www.oxford-instruments.com/investors and from the Company on request. They will be on display at the Annual General Meeting.

Detail on the operation of each of the Audit and Risk, Remuneration and Nomination Committees is to be found within the relevant reports on pages 51 to 75.

Nomination Committee

The Nomination Committee comprises all the Non-Executive Directors, under the chairmanship of the Chairman of the Board. The Nomination Committee is responsible for assisting the Board in the formal selection and appointment of Directors and considers succession planning for the Board.

Remuneration Committee

The Remuneration Committee comprises all the Independent Non-Executive Directors and the Chairman of the Board. Thomas Geitner is the Chairman of the Committee. The Board considers that Thomas, with his experience of working at senior levels in global companies, including high technology companies, has an appropriate blend of skills to make a successful Chairman of the Remuneration Committee. The members of the Committee are appointed by the Board.

The Remuneration Committee is responsible for recommending to the Board the remuneration packages for Executive Directors and the bonus and share option strategy for the Group's executive management.

Independent professional advice is sought when considered necessary. The Chairman and the Executive Directors are responsible for fixing the remuneration of the Non-Executive Directors and the Remuneration Committee is responsible for fixing the remuneration of the Chairman. No Director is involved in the process that sets his/her own remuneration.

The Chief Executive is invited to attend Remuneration Committee meetings as deemed appropriate, for example when consideration is being given to the performance of other Executive Directors and on significant Group-wide changes in salary structure and terms and conditions affecting other employees at senior executive level.

Audit and Risk Committee

The Audit and Risk Committee comprises all the Independent Non-Executive Directors and, as at the date of this report, its Chairman is Jock Lennox. Mary Waldner will be taking over as Chairman of the Committee on 16 June 2016. Other members of the Board, senior management and the external auditor are invited to attend all or part of any meetings. The Board has determined that, as a Chartered Accountant and former Senior Audit Partner at EY, Jock Lennox was the designated financial expert during the year and that Mary Waldner, with her background in financial management, will be the designated financial expert from 16 June 2016.

The Audit and Risk Committee's main responsibilities are focused on financial reporting, external audit, internal audit, internal controls and risk management.

Full details of the operation and the work of the Audit and Risk Committee are included in the Audit and Risk Committee Report set out on pages 51 to 56.

Administration Committee

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

Annual General Meeting ("AGM")

The AGM is an opportunity for the Board to meet Shareholders. At its AGM, the Group complies with the provisions of the Governance Code relating to the disclosure of proxy votes, the separation of resolutions and the attendance of Committee Chairmen. The Group arranges for the Reports and Financial Statements and related papers to be posted on its website and, where Shareholders have elected to receive paper copies, posted to Shareholders so as to allow at least 20 working days for consideration prior to the AGM. The next AGM will be held on 13 September 2016 at the Group's offices in Tubney Woods, Oxfordshire.

Investor relations

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

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

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

Risk management

Within the Group there is an ongoing embedded process for identifying, evaluating and managing the significant risks faced by the Group. Day-to-day management of this process has been delegated by the Board to the Executive Directors. Detail of the process is set out in the Audit and Risk Committee Report on pages 51 to 56. This process has been in place for the year under review and up to the date of approval of the Report and Financial Statements 2016. It is regularly reviewed by the Board of Directors and accords with the principles of the Governance Code.

The Board has carried out a robust assessment of the principal risks facing the Group, including those which threaten its business model, future performance, solvency and liquidity. Details of all major risks identified and the mitigating actions in place are reported to and reviewed by the Board. The Principal Risks and Uncertainties (pages 22 to 24) give an overview of the major risks and uncertainties faced by the Group. A standard process is in place throughout the Group that requires the senior management of each business to identify significant business risks and to classify them both as to probability and potential impact. Once identified, mitigating action, where possible, is formulated and responsibility within the management team assigned. On a regular basis each business reviews and updates its risk summary which is then reported to the Chief Executive. If a material risk changes or arises, the Managing Director of the business reports this in writing to the Chief Executive at which time there is a discussion on the adequacy of the mitigating actions taken.

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

Internal audit and assurance

The Group's Internal Audit function has responsibility for independently assessing the adequacy and effectiveness of the management of significant risk areas and provides an oversight view of operational management's front line and assurance activities. Further details of the Internal Audit activities are set out in the Audit and Risk Committee Report on pages 51 to 56.

Internal control

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

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

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

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

Corporate Governance
continued

Internal control continued

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

- there is a formal schedule of matters reserved to the Board for decision and, other than these matters, the Board delegates to the Chief Executive and reviews the delegation of authorities throughout the management structure;
- the Group's management structure is headed up by the Management Board. Its membership comprises the Executive Directors, senior managers with Group-wide functional responsibilities and the heads of the principal businesses of the Group's activities. Day-to-day responsibility for the management of the Group is delegated to the Management Board. The responsibility is based on the identification of separate businesses for each of the Group's activities for which there are clearly defined lines of management responsibilities at all levels up to and including the Group Board and the Group's accounting and reporting functions reflect this organisation;
- financial executives within Group businesses report to their own operational head but there is also a well established and acknowledged functional reporting relationship through to the Group Finance Director;
- the Board reviews strategic issues and options formally once a year during the annual strategic planning process and during the year as appropriate. In addition the Executive Directors maintain a five year planning model of the Group and its individual businesses;
- annual budgets are prepared for each of the Group's businesses which include monthly figures for turnover, profit, capital expenditure, cash flow and borrowings. The budgets are reviewed through the Group management structure and result in a Group financial budget which is considered and approved by the Board;
- the businesses prepare monthly management accounts which compare the actual operating result with both the budget and the prior year. The businesses also prepare rolling reforecasts for orders, turnover, operating profit and cash. Both are reviewed by the Board monthly;
- the Board approves all acquisition and divestment proposals and there are established procedures for the planning, approval and monitoring of capital expenditure;
- for all major investments the performance of at least the first twelve months against the original proposal is reviewed by the Board;
- each Group site, except for representative sales offices, is required to submit a self-assessment internal control questionnaire annually;
- internal audit is carried out through a system of regular reviews of the financial and non-financial internal controls at each site and this is further reported on in the Audit and Risk Committee Report on pages 51 to 56. These reviews are coordinated by the Group Head of Internal Audit and Risk Management;
- the Board receives regular updates on pensions, corporate social responsibility, business ethics and health and safety and the Audit and Risk Committee regular updates on treasury, tax, insurance and litigation;
- authorisation limits are set at appropriate levels throughout the Group; compliance with these limits is monitored by the Group Finance Director and the Group Head of Internal Audit and Risk Management;
- all requests to quote for substantial fixed price contracts are reviewed by the Chief Executive and/or the Group Finance Director to assess both technical and financial risk and to fix an appropriate balance between risk and reward. However, no procedure can guarantee the avoidance of losses on fixed price contracts of a technical nature; and
- with respect to the UK pension scheme, the Group nominates half of the trustee directors of the corporate trustee to the pension scheme, involves as necessary its own independent actuary with whom actuarial assumptions are reviewed, agrees the investment Policy with the trustee, works with the trustee on its investment sub-committee to deal with day-to-day investment matters and to act as a co-ordinator between the investment advisers, investment managers and the trustee, ensures there is an independent actuarial valuation every three years and agrees funding levels to provide adequate funding to meet the benefit payments of the members as they fall due.

Susan Johnson-Brett
Company Secretary

15 June 2016

Audit and Risk Committee Report

The extended scope of the Audit and Risk Committee coincided with a period of considerable change within the business.

Jock Lennox Audit and Risk Committee Chairman

Dear Shareholder

2015/16 was the first full financial year in which the role of the Committee had been extended to cover assurance on non-financial matters. The scope of the Committee includes, inter alia, the approval and oversight of Group policies for insurance, litigation, tax and treasury and the non-financial assurance audits of Human Resources, Information Technology, Operations and New Product Innovation in addition to the traditional area of focus on core financial controls and processes.

The extended scope of the Audit and Risk Committee coincided with a period of considerable change within the business. The restructuring of the business announced in January 2015 resulted in a number of short-term challenges. Further, external factors such as Russian trade sanctions and significant customer changes in the wire business led to some significant variances in performance compared to initial expectations for the year ended 31 March 2016.

There have also been changes in financial reporting requirements which have to be addressed for the first time this year, notably in relation to the Viability Statement on page 25. These areas of external change, combined with key areas of internal activity and the associated risks arising, provided the focus for a substantial proportion of the Committee's work, in addition to the recurring areas of responsibility and oversight that form the core of the Committee's remit. As a result, particular areas of focus over the last twelve months have included:

- a review of the Group's risk register at each meeting of the Committee which led to further review of specific topics;
- a detailed discussion of the forecasts prepared by the Group Finance Director prior to the AGM and the profits warning in September 2015;
- a review of the output of, and key assumptions used in, the preparation of longer term forecasts used in the preparation of the Group's Viability Statement;
- a review of the Group's policies in relation to key financial risks including foreign exchange (hedging Policy) and exposure to movements in the prices of key commodities used in the business (notably copper);
- a review of stock provisions within the Plasma Technology business to consider whether potential risks in terms of obsolescence/ recoverability were appropriately reflected in the carrying value of inventory;
- the risk management processes in place at our NanoAnalysis business during a visit to the High Wycombe site; and
- key areas of IT risk, including progress on the implementation of the new ERP system ("Project Connect"), the robustness of core IT systems and cyber security risks. This shall be an area of ongoing focus in 2016/17.

This report sets out the role, structure and terms of reference of the Audit and Risk Committee. It also summarises the principal activities that have been undertaken during the course of the financial year ended 31 March 2016 and how the Committee fulfils its responsibilities. The foundations of our activity are designed to support the principal requirements relating to the Group's financial reporting cycle. This includes our review of areas of significant accounting judgement, monitoring the effectiveness of both the internal and external audit functions, and the key risk management processes.

Shortly I will be succeeded as Chairman of this Committee by Mary Waldner. Mary and I have discussed key areas of historical importance to the Group and potential areas of risk which may require further scrutiny in the future. As both the Group itself and the external environment evolve, we will continue to consider the implications of these factors to ensure that our activities are directed appropriately, in order to maintain effective mechanisms of governance and control that are commensurate with the risks identified.

I will be at the AGM in September. In the meantime if you have any questions or comments I should be delighted to hear from you.

Jock Lennox
Audit and Risk Committee Chairman

15 June 2016

Audit and Risk Committee Report
continued

Composition

The members of the Audit and Risk Committee are Jock Lennox (Chairman), Jennifer Allerton, Mary Waldner, Richard Friend and Thomas Geitner. Mary was appointed to the Committee in February 2016 with a view to succeeding Jock Lennox as Chairman. Mary will be appointed Chairman on 16 June 2016, following the announcement of the Group's results for the year ended 31 March 2016. Jock and Jennifer will step down from the Committee when they retire from the Board at the AGM in September.

The Chairman of the Board, Chief Executive, Group Finance Director, Group Head of Internal Audit and Risk Management and the external auditor, KPMG, are invited to attend all or part of any meetings at the discretion of the Audit Committee. The Company Secretary acts as secretary to the Committee. Other relevant people from the business are also invited to attend certain meetings in order to provide a deeper level of insight into key issues and developments. Each meeting attended by the external auditor, KPMG, allows time for the Committee to speak with the external auditor without the presence of the executive management.

The Board has determined that, as a Chartered Accountant, Audit Committee Chairman of certain other public companies and former Senior Audit Partner of EY, Jock Lennox is deemed to be independent and have recent and relevant financial experience. Mary Waldner, is the current Chief Financial Officer of Lloyd's Register and has previously held senior financial roles at Ultra Electronics plc, Qinetiq plc and 3i Group plc. She is also considered by the Board to be independent and to have recent and relevant financial experience.

Role and responsibilities

The remit of the Committee is summarised below and is detailed in full in the terms of reference, a copy of which can be found on our website at www.oxford-instruments.com/investors. The main responsibilities of the Committee are focused on the following five areas:

Financial reporting

- Reviewing the financial results announcements and Financial Statements and monitoring compliance with relevant statutory and listing requirements.
- Advising the Board on whether the Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for Shareholders to assess the Company's position and performance, business model, strategy and risks.
- Reviewing and challenging significant financial reporting judgements and accounting policies and compliance with accounting standards.

External audit

- Overseeing the relationship with the external auditor.
- Monitoring and reviewing auditor independence and objectivity and evaluating the effectiveness of the audit process.
- Reviewing and approving the annual audit plan and audit findings.
- Making recommendations to the Board for the appointment or re-appointment of the external auditor.
- Reviewing and monitoring the non-audit services Policy and the level of non-audit services provided by the external auditor.

Internal controls and risk management

- Monitoring the adequacy and effectiveness of the internal financial control environment.
- Reviewing the operation of the Group's internal control and risk management processes.
- Regularly reviewing the output from the Group's risk management processes, including any risk mitigation plans arising.

Internal audit

- Monitoring the role, resources and effectiveness of the Group internal audit function.
- Approving an annual programme of internal audit work (covering financial and non-financial areas of activity) and reviewing the results of such work.

Business malpractice

- Reviewing the Group's procedures for detecting fraud and for the prevention of bribery.
- Reviewing the adequacy and security of the Group's whistle-blowing arrangements and matters reported to the whistle-blowing hotline.

The Committee periodically reviews its terms of reference and its effectiveness and recommends to the Board any changes required as a result of such review.

Activities of the Audit Committee in respect of the financial year ended 31 March 2016

The Committee has worked largely to a recurring and structured programme of activities developed from its terms of reference and agreed with the Committee Chairman at the start of the financial year. A summary of the items discussed in each meeting is set out in the table below:

Agenda item	July 2015	September 2015	November 2015	January 2016	March 2016	June 2016
Review the integrity of the draft Financial Statements, appropriateness of accounting policies and going concern assumption (reports received from management and KPMG)			•		•	•
Review and recommend for approval the half-year and year-end announcements, interim management and AGM statements and the Report and Financial Statements		•	•			•
Review viability statement requirements and reporting proposal				•	•	
Assess the effectiveness of the external audit process	•					
Review and approve the non-audit services Policy				•		
Consider the independence and objectivity of the external auditor				•		
Review internal management representation letters					•	
Agree the internal audit plan					•	
Review the output of the internal audit work			•			•
Review the effectiveness of the Audit and Risk Committee	•					
Re-evaluate the effectiveness of the internal audit function					•	
Review the internal control framework				•		
Review the risk assessment and management processes				•		
Review the Group Risk Register	•		•	•		•
Annual review of the whistle-blowing arrangements				•		
Review systems and controls for detecting fraud and the prevention of bribery				•		
Annual review of treasury arrangements				•		
Annual review of tax					•	

The Committee has expanded its scope to cover areas of non-financial assurance. As noted on page 51, this includes an area of strategic importance to the Group – New Product Innovation ("NPI") – together with key enabling functions such as HR (with a particular focus on skills management) and IT with a continuing focus on Project Connect (the development of the new ERP system) and the Group's potential vulnerability to external threats such as cyber attack. The Committee also receives reports on the operational audit programme and health and safety and environmental performance and compliance. The Committee considers these areas provide proportionate coverage and assurance over the most significant areas of potential risk faced by the Group.

In accordance with the 2014 UK Corporate Governance Code (the "Governance Code"), the Board requested that the Committee advise it on whether the Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy. This work formed part of the review of the draft Financial Statements that was undertaken in June 2016. There had been discussion and approval of specific parts of the Report and Financial Statements at earlier meetings.

Audit and Risk Committee Report
continued

Significant matters related to the Financial Statements

The Committee reviews all significant issues concerning the Financial Statements. The principal areas of significant accounting judgement considered in relation to the 2016 Financial Statements were:

Revenue recognition

The nature of the commercial relationship with customers together with the capital nature of certain of the Group's products means that judgement can be required in assessing the timing of recognition of revenue. This is particularly relevant in the NanoTechnology Tools segment. The Committee receives commentary from management on the cut off of revenue and an explanation of any particular sales where judgement has been required. This includes sales recognised under "bill and hold" arrangements where physical delivery to the customer takes place post year end.

Revenue in the OI Healthcare business includes service revenue, equipment rental and equipment sales. This is disclosed in Note 3. This element of the business increased in significance in the year with the acquisition of Medical Imaging Resources, Inc in May 2015. The Committee received a paper from management setting out the business model and Policy for revenue recognition. Specific commentary was also received from the external auditor who agreed with management's recommendations. The Committee concluded that the proposed treatment was appropriate.

Carrying value of acquired intangible assets (including capitalised goodwill)

The Group balance sheet includes acquired intangible assets valued at £201.0 million. This includes capitalised goodwill and other intangible assets that have arisen through historical acquisitions by the Group in pursuit of its strategy. The most significant element relates to Andor at £124.1 million. As set out in Note 17 to the Financial Statements, the carrying value of goodwill for each investment has been assessed for impairment and the sensitivity to any change in the assumptions used in those calculations has been considered. Note 17 includes a sensitivity analysis; due to the recent timing of the Andor acquisition, the headroom to impairment is relatively low.

Valuation of investment in associate undertaking

In May 2015, the Group disposed of 100% of its interest in Omicron NanoTechnology GmbH ("Omicron") and its subsidiaries to Scienta Scientific AB in exchange for a 47% shareholding in the business combination of Omicron and Scienta Scientific AB.

On the basis of the Group's minority shareholding and the composition of Scienta Scientific AB's Board of Directors (the Group appoints two out of five seats) the Committee is satisfied with management's assessment that the Group does not control Scienta Scientific AB. Accordingly it has been treated in the Group Financial Statements as an investment in an associate.

IFRS requires that the initial carrying value of the investment in Scienta Scientific is determined by its fair value. Management performed this valuation, considered a range of possible values, and concluded that a fair value of £14.6 million was appropriate. We are satisfied that an appropriate analysis has been undertaken. A valuation at this level resulted in a loss on disposal of £0.9 million against the book value of the investment.

Since the Group continues to include part of Omicron in its accounts (albeit on a different basis of presentation) the results of Omicron prior to May 2015 have not been presented as discontinued operations.

Provisions for product warranty and related matters

The Group faces an inherent risk of potential claims in relation to product quality or intellectual property infringement. Management has presented its analysis of potential exposure to these risks and we have also received comments from the external auditor on the level of provisions recognised in the Financial Statements. Given the inherent uncertainty in such matters it is likely that the actual settlement cost arising from any potential claim would vary from the amounts provided. Nonetheless, we consider that the methodology applied is appropriate and has been consistently applied.

UK defined benefit pension scheme

IFRS requires the Group to value its defined benefit pension scheme at the difference between the value of the scheme's assets and the net present value of the scheme's future liabilities as at 31 March 2016. Further, the Group is required to appoint an external actuary to give advice as to suitable assumptions and to calculate the value of the liabilities at the balance sheet date.

The valuation of the scheme assets was provided by the scheme's investment manager in accordance with market practice for valuing investment assets.

In calculating the deficit the actuary used member data from the March 2015 triennial valuation prepared for the scheme's trustee. Previously data from the March 2012 valuation was used in preparing the IAS 19 valuation. Using this more recent data resulted in a significant reduction in the deficit. The Committee discussed the revision with management and the external auditor, and is satisfied that the position at 31 March 2016 has been applied consistently with prior years.

Tax provisions

The Group has a number of tax positions where the outcome is uncertain and ultimately depends on the view taken by tax authorities, both in the UK and overseas. The net tax liability reported in the financial statement is effectively reduced as a result of tax efficient activities including claims for technology related tax reliefs, benefits from a tax efficient financing structure, and deferred tax assets (e.g. timing differences and carried forward losses). In preparing the provisions, judgement has been exercised by management with the aim of recording assets and liabilities at the fair value of the most likely outcome. The Committee is satisfied that judgement has been applied consistently with prior years.

Adjusted profit and EPS

As explained in Note 1 to the Financial Statements, the Group applies adjustments to the statutory definition of profit and EPS to present adjusted profitability and earnings as the Board believes they present a clearer picture of the financial performance of the Group. In the year ended 31 March 2016, £16.7 million of the total adjustments of £23.9 million before taxation relate to the amortisation and impairment of acquired intangible assets. The net total of non-recurring and acquisition related items is £4.5 million of which £9.4 million relates to charges arising from restructuring and acquisitions or disposals. The other adjustment relates to a reduction in deferred consideration of -£4.9 million. The Committee has received a detailed analysis from management to demonstrate that the Group's definitions have been consistently applied. These items involve careful judgement and the Committee is satisfied that they have been rigorously considered by management and appropriately disclosed.

Misstatements

Management reported to the Committee that they were not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation. The external auditor reported a schedule of unadjusted audit differences to the Committee. Following discussion with management and the external auditor, the Committee was satisfied that the adjustments were not material to the Financial Statements and therefore remained unadjusted. The Committee concluded that it was satisfied that the external auditor had fulfilled its responsibilities with diligence and professional scepticism.

After reviewing the presentations and reports from management, and after consulting, where necessary, with the external auditor the Committee was satisfied that the Financial Statements appropriately addressed the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Committee was also satisfied that the significant assumptions used for determining the value of assets and liabilities, including the pension commitments of the Group, had been appropriately scrutinised and challenged.

External auditor

The Committee is responsible for monitoring the performance, objectivity and independence of the external auditor, recommending the appointment of the external auditor to the Board and approval of its fees. KPMG, the external auditor, set out its plan for undertaking the external audit at the Committee meeting in January 2016. This highlighted the proposed approach, scope and planned materiality of the audit for the year ended 31 March 2016 and identified the key risks and areas of audit focus, including the approach for these areas in detail. The Committee reviewed and, as appropriate, challenged the basis for these before agreeing the plan.

The Committee assesses the effectiveness of the audit process in addressing any matters raised through the reporting received from KPMG at the half year and year end and through feedback from key stakeholders at all levels across Oxford Instruments.

As reported last year, the external audit was tendered in 2014 and KPMG was re-appointed. The new rules for audit tendering and rotation come into force in June 2016. The Group's Policy is to conform to these new rules. Under the transitional arrangements, this means KPMG will be replaced as auditor not later than 31 March 2021 although we shall monitor the re-appointment of KPMG on an annual basis. A tender process will be arranged when appropriate.

Auditor independence

In its assessment of the independence of the external auditor the Committee receives confirmation of any relationships between the Group and KPMG that may have a bearing on its independence and receives confirmation that it is independent of the Group.

To further safeguard the objectivity and independence of the external auditor and to mitigate the risk of the external auditor firm's independence becoming compromised, the Committee has a formal Policy governing the engagement of the external auditor to provide non-audit services. In light of changes to the Governance Code that are due to take effect in June 2016, the Committee has updated its Policy which governs the provision of non-audit services. All non-audit related engagements over £50,000 require formal advance approval by the Committee. The details of the audit fees for the year, together with fees for non-audit services, are set out in Note 4 (page 99) to the Financial Statements. In the year ended 31 March 2016, audit fees paid to KPMG were £462,000 and non-audit fees £41,000. This represents a non-audit to audit fee ratio of 9%.

Audit and Risk Committee Report
continued

Internal audit

Internal audit plays an important role in assessing the effectiveness of internal controls. This is achieved through an audit programme that includes rotational site visits providing core assurance over the Group's financial processes and risk-based reviews to provide assurance that controls over certain key risks are operating effectively. Compared to the prior year, there were fewer internal audit visits due to a hiatus in the recruitment of a new Group Head of Internal Audit and Risk Management which led to the outsourcing of certain activities until the new incumbent took over in February 2016. During the year, reviews of core financial processes were undertaken in the Group's federal offices in Japan and at certain operating sites of Plasma Technology and NanoScience. In addition, time has been spent, together with management, developing the risk management process and extending the scope of the Committee's work to embrace the non-financial areas of assurance.

The Committee has assessed the internal audit plan so that it provides appropriate coverage over the internal control environment and provides a balanced overview across the Group, taking into account the level of risk, other assurance activities and previous coverage. Reports from the Group Head of Internal Audit and Risk Management include updates on audit activities, progress against the audit plan, and the results of the audit work and status of any control remediation plans.

The Group Head of Internal Audit and Risk Management has direct access and a reporting line to the Chairman of the Audit and Risk Committee and meets independently with the Chairman during the year. As part of the transition process, the current and future Chairman of the Audit and Risk Committee have held a joint planning and review meeting with the Group Head of Internal Audit and Risk Management. The Committee monitors the resources and scope of work of the Group Internal Audit function to ensure that its development is commensurate with the increasing scale and complexity of the business.

Internal control and risk management

The changing composition of the Group, the markets it operates in and other external factors require us to review our existing risk management process to establish whether it is effective in the identification and mitigation of risks (where the risks identified can be mitigated by internal action). Currently we follow a "bottom-up" process where individual business units are required to identify risks relevant to their businesses. Group management perform a "top-down" review to add the additional Group based risks to complete the picture. Key risks, based on likelihood of occurrence and significance of potential impact are consolidated into the Group Risk Register. The Group Risk Register is reviewed at least every quarter by executive management before being reported to the Board. The register is tabled at each meeting of the Audit and Risk Committee.

Internal audit provides assurance on the risk management processes as part of its audit work and utilises the output of the business risk reporting to identify the risk-based reviews to be included within its audit plan. In addition, the plan includes a core compliance element in relation to financial controls with entities selected for audit using a risk-based approach (which includes the timing since the last visit and findings from previous audits).

The Committee reviewed the system of internal financial control on behalf of the Board and satisfied itself that the Group is meeting the required standards both for the year ended 31 March 2016 and up to the date of approval of this Report and Financial Statements. No concerns were raised with the Committee in the year about possible improprieties in matters of financial reporting.

In coming to these conclusions the Committee reviewed reports from Group Internal Audit and from the external auditor on internal control findings, obtained reviews into the control environment and risk management process; and considered the outputs from other assurance activities performed by the Group functional heads over operations, health and safety, NPI, human resources and IT. Following the implementation of minimum financial control standards and more detailed policies and procedures in the prior year, 2016 was a year for consolidating recent changes. The associated programme of self-assessment forms an important part of the Committee's review of the internal control environment.

Whistle-blowing

The Group's Business Malpractice Policy comprises an internal process that has been communicated directly to all employees by which employees can raise a concern, including concerns relating to fraud, bribery and/or corruption, damage to the environment, criminal activity or danger to health and safety, in the knowledge that it will be taken seriously, treated as confidential and that no action will be taken against the employee raising the concern. Reporting channels include an independent third party provider that provides summary reports to the Group Compliance Team (comprising the Head of Group Legal and the Group Head of Internal Audit and Risk Management). There is also provision within the Policy for employees to raise concerns directly with the Senior Independent Director. This Policy is reviewed annually by the Committee and is also to be reviewed as part of a wider review by Group internal audit of the Group's Anti-Bribery and Anti-Corruption Policies and Procedures. The Group Head of Internal Audit and Risk Management maintains a log of all matters reported through the confidential third party provider. No serious matters were reported during the year ended 31 March 2016.

Summary

The Committee has concluded that, as a result of its work during the year, it has acted in accordance with its terms of reference and fulfilled its responsibilities. Mary Waldner, in her role as Chairman of the Committee from 16 June 2016, and Jock Lennox, the outgoing Chairman, will be available at the AGM to answer any questions.

Jock Lennox
Audit and Risk Committee Chairman

15 June 2016

Nomination Committee report

The Nomination Committee is responsible for assisting the Board in the formal selection and appointment of Directors.

Nigel Keen Chairman of the Nomination Committee

The Nomination Committee comprises all the Non-Executive Directors, under the chairmanship of the Chairman of the Board.

Attendance at meetings year ended 31 March 2016

	Nomination Committee	Date of appointment to Committee
Number of meetings held	3	
Number of meetings attended		
Nigel Keen, Chairman	3	25 February 1999
Jennifer Allerton	3	11 June 2013
Richard Friend	3	1 September 2014
Thomas Geitner	3	15 January 2013
Jock Lennox	3	1 April 2009
Mary Waldner[1]	0	4 February 2016
Number of meetings in attendance		
Jonathan Flint	2	
Kevin Boyd	2	

1. No meetings of the Committee were held between appointment and 31 March 2016.

The Nomination Committee

- Is responsible for assisting the Board in the formal selection and appointment of Directors. It considers potential candidates and recommends appointments of new Directors to the Board.
  - The appointments are based on merit and against objective criteria including time available and the commitment that will be required of the potential Director.
  - There is a formal, rigorous and transparent procedure for the appointment of new Non-Executive Directors to the Board, the prime responsibility for which is delegated to the Nomination Committee. Each appointment process begins with an evaluation of the balance of skills, knowledge and experience existing on the Board that is effected through a series of one-on-one meetings between the Committee Chairman and Directors.
  - The Nomination Committee takes external advice when considered appropriate.
- Considers succession planning for the Board and the top level of senior management.

Principal activities of the Committee during the year

Appointments to the Board

- Executive Director appointment: as part of its Board succession plan, an internal candidate had been identified with the potential to succeed Jonathan Flint as CEO in due course. The Committee identified that its potential internal successor to the CEO needed more exposure to the Board. Accordingly it recommended that Ian Barkshire, a long serving senior manager within Oxford Instruments, be appointed an Executive Director with effect from 10 November 2015.
- NED appointment: the Committee established a sub-committee to evaluate the balance of skills, knowledge and experience on the Board and to identify appropriate candidates for Non-Executive Director positions on the Board, has continued its work.
  - The Committee's succession plan for the Board identified that Jock Lennox, in line with Provision B.1.1 of the Governance Code, would be stepping down from the Board in 2018 (subsequently he notified the Board that he wished to step down at the 2016 AGM).
  - The sub-committee, with the help of executive search consultants MWM Consulting, drew up a description of the role and desired capabilities for candidates and, taking into account both diversity within and the balance of skills on the Board, developed a shortlist of qualifying candidates.
  - Candidates met with the Chairman and the Senior Independent Director and a final selection of potential appointees met several Directors individually.
  - Following these meetings, the Nomination Committee considered each Director's feedback and made a final recommendation to the Board of the appointment of an Independent Non-Executive Director who also had potential as a future Chairman of the Audit and Risk Committee.

  Following this process, Mary Waldner was appointed to the Board as an Independent Non-Executive Director with effect from 4 February 2016 and will be appointed Chairman of the Audit and Risk Committee from 16 June 2016.

Nomination Committee Report
continued

Principal activities of the Committee during the year continued

Appointments to the Board continued

- CEO appointment: the Committee established a sub-committee to drive the selection process. The sub-committee worked with the Group HR Director and executive search consultants, Odgers Berndston and Mercuri Urval, to develop a candidate brief and to carry out benchmarking and candidate evaluations to help the Committee in its deliberations on potential candidates for CEO.
  - The advisers each carried out a detailed evaluation of the internal successor for the role of CEO to establish his credentials and to benchmark him against external potential candidates.
  - After presentations and extensive discussions between the internal candidate and the Committee, the Committee considered the best way forward for the Company and made its recommendation to the Board.

    On 12 April 2016 the Board announced that Ian Barkshire, the Company's Chief Operating Officer and Executive Director, was appointed to the position of Chief Executive with effect from 11 May 2016.
- Group Finance Director appointment: following notification by Kevin Boyd that he was resigning from the Company, the Committee established a sub-committee to work with MWM Consulting.
  - The sub-committee, with the help of MWM Consulting, developed a candidate brief and identified candidates for a long list.
  - MWM Consulting carried out benchmarking and candidate evaluations to help the Committee develop a shortlist of candidates for the role.
  - After careful consideration of the potential candidates, the Committee made its recommendation to the Board and an offer was made.

    On 12 February 2016 the Board announced that Gavin Hill, formerly Finance Director of Synergy Health, was appointed to the position of Group Finance Director with effect from 9 May 2016.
- Chairman appointment: following the announcement in November 2015 that Nigel Keen had decided after 17 years' service to step down from the Board at the 2016 AGM, the Committee established a sub-committee, led by Jock Lennox, Senior Independent Director, to search for his successor.
  - With the help of executive search advisers, the Zygos Partnership, the Committee drew up a profile of the requirements for this role and tasked Zygos with identifying suitable potential candidates.
  - Candidates went through a vigorous interview process and met with Directors of the Board.
  - After careful consideration of the potential candidates, and taking the views of all Board members into account, the Committee made its recommendation to the Board and an offer was made.

    On 9 May 2016 the Board announced that Alan Thomson, Chairman of Bodycote plc and Hays plc, was to be appointed Independent Non-Executive Director from 1 June 2016 and as Chairman designate, will be appointed Chairman after the close of the AGM on 13 September 2016.

All Directors of the Board are put forward for re-appointment by Shareholders each year at the AGM and this includes all those appointed during the year. The Committee, taking into account the performance and value that each Director brings to the Board, has considered whether each of the Non-Executive and Executive Director appointments should be renewed for a further year and has confirmed that this is indeed the case and accordingly a resolution to reappoint each Director will be put to Shareholders at the Company's forthcoming AGM.

Succession planning

- The Group HR Director and the Chief Executive presented the work that had been carried out within the business on succession planning, talent management and leadership and articulated the succession plans for each senior management position, including at Management Board and Executive Director level.
- The Chairman updated the Board's succession plan for Non-Executive Directors.

Other

- The Nomination Committee also carried out its annual review of the performance of the Chief Executive and it, excluding the Chairman, also reviewed the performance of the Chairman.

Nigel Keen
Chairman of the Nomination Committee

15 June 2016

Remuneration Report

On behalf of the Board, I am pleased to present the Remuneration Report for 2015/16.

Thomas Geitner Chairman of the Remuneration Committee

Dear Shareholder

Summary of main remuneration decisions during the year

Our Directors' Remuneration Policy was approved by Shareholders at the 2014 AGM and having reviewed its operation in 2015/16 the Committee has concluded that no changes are necessary to the implementation of the Policy for the forthcoming year. The Remuneration Committee will carry out a full review later this year to determine whether any changes are required at our 2017 AGM, when we must again seek shareholder approval for our Policy.

As well as the usual standing agenda items, the Committee has spent time dealing with the remuneration matters arising as a result of the Board changes we have seen during the year. We welcomed Ian Barkshire onto the Executive Board as Chief Operating Officer on 10 November 2015 and as Chief Executive with effect from 11 May 2016 as well as our new Group Finance Director, Gavin Hill, on 9 May 2016. The Committee has agreed the remuneration packages for these individuals as well as the remuneration arrangements on cessation for our outgoing GFD.

Since the year end, the Committee has also agreed the remuneration arrangements for Jonathan Flint, who ceased to be Chief Executive on 11 May 2016 and who will step down from the Board on 31 July 2016, as well as setting the fee of our new Chairman, Alan Thomson, who was appointed to the Board as an Independent Non-Executive Director on 1 June 2016 and will take over as Chairman at the close of this year's AGM on 13 September 2016.

Our departing GFD was, and CEO will be, paid base salary, pension and benefits to the date of cessation and, as each have continued in service for the full financial year, annual bonus for the financial year ended 31 March 2016 has been determined and paid in accordance with the performance targets set at the beginning of the year. All outstanding long-term incentive awards will lapse on cessation. No bonus will be payable to Jonathan Flint in respect of his service from 1 April 2016 to the date of his cessation. No additional contractual or other payments are being made.

In arriving at an appropriate package for each of our new Board Directors, the Committee has taken into account the experience of each of the individuals, the skills that they bring as well as requirements of their respective roles. The Committee has also kept in mind the market rate for each of the roles as well as the overriding principle of paying no more than is necessary to secure the best candidate with the right skills and experience. It is anticipated, subject to individual and corporate performance, that as our CEO grows in experience his base salary will be increased over the next few years to ensure he receives market competitive remuneration for the skills and experience he brings to the role.

Remuneration Report
continued

Corporate performance and remuneration for 2015/16

As explained in our Strategic Report on pages 1 to 39 it has been a testing year for Oxford Instruments. The Group delivered a profit performance in line with expectations. Against a difficult macroeconomic backdrop we achieved profits growth on lower revenues. Our NanoTechnology and Service businesses delivered a steady performance, whilst our industrial businesses continued to face pressure from weaknesses in their end markets. A good cash performance in the year has strengthened our balance sheet.

As in previous years the Committee set stretching performance targets for the annual bonus which are clearly linked to the strategy and financial performance of the Group. The financial targets have been partly met. The cash target has been met and will be paid in full and the organic sales target, which has exceeded the threshold target, will pay out in part. The threshold target for profits was not met. The Committee carefully reviewed performance against the strategic objectives set for the annual bonus, which have been critical to laying the foundations for future growth. The Committee determined that performance against the strategic targets was generally good but that not all objectives had been fully met and this is reflected in the level of vesting of the strategic element of the bonus. Jonathan Flint's total bonus is as a result 38.6% of maximum and Kevin Boyd's 35.6% of maximum.

Ian Barkshire's bonus arrangements were in place prior to his appointment as an Executive Director and, in line with our Directors' Remuneration Policy, have continued for the full financial year. Payment is determined by financial targets relating to the business units that he was managing as well as to the Group and certain personal targets. These targets were set before he became an Executive Director and are more sensitive in nature given that they relate largely to the divisional parts of the business. More detail is contained in the Report and Financial Statements on Remuneration. After assessing the financial performance and discussion with Jonathan Flint, the CEO, regarding the personal element, the Committee has determined a bonus for Ian Barkshire of 78.5% of maximum.

The performance conditions for the share awards made to the Executive Directors under the Executive Share Option Scheme ("ESOS") in June 2014 and the Senior Executive Long Term Incentive Scheme ("SELTIS") in December 2012 and June 2014, and for which the performance periods ended during the year, were not met and these awards will lapse.

Further details about the targets set for the variable pay awards referred to above and performance against them is set out in the Report and Financial Statements on Remuneration.

Implementation of Policy in 2016/17

- The base salaries for our new CEO and GFD for 2016/17 were set on appointment.
- Both our CEO and GFD have a maximum annual bonus opportunity of 100% of salary and a performance share award of 150% of salary in line with our existing Remuneration Policy. The Committee has determined appropriately stretching targets for the annual bonus which will be disclosed retrospectively in next year's Annual Report on Remuneration. Vesting of the PSP awards will be determined 50% by EPS performance and 50% by relative total shareholder return performance against the FTSE 250 Index (excluding financial companies). Further details are set out in the Report and Financial Statements on Remuneration.

Summary

As we are not making any changes to our Remuneration Policy there is no vote to approve the Policy this year. There will be the usual advisory resolution to approve the Report and Financial Statements on Remuneration, which sets out the remuneration outcomes for the year under review as well as how the Policy will be implemented for the year ahead.

I hope that you will be supportive of the Resolution to be proposed at our AGM. If you have any queries in the meantime I will be pleased to engage with you either at the AGM or beforehand.

Yours sincerely

Thomas Geitner
Chairman of the Remuneration Committee

15 June 2016

Part A: Directors' Remuneration Policy

This part of the Remuneration Report sets out the Group's Remuneration Policy for its Directors. The Policy was put to a binding Shareholder vote at the AGM in September 2014 and took effect from that date and, unless changed with Shareholders' prior agreement, will stay in place until September 2017.

Policy overview

The Remuneration Policy promotes the delivery of the Group's strategy and seeks to align the interests of Directors and Shareholders. The Committee regularly reviews the link between incentive structure and strategy to ensure that remuneration packages are appropriate to attract, motivate and retain the high calibre executives who are needed to deliver the Group's strategy.

The Company has an incentive driven Policy that seeks to reward executives fairly and responsibly based on Group performance and their individual contribution. The Company has a strategy aimed at delivering significant growth and it is important for motivation and retention that the remuneration of the executives reflects its sustainable, profitable growth and the increasing complexity of the business.

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

Other matters taken into consideration in determining Policy

The Committee reviews the Executive Directors' packages annually taking account of the level of remuneration paid for comparable positions in similar companies. Comparative pay data is used carefully, recognising the potential for an upward ratchet in remuneration caused by over reliance on such data.

In determining the remuneration of the Group's Directors, the Committee also takes into account the general trends in pay and conditions across the Group as a whole. The Committee seeks to ensure that the underlying principles which form the basis for decisions on Directors' pay are consistent with those on which pay decisions for the rest of the workforce are taken. Employees are not currently consulted on executive pay. However, the Committee will keep this under review.

The Remuneration Committee considers feedback from Shareholders received at each AGM and any feedback from additional meetings, as part of any review of Executive remuneration. In addition, the Remuneration Committee engages proactively with Shareholders and will ensure that Shareholders are consulted in advance, where any material changes to the remuneration Policy are proposed.

Remuneration Report
continued

Remuneration Policy table

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	• To provide a competitive and appropriate level of basic fixed pay to recruit and retain superior talent and avoid excessive risk taking that might otherwise result from an over-reliance on variable remuneration. • Reflects the experience, performance and responsibilities of the individual.	• Reviewed annually with any increase usually effective 1 July. • Takes account of experience, performance and responsibilities as well as the performance of the Company, the complexity of the role within the Group and salary increases for employees generally. • Set with regard to market data for comparable positions in similar companies in terms of size, internationality, business model, structure and complexity, including within the industry.	• There is no maximum or maximum annual increase. • Higher increases than the average percentage for the workforce may be appropriate, for example, where an individual changes role, where the complexity of the Group changes, where an individual is materially below market comparators or is appointed on a below market salary with the expectation that his/her salary will increase with experience and performance. • Current salary levels are disclosed on page 67.

Benefits	• Provided on a market-competitive basis, aids retention and follows reward structure for all employees.	• Currently include but are not limited to:
		  • life assurance;
		  • private medical; and
		  • company car benefit.
		• The benefits provided may be subject to amendment from time to time by the Committee within this Policy.
		• Relocation costs may be provided as necessary and reasonable.
		• Benefits are not part of pensionable earnings.
			• The value of benefits varies from year to year depending on the cost to the Company and is not subject to a specific cap. Benefit costs are monitored and controlled and represent a small element of total remuneration costs.

Pension	• To provide a market-competitive benefit for retirement.	• Company contributions to a money purchase pension scheme; and/or • Salary supplement where HMRC annual or lifetime allowances are exceeded.	• 14% of base salary.
Annual bonus	• Drives and rewards the successful achievement of short-term targets set at the start of the year.	• Paid annually in June. • Performance targets based on the key performance indicators and strategic objectives of the business. • At least 70% of the bonus based on financial metrics and the balance on non-financial strategic metrics. • Clawback applies for financial years commencing 2013/14 for misstatement, error or misconduct.	• 75% of salary at year end payable at target performance. • 100% of salary at year end payable for maximum performance. • Bonuses start to be earned from 0% of salary for achieving threshold performance.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Long term incentives	• To incentivise the Executives and reward them for meeting stretching targets in the long term which accrue substantial value to and align the Directors' interests with Shareholders. • Facilitate share ownership to provide further alignment with Shareholders. • Annual awards aid retention.	• Annual awards under the 2014 Performance Share Plan ("PSP") of performance shares (or nil cost options) with vesting subject to achievement of performance targets. Both the vesting and performance period will be over a minimum of three years but may be up to five years at the discretion of the Committee. • It is the Committee's intention to set relative TSR targets for 50% of the award and for the other 50% absolute EPS growth targets although the Committee will review the performance conditions each year prior to awards being made. • 25% of the awards will vest at threshold performance under each performance condition. • Clawback may be applied for misstatement, error or misconduct.	• The maximum limit under the plan rules is 250% of salary (value of shares at date of grant). The Committee will not increase the amount of the award above the 2014 award levels of 150% of salary without prior consultation with major Shareholders. • Dividend equivalents may accrue on the PSP awards over the vesting period and be paid out either as cash or as shares on vesting and in respect of the number of shares that have vested.
All-employee share schemes	• To encourage employee share participation.	• The Company may from time to time operate tax-approved share schemes (such as the HMRC-approved Share Incentive Plan) for which executive Directors could be eligible. • The SIP is open to all UK permanent staff employed for at least six months.	• The schemes are subject to the limits set by tax authorities.
Shareholding guideline	• To further align Executive Directors' interests with Shareholders.	• The Committee has established shareholding guidelines which encourage the Executive Directors to build and retain a holding of Company shares equivalent to a multiple of base salary, as determined by the Committee. The guideline and current shareholdings of the Directors are set out in the Report and Financial Statements on Remuneration. • Until the guideline is met in full, Executive Directors are expected to retain or acquire shares equivalent to the value of 50% of the net amount realised from exercise/vesting of share awards as appropriate after allowing for tax payable.	• Not applicable.
Non-Executive Director fees	• To remunerate the Chairman and Non-Executive Directors.	• Reviewed annually. • For the Non-Executive Directors agreed by the Executive Directors and Chairman. • For the Chairman agreed by the Remuneration Committee. • Determined and reviewed taking into account time commitment, experience, knowledge and responsibilities of the role as well as market data for similar roles in other companies of a similar size and/or business to Oxford Instruments.	• There is no prescribed maximum or maximum annual increase.

Remuneration Report
continued

Differences in the Remuneration Policy of the Executive Directors and the general employees

There are no material differences in the structure of remuneration arrangements for the Executive Directors and senior management population, aside from quantum and participation levels in incentive schemes, which reflect the fact that a greater emphasis is placed on performance-related pay for Executive Directors and the most senior individuals in the management team. Outside the senior management team, the Company aims to provide remuneration structures for employees which reflect market norms.

Choice of performance measures and approach to setting targets

The Committee selects financial and strategic measures (such as sales, profit, cash generation) for the annual bonus that are key performance indicators for the business over the short term. For the long term incentives the Committee will select a combination of measures that provide a good focus on the outcomes of the Company strategy together with sustainable improvements in long-term profitability.

The Committee sets appropriate and demanding targets for variable pay in the context of the Company's trading environment and strategic objectives. The targets for the annual bonus plan will be set each year with reference to the Company's budget and business and strategic plan. The Committee will review the performance conditions and targets for awards under the PSP each year prior to awards being made taking account of the Company's internal financial planning, market forecasts and the business environment (e.g. to determine whether the TSR peer group continues to remain appropriate, whether the range of EPS performance targets remains appropriate and, more generally, in light of the Company's long-term strategy and growth aspirations). Should there be a material change in the Company's performance conditions (e.g. introducing an additional performance metric) appropriate dialogue with the Company's major Shareholders would take place along with a full explanation in the Report and Financial Statements on Remuneration to support any such change.

The metrics for awards granted under this Policy are set out in the Report and Financial Statements on Remuneration.

Discretions retained by the Committee in operating its incentive plans

The Committee operates the Group's various incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans, the Committee may apply certain operational discretions. These include the following:

- select the participants in the plans;
- determine the timing of grants and/or payments;
- determine the quantum of grants and/or payments (within the limits set out in the Policy table above);
- determine the extent of vesting based on the assessment of performance;
- determine "good leaver" status, and where relevant, the extent of vesting in the case of the share-based plans;
- where relevant determine the extent of vesting in the case of share-based plans in the event of a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- the annual review of weighting of performance measures, and setting targets for annual bonus plan and discretionary share plans from year to year.

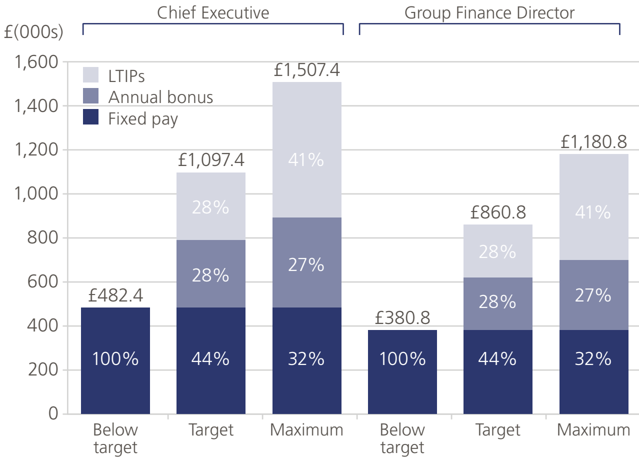
The Committee may adjust the targets and/or set different measures and alter weightings for the annual bonus plan and share-based awards only if an event occurs which causes the Committee to reasonably consider that the performance conditions would not without alteration achieve its original purpose and the varied conditions are no less difficult to satisfy than the original conditions. Any changes and the rationale for those changes will be set out clearly in the Report and Financial Statements on Remuneration in respect of the year in which they are made.

Legacy arrangements

In approving this Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting or exercise of past share awards) that have been disclosed to and approved by Shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Report and Financial Statements on Remuneration as they arise. This will include all subsisting awards granted under the Executive Share Option Scheme ("ESOS") and the Senior Executive Long Term Incentive Scheme ("SELTIS") details of which are disclosed in the Annual Report on Remuneration.

Remuneration scenarios for Executive Directors

The charts below show the level of remuneration potentially payable to Executive Directors under different performance scenarios for the financial year 2016/17 (see notes for assumptions):



Assumptions for charts above:

1. Fixed pay comprises salary levels as at 1 July 2016, pension contribution of 14% and the value of benefits received in 2015/16.
2. The on-target level of bonus is 75% of the maximum opportunity, i.e. 75% of salary.
3. The on-target level of vesting under the annual PSP is taken to be 50% of the face value of the award at grant, i.e. 75% of salary.
4. The maximum level of bonus and vesting under the PSP is 100% of the bonus opportunity and 100% of the face value of the PSP award at grant, i.e. 100% and 150% of salary respectively.
5. No share price appreciation has been assumed for the PSP awards and for simplicity SIP awards are excluded.

Recruitment and promotion Policy for Executive Directors

In setting total remuneration levels and in considering quantum for each element of the package for a new Executive Director, the Committee takes into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

The Company seeks to align the remuneration package with the Remuneration Policy approved by Shareholders, including the maximum plan limit for the long-term incentives and an annual bonus entitlement in line with that of the other Executive Directors. Currently, this includes annual bonus and PSP awards of no more than 100% and 250% of base salary respectively (not including any arrangements to replace forfeited deferred pay). Salary is provided at such a level as required to attract the most appropriate candidate. For new appointments base salary and total remuneration may be set initially at below normal market rates on the basis that it may be increased once expertise and performance has been proven and sustained.

Specific variable remuneration performance targets can be introduced for an individual where necessary for the first year of appointment if it is appropriate to do so to reflect the individual's responsibilities and the point in the year in which he or she joined the Board.

Flexibility is retained to offer additional cash and/or share-based payments on appointment in respect of deferred remuneration or benefit arrangements forfeited on leaving a previous employer. The Committee would look to replicate the arrangements being forfeited as closely as possible and in doing so, will take account of relevant factors including the nature of the deferred remuneration, performance conditions, attributed expected value and the time over which they would have vested or been paid. Such awards may be made under the terms of the PSP or as permitted under the Listing Rules.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation, legal and any other incidental expenses as appropriate.

Executive Directors' service contracts and Policy on cessation

Details of the service contracts of the Executive Directors, available for inspection at the Company's registered office and at the Company's AGM, are as follows:

	Contract date	Unexpired term of contract
Jonathan Flint[1]	21 February 2005	Rolling contract
Ian Barkshire	11 May 2016	Rolling contract
Gavin Hill	9 February 2016	Rolling contract

1. Jonathan Flint will cease to be a Director and employee of the Company on 31 July 2016.

Details of contractual terms and the Policy on cessation of employment are summarised in the table below.

Contractual provision	Detailed terms
Notice period	Twelve months by the Company or by the Director.
Termination payment	A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, in the event of gross misconduct. If the Company terminates the employment of an Executive Director in other circumstances, compensation is limited to base salary due for any unexpired notice period. The Company has a right to pay twelve months' salary in lieu of notice if it so determines. In addition, any statutory entitlements in connection with the termination would be paid as necessary.
Remuneration entitlements	Pro-rata bonus may also become payable for the period of active service along with vesting for outstanding share awards (in certain circumstances – see overleaf).
Change of control	No Executive Director's contract contains additional provisions in respect of a change of control.

Remuneration Report
continued

Executive Directors' service contracts and Policy on cessation continued

Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. The default treatment for existing awards is that any unvested awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, injury, ill health, disability, retirement or other circumstances at the discretion of the Committee, "good leaver" status may be applied. For good leavers, under the ESOS awards will vest at cessation to the extent the performance condition is satisfied, but with the Committee having discretion to vest on the normal vesting date if appropriate and to waive the performance condition. In the case of the SELTIS, awards continue on their normal terms. Under the 2014 PSP, awards to good leavers will vest on the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and be scaled back to reflect the proportion of the performance period actually served. The Committee has discretion in exceptional circumstances to disapply time pro-rating and/or to measure performance to and vest awards at the date of cessation. Vesting at cessation would be the default position where a participant dies.

In the event of a takeover:

- under the ESOS awards vest at that time to the extent the performance condition is satisfied (with no scaling back);
- under the SELTIS awards continue on their normal terms; and
- under the 2014 PSP, awards vest to the extent the performance condition is satisfied and are scaled back to reflect the actual period of service with the Committee having the discretion in exceptional circumstances not to scale back.

External appointments

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

Non-Executive Directors

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be in accordance with the approved Remuneration Policy in place at the time.

Non-Executive Directors do not have service contracts but are appointed under letters of appointment for an initial period of three years with subsequent reviews. With the introduction in the UK Corporate Governance Code of annual re-election of all Directors, Non-Executive Director appointments are now renewed for periods of one year. Their appointment can be terminated without notice and with no compensation payable on termination, other than accrued fees and expenses.

Chairman

Under an arrangement between the Company and Imperialise Limited, Nigel Keen is retained to act as Chairman of the Company and Chairman of the Trustee to the Oxford Instruments Pension Scheme via Imperialise Limited. His current term of appointment commenced on 25 February 2016 and is for a period ending on 13 September 2016 (the date of the AGM). This arrangement can be terminated by either party at any time by the giving of six months' notice. In order to provide continuity he will continue as Chairman of the Trustee to the Oxford Instruments Pension Scheme after he has retired from the Board of the Company.

	Date of last appointment	Notice period
Nigel Keen	25 February 2016	Six months
Jennifer Allerton	11 June 2016	None
Richard Friend	1 September 2014	None
Thomas Geitner	15 January 2016	None
Jock Lennox	1 April 2016	None
Mary Waldner	4 February 2016	None
Alan Thomson	5 May 2016	Six months

Part B: Report and Financial Statements on Remuneration

The financial information in this part of the report has been audited where indicated.

The Remuneration Committee (unaudited)

The Remuneration Committee (the "Committee") is responsible for recommending to the Board the remuneration packages for Executive Directors and has oversight of the bonus and share incentive strategy for the Group's executive management. The Chairman and the Executive Directors are responsible for determining the remuneration of the Non-Executive Directors, and the Remuneration Committee, with the exception of the Chairman, is responsible for determining the remuneration of the Chairman.

The role of the Committee includes:

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

The members of the Committee are appointed by the Board and comprise all the Independent Non-Executive Directors: Thomas Geitner, Jennifer Allerton, Jock Lennox, Richard Friend, Mary Waldner; and the Chairman of the Board, Nigel Keen. Thomas Geitner is the Chairman of the Committee.

All members served throughout the year except for Mary Waldner who joined the Board and the Committee on 4 February 2016. Since the year end, Alan Thomson joined the Committee with effect from 1 June 2016.

The Chief Executive, the Group HR Director and other executives are invited to attend Committee meetings as deemed appropriate. For example the Chief Executive is able to make a significant contribution when considering the performance of other Executive Directors and to discuss the wider Group Remuneration Policy and structure and terms and conditions affecting other employees. However, no Executive Director is present when the Committee is determining his or her remuneration.

Attendance at meetings year ended 31 March 2016

	Remuneration Committee	Date of appointment to Committee
Number of meetings held	3	
Number of meetings attended		
Thomas Geitner, Chairman	3	15 January 2013
Jennifer Allerton	3	11 June 2013
Richard Friend	3	1 September 2014
Nigel Keen	3	25 February 1999
Jock Lennox[1]	2	1 April 2009
Mary Waldner[2]		14 February 2016

1. Jock Lennox was unable to attend the meeting due to a prior appointment but received papers in advance and provided his input to the Committee Chairman.
2. Mary Waldner has attended all meetings since her appointment to the Committee.

The Committee acts within its agreed written terms of reference (which are published on the Company's website: www.oxford-instruments.com/investors) and complies with the provisions of the 2014 UK Corporate Governance Code regarding remuneration.

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

During the year the Committee fulfilled its duties, as laid down in the Committee's terms of reference.

New Bridge Street (a trading name of Aon Hewitt Limited and part of Aon plc) ("NBS") is the Committee's independent remuneration consultants. NBS was appointed by the Committee to provide advice on all aspects of Executive remuneration as required by the Committee.

NBS is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres to the Code. During the year NBS met with the Committee Chairman to discuss remuneration matters which are of particular relevance to the Company and how best it can work with the Company to meet the Committee's needs.

Fees are charged predominately on a "time spent" basis. The total fees paid to NBS for the advice provided to the Committee during the year was £21,075.

During the year in question Aon Hewitt Limited acted as both Scheme Actuary and Scheme Administrator to the Company's UK defined benefit pension scheme and the Scheme Actuary also provided the Company with its IAS 19 pension calculations and non-contentious pension advice. The Committee is satisfied that the advice it has received from NBS is objective and independent.

Directors' remuneration (audited)

The remuneration paid to the Directors during the year under review and the previous year is summarised in the tables below:

Executive		Salary and fees £'000	Benefits[2] £'000	Pension[3] £'000	Annual bonus[4] £'000	Long term incentive awards[5] £'000	Other[6] £'000	Total £'000
Jonathan Flint	**2016**	**474**	**18**	**66**	**184**	**—**	**1**	**743**
	2015	460	18	65	35	—	1	579
Kevin Boyd	**2016**	**316**	**14**	**45**	**113**	**—**	**1**	**489**
	2015	307	16	43	21	—	1	388
Ian Barkshire[1]	**2016**	**116**	**6**	**12**	**92**	**—**	**—**	**226**
	2015	—	—	—	—	—	—	—
Total	**2016**	**906**	**38**	**123**	**389**	**—**	**2**	**1,458**
	2015	767	34	108	56	—	2	967

1. Ian Barkshire was appointed to the Board as an Executive Director on 10 November 2015. Only his remuneration as an Executive Director is reported in the table above.
2. "Benefits" comprise provision of a car or car allowance, health insurance, life assurance and for Mr Barkshire overnight hotel accommodation where necessary to carry out his duties at the Head Office of the Company.
3. Contractually, each Executive Director is entitled to receive a contribution to a money purchase pension scheme worth 14% of salary. Where the contractual pension contribution exceeds the annual allowance, any balancing payment is made by the Company as a cash allowance.
4. "Annual bonus" represents the full annual bonus, payable in cash.
5. "Long term incentive awards" are those awards where the vesting is determined by performance periods ending in the year under report under both the SELTIS and ESOS and therefore reports the value of the SELTIS award granted on on 19 December 2012 and 13 June 2014 and the ESOS option granted on 13 June 2014. Further details of how these sums are arrived at are set out on page 69.
6. The Company operates a Share Incentive Plan ("SIP") which is open to all UK permanent staff employed for at least six months. "Other" includes the value of matching SIP shares attributable to the year. Jonathan Flint and Kevin Boyd participate in the SIP up to the maximum extent permitted by HMRC. The Company offers a 1:5 match for partnership shares purchased by employees.

Remuneration Report
continued

Directors' remuneration (audited) continued

Non-Executive		Salary and fees £'000	Benefits £'000	Pension £'000	Annual bonus £'000	Long term incentive awards £'000	Total £'000
Nigel Keen[1]	**2016**	**183**	**—**	**—**	**—**	**—**	**183**
	2015	183	—	—	—	—	183
Jock Lennox	**2016**	**52**	**—**	**—**	**—**	**—**	**52**
	2015	50	—	—	—	—	50
Thomas Geitner	**2016**	**52**	**—**	**—**	**—**	**—**	**52**
	2015	50	—	—	—	—	50
Jennifer Allerton	**2016**	**44**	**—**	**—**	**—**	**—**	**44**
	2015	43	—	—	—	—	43
Richard Friend[2]	**2016**	**44**	**—**	**—**	**—**	**—**	**44**
	2015	26	—	—	—	—	26
Mary Waldner[3]	**2016**	**7**	**—**	**—**	**—**	**—**	**7**
	2015	—	—	—	—	—	—
Total	**2016**	**382**	**—**	**—**	**—**	**—**	**382**
	2015	352	—	—	—	—	352

1. Under an arrangement between the Company and Imperialise Limited, Nigel Keen is retained to act as Chairman of the Company and Chairman of the Trustee to the Oxford Instruments Pension Scheme and he must account to Imperialise Limited for his services. Imperialise Limited is paid fees for Nigel Keen's services together with a sum equivalent to the employer's national insurance contributions on these fees as it is responsible for the cost of national insurance on payments to Nigel Keen, whereas national insurance contributions in respect of the other Non-Executive Directors are made direct to the UK Inland Revenue. For the year to 31 March 2016, Nigel Keen's fees as Chairman were £161,000 (2015: £161,000) and as Chairman to the Trustee were £25,000 (2015: £25,000) for his services for which he must account to Imperialise Limited. In addition, Imperialise Limited has been paid a sum equivalent to the employer's national insurance on both these fees of £25,668.
2. Richard Friend was appointed as a Non-Executive Director on 1 September 2014.
3. Mary Waldner was appointed as a Non-Executive Director on 4 February 2016.

External appointments (unaudited)

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

Jonathan Flint is a Non-Executive Director of Cobham plc and received fees of £57,500 during the year.

Kevin Boyd is a Non-Executive Director of EMIS Group plc and received fees of £36,250 during the year. He is a member of the London Stock Exchange's Primary Markets Group.

Details of variable pay earned in year (audited)

Bonus

As explained in the Financial Review on pages 26 to 31, Oxford Instruments delivered a profit performance in line with expectations. Against a difficult macroeconomic backdrop the Group achieved profits growth on lower revenues. A good cash performance in the year has strengthened the balance sheet. We have continued to build on our strategy to grow the business in its core markets of physical and material science, while exploiting scientific convergence to expand into life sciences.

As in previous years the Committee set stretching performance targets for the annual bonus which are clearly linked to the strategy and financial performance of the Group. The financial targets were met in part and the part of the bonus determined by those targets has paid out accordingly. The Committee carefully reviewed performance against the strategic objectives set for the annual bonus which are critical to laying the foundations for future growth. The Committee determined that performance against the strategic targets was overall strong but also noted that not all of the targets had been met in full.

Measure	Threshold CEO/GFD	On-target CEO/GFD	Maximum CEO/GFD	Threshold £m	On-target £m	Maximum £m	Actual £m	Payout % of maximum
Adjusted PBT	0%	20%	45%	40.9	43.1	46.5	37.0	0
Organic sales	0%	20%	20%	337.9	375.5	—	361.6	63
Cash generation	0%	20%	20%	—	8.2	—	23.1	100
Strategic objectives	0%	15%	15%	—	—	—	See below	See below

Ian Barkshire's bonus arrangements for 2015/16 remained unchanged following his appointment to the Board. The annual bonus performance targets were based on a balanced scorecard of Group and divisional profit and cash flow targets with an element of personal/strategic development goals. These targets were set as part of the annual bonus plan for Group managers below Board level which applied to Ian Barkshire prior to his being appointed to the Group Board. Given they relate largely to the divisional parts of the business that he was managing and as such they are commercially sensitive, they are not therefore being disclosed. The maximum annual bonus opportunity was 100% of salary. Threshold and maximum performance for the financial targets in the balanced scorecard were set at a range of 95% to 115% of target. 10% of the total bonus related to personal performance with 80% weighted to divisional and 10% to Group financial measures. The Group adjusted profit before tax was not met. Both half-year and annual targets were set for the financial measures with the half-year targets being payable only if the full-year targets were met at least at the on-target level.

The strategic objectives set by the Committee for Jonathan Flint and Kevin Boyd at the beginning of the year included objectives in the areas of succession planning, management of acquisitions and disposals and the development of the Company's strategic plan. The maximum payable under this element of their bonus arrangements is 15% of salary. After careful consideration of each of the objectives set and what has been achieved during the year, the Committee agreed that DJF and KJB be awarded 40% and 20% respectively of the maximum payable.

The on-target and maximum bonus potentials for the Executive Directors as well as the amount actually payable for the year ended 31 March 2016 are set out below.

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2015/16 (% of salary[1])	Actual bonus payable for 2015/16 (£'000)
Jonathan Flint	75	100	38.6	£184,276
Kevin Boyd	75	100	35.6	£113,304
Ian Barkshire[2]	Not applicable	100	78.5	£92,180

1. Bonus is calculated on salary as at 31 March 2016.
2. This table and the remuneration table on page 67 shows only that part of the bonus reflecting Ian Barkshire's time as an Executive Director as a proportion of the total bonus year and has been time pro-rated.

Long Term Incentive Plans (audited)

The performance conditions and the resulting payout in respect of the long term incentive awards where vesting is determined by a performance period ending in the year under report were as follows:

Executive Share Option Scheme ("ESOS")

The performance conditions which applied to the 13 June 2014 award (vesting date 13 June 2017 and awarded in respect of the full year 2013/14), for the performance period which came to end in the year under review (ending 31 March 2016) and actual performance achieved against these were as follows:

Performance level	EPS growth over CPI performance required	% of award that will vest
Below threshold	Less than 5% per annum over three years	0
Threshold	5% per annum over three years	33.3
Between threshold and maximum	5% to 10% per annum over three years	33.3–100
Maximum	10% per annum and above over three years	100
Actual achieved over the period	**No EPS growth**	**0**

The performance condition was not met and thus no shares vested for the Directors.

	Total number shares subject to option	Percentage of award vesting	Number of shares that will vest	Exercise price	Value of shares that will vest (£'000)
Jonathan Flint	51,250	0	—	£14.15	Nil
Kevin Boyd	34,500	0	—	£14.15	Nil
Ian Barkshire[1]	14,250	0	—	£14.15	Nil

1. This option award was granted to Ian Barkshire before he was appointed a Director of the Company. The performance condition attached to this option provides for full vesting at threshold performance, which is consistent with the approach taken for employees who are not Directors of the Company.

Remuneration Report
continued

Long Term Incentive Plans (audited) continued

Senior Executive Long Term Incentive Scheme ("SELTIS")

The performance conditions which applied to the awards made on 19 December 2012 and 13 June 2014 (awarded in respect of the full year 2013/14) (vesting date 19 December 2015 and 13 June 2017 respectively), for the performance period which came to an end in the year under review and actual performance achieved against these were as follows:

	TSR relative to FTSE 250 (excluding certain sectors[1])	
Performance level	Performance required	% of total award vesting
Below threshold	Below median	0
Threshold	Median	33.3
Between threshold and stretch	Between median and upper quartile	33.3–100
Stretch or above	Upper quartile	100
Actual achieved in three year period commencing:		
19 December 2012	Median TSR = 47.2%	
	Oxford Instruments' TSR = -50.0%	0
1 April 2013	Median TSR = 28.22%	
	Oxford Instruments' TSR = -57.97%	0

1. Sectors excluded within the FTSE Industry classification of "Financials" (namely Banks, Equity Investment Instruments, Finance Services, Life Insurance, Non-life Insurance, Real Estate Investment Trusts, and Real Estate Investment Services sectors).
2. The performance period for the SELTIS award made on 13 June 2014 in respect of the full year 2013/14 was aligned to the Company's financial year and therefore covered the period 1 April 2013 to 31 March 2016 (compared to earlier awards where the performance period ran from the date of grant).

The performance conditions were not met and thus no shares vested for the Directors.

	Date award granted	Total number of shares granted	Percentage of award vesting	Number of shares vesting	Value of shares vesting (£'000)
Jonathan Flint	19 December 2012	15,100	0	—	Nil
	13 June 2014	12,800	0	—	Nil
Kevin Boyd	19 December 2012	10,150	0	—	Nil
	13 June 2014	8,600	0	—	Nil

Awards made in the year and outstanding share incentive awards (audited)

Awards were made to the Executive Directors for the 2015/16 year under the 2014 Performance Share Plan.

2014 Performance Share Plan ("PSP")

Awards made under the PSP on 15 June 2015 were as follows:

	Total number of shares granted	Percentage of salary	Share price on day before award date	Initial vesting date
Jonathan Flint	67,631	150	£10.28	15/06/2018
Kevin Boyd	45,087	150	£10.28	15/06/2018

The Awards are subject to two performance conditions. One half of each Award is subject to a performance condition based on the Company's compound annualised earnings per share ("EPS") growth. The other half of each Award is subject to a performance condition based on the Company's total shareholder return ("TSR") relative to the TSR of the members of a comparator group of companies. Dividend equivalents are payable on vesting, for the period to vesting in respect of the actual number of shares vesting.

50% of the Award will vest as set out below provided EPS measured over a three year performance period starting 1 April 2015:

Performance level	EPS growth required	% of award that will vest
Below threshold	Less than 7% per annum over three years	0
Threshold	7% per annum over three years	25
Between threshold and maximum	7% to 12% per annum over three years	25–100
Maximum	12% per annum and above over three years	100

50% of the Award will vest as set out below with TSR being measured over a three year performance period starting 1 April 2015:

Performance level	TSR relative to FTSE 250 (excluding certain sectors[1]) Performance required	% of total award vesting
Below threshold	Below median	0
Threshold	Median	25
Between threshold and stretch	Between median and upper quartile	25–100
Stretch or above	Upper quartile	100

1. Sectors excluded within the FTSE Industry classification of "Financials" (namely Banks, Equity Investment Instruments, Finance Services, Life Insurance, Non-life Insurance, Real Estate Investment Trusts, and Real Estate Investment Services sectors).

Note: as the recipients of all PSP awards granted to date have resigned these awards will lapse when their employment ceases.

As at the 31 March 2016, the outstanding options for Jonathan Flint, Kevin Boyd and Ian Barkshire under the ESOS and SELTIS schemes and the 2014 PSP[4] were as follows:

Name	Scheme	**March 2016**	Granted	Exercised[1]	Lapsed	March 2015	Exercise price	Share price on date of grant	Date of grant	Date for earliest exercise	Date for latest exercise
Jonathan Flint[2]	ESOS	**51,250**	—	—	—	51,250	£14.55	£13.95	13/06/14	13/06/17	12/06/24
	ESOS	**—**	—	—	60,500	60,500	£13.88	£14.08	19/12/12	19/12/15	18/12/22
	ESOS	**70,700**	—	—	—	70,700	£9.90	£9.87	14/12/11	14/12/14	13/12/21
	SELTIS	**12,800**	—	—	—	12,800	Nil	£13.95	13/06/14	13/06/17	12/06/21
	SELTIS	—	—	—	15,100	15,100	Nil	£14.08	19/12/12	19/12/15	18/12/19
	PSP	**67,631**	67,631	—	—	—	Nil	£10.31	15/06/15	15/06/18	14/06/25
	PSP	**72,195**	—	—	—	72,195	Nil	£10.12	08/10/14	08/10/17	07/10/24
Kevin Boyd	ESOS	**34,500**	34,500	—	—	—	£14.55	£13.95	16/06/14	13/06/17	12/06/24
	ESOS	**—**	—	—	40,750	40,750	£13.88	£14.08	19/12/12	19/12/15	18/12/22
	ESOS	**48,700**	—	—	—	48,700	£9.90	£9.87	14/12/11	14/12/14	13/12/21
	SELTIS	**8,600**	—	—	—	8,600	Nil	£13.95	13/06/14	13/06/17	12/06/21
	SELTIS	**—**	—	—	10,150	10,150	Nil	£14.08	19/12/12	19/12/15	18/12/19
	PSP	**45,087**	45,087	—	—	—	Nil	£10.31	15/06/15	15/06/18	14/06/25
	PSP	**48,130**	—	—	—	48,130	Nil	£10.27	08/10/14	08/10/17	07/10/24
Ian Barkshire[3]	ESOS	**37,549**	—	—	—	—	£10.28	£10.31	15/06/15	15/06/18	14/06/25
	ESOS	**14,250**	—	—	—	—	£14.55	£13.95	13/06/14	13/06/17	12/06/24

1. During the year Jonathan Flint's wife, an employee of the Company, exercised ESOS options on 23 June 2015 when the mid-market closing price on the date of exercise was £10.38. The gain yielded on the exercise of options during the year for Jonathan Flint and Kevin Boyd was £9,120 and £nil respectively.
2. Jonathan Flint's wife, an employee of the Company, holds as at 31 March 2016 ESOS options over 34,600 shares with exercise prices ranging from £10.28 to £14.55. These numbers are not included in the table.
3. Ian Barkshire was appointed to the Board on 10 November 2015. His outstanding options were granted to him as an employee of the Company prior to his appointment to the Board and are shown as at 31 March 2016 only. He has been granted no options or awards under the Company's LTIPs since his date of appointment.
4. Dividend equivalents are payable on PSP shares vesting, for the period to vesting in respect of the actual number of shares vesting.

The market price of the shares at 31 March 2016 was £6.80 (2015: £8.36) and the range during the year was £5.16–£10.88 (2015: £6.87–£14.41).

Remuneration Report
continued

Long Term Incentive Plans (audited) continued

2014 Performance Share Plan ("PSP") continued

Performance conditions outstanding for awards are described below:

Date of award	ESOS	SELTIS
13 June 2014	EPS growth – CPI + 5% p.a. (33.3% vesting) to CPI + 10% p.a. (100% vesting)[1]	TSR v FTSE 250 Index (excluding Financial companies[2]) – median (33.3% vesting) to upper quartile (100% vesting)
15 June 2015[3]	Award only to Ian Barkshire prior to being appointed an Executive Director of market value options granted without performance conditions consistent with the company's Policy for below Executive Director level	
PSP	50% of award	50% of award
08 October 2014	EPS growth – 7% p.a. (25% vesting) to 12% p.a. (100% vesting)	TSR v FTSE 250 Index (excluding Financial companies[2]) – median (25% vesting) to upper quartile (100% vesting)
15 June 2015	EPS growth – 7% p.a. (25% vesting) to 12% p.a. (100% vesting)	TSR v FTSE 250 Index (excluding Financial companies[2]) – median (25% vesting) to upper quartile (100% vesting)

1. For employees who are not Executive Directors on the date of grant, ESOS options become exercisable in full for achieving the threshold level.
2. Sectors excluded – banks, equity investment instruments, finance services, life insurance, non-life insurance, real estate investment trusts and real estate investment services.
3. ESOS options granted on 15 June 2015 were only awarded to employees below the level of Executive Director.

Achievement of performance conditions (unaudited)

The calculation of the TSR performance conditions are independently measured. EPS performance conditions are measured using the audited accounts of the Company. All performance conditions are then verified by the Remuneration Committee.

Dilution limits (unaudited)

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

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

Shareholding requirements (audited)

The Executive Directors are required to build and retain a shareholding in the Company equivalent in value to 100% of basic salary. Until the requirement is met, whenever ESOS, SELTIS or 2014 PSP awards are exercised Executive Directors are expected to retain or purchase shares equivalent to the value of 50% of the net amount realised from exercise of the options after allowing for tax payable.

Executive Directors' shareholdings as at 31 March 2016 are shown in the table below.

	Legally owned	Percentage of salary held in shares under shareholding guideline[1]	Guideline met as at 31 March 2016	LTIP options vested but unexercised	Subject to performance conditions under the LTIP unvested
Jonathan Flint[2]	201,602	287%	Yes	70,700	203,876
Kevin Boyd	94,297	202%	Yes	48,700	136,317
Ian Barkshire[3]	5,982	14%	No	15,000	51,799

1. Shares valued using the market price of the shares on 31 March 2016: £6.81.
2. In addition, Jonathan Flint's wife holds 5,731 Oxford Instruments shares.
3. Ian Barkshire was appointed to the Board on 10 November 2015. For the share option award granted to him in June 2015, the requirement was to retain shares on vesting as set out above but over 50% of salary. All future awards will be subject to the requirement as detailed above.

Pension arrangements

Executive Director Pension Arrangements (audited)

Under the terms of their service contracts, Executive Directors can ask the Company to contribute to a pension plan of their choice. The Company contributes a maximum of 14% of base salary if matched by a contribution of 10% by the Director or, if lower, a contribution by the Director which brings the total pension contribution to the annual allowance (the maximum tax relieved pension contribution allowable per tax year). Only base salary is pensionable and contributions are not included in the calculation of bonus and share award entitlements. Where the Company's pension contribution exceeds the annual allowance a balancing payment is paid by the Company to the Director which is taxed as income.

During the year the Company contributed £33,000 (2015: £40,000) into a personal defined contribution pension plan in respect of Jonathan Flint and £43,000 (2015: £40,000) into a personal defined contribution plan in respect of Kevin Boyd. Balancing payments to 14% of base salary were paid as cash. Since his appointment to the Board, the Company contributed £11,786 into the Company's Group Personal Pension Plan in respect of Ian Barkshire.

Ian Barkshire is a deferred member of the defined benefit scheme and is no longer accruing benefits in the scheme. In accordance with the rules of the Scheme his deferred benefits are subject to increases in line with statutory revaluation. The transfer value of his accrued benefits at 31 March 2016 was £444,608.

Payments for loss of office (audited)

On 8 April 2016, Kevin Boyd left the Company. Mr Boyd received the following remuneration:

- base salary, benefits and pension to the date of cessation;
- annual bonus for the financial year ended 31 March 2016 determined in accordance with the financial and non-financial performance targets set at the beginning of the year and as disclosed in this report; and
- all outstanding long-term incentive awards lapsed on the date of cessation.

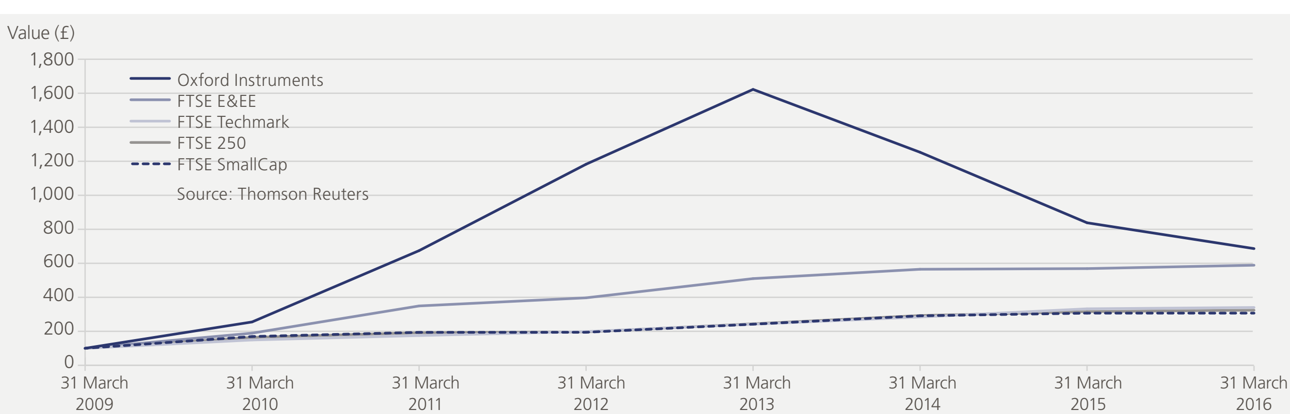
Following our year end, Jonathan Flint resigned and will leave the Company on 31 July 2016. His remuneration in respect of his resignation is as follows:

- base salary, benefits and pension to the date of cessation;
- annual bonus for the financial year ended 31 March 2016 determined in accordance with the financial and non-financial performance targets set at the beginning of the year and as disclosed in this report;
- no annual bonus will be awarded for the part of the year 2016/17 for which he is with the Company; and
- all outstanding long-term incentive awards will lapse on the date of cessation.

Performance graph and CEO's remuneration (unaudited)

The graph below shows for the seven years ended 31 March 2016 the total shareholder return ("TSR") on a holding of the Company's ordinary shares compared with a hypothetical holding of shares made up of shares of the same kind and number as those by reference to which the FTSE SmallCap, FTSE 250, FTSE Techmark and FTSE Electronic and Electrical Equipment ("E&EE") indices are calculated. These indices have been chosen as they are considered to be the most appropriate comparator groups for the Company. TSR has been calculated by reference to the relevant share price for each constituent company assuming dividends are reinvested.

Total shareholder return



This graph shows the value, by 31 March 2016, of £100 invested in Oxford Instruments plc on 31 March 2009 compared with the value of £100 invested in the FTSE SmallCap, FTSE250, FTSE Techmark and FTSE Electronic and Electrical Equipment indices. The other points plotted are the values at intervening financial year ends.

Remuneration Report
continued

The total remuneration of the CEO over the last six years is shown in the table below. The annual bonus payout and LTIP vesting level as a percentage of the maximum opportunity is also shown.

	Year ending 31 March					
	2011	2012	2013	2014	2015	**2016**
Total remuneration (£'000)	2,596	3,464	2,348	1,179	579	**743**
Annual bonus outcome	100%	100%	69.1%	15%	7.5%	**38.6%**
ESOS vesting	100%	100%	100%	100%	0%	**0%**
SELTIS vesting	50%	100%	100%	100%	0%	**0%**

Percentage change in the remuneration of the Chief Executive ("CEO") (unaudited)

The table below shows the percentage change in each of the CEO's salary, taxable benefits and annual bonus earned between 2014/15 and 2015/16, compared to that for the average UK-based employee of the Group (on a per capita basis).

	Jonathan Flint, CEO			Average employee[1]		
£'000	**2015/16**	2014/15	% change	**2015/16**	2014/15	% change
Salary	**473.9**	460.0	2.9	**41.7**	39.0	6.9
Benefits	**18.3**	18.3	0.0	**1.9**	1.6	18.8
Bonus[2]	**184.3**	34.8	429.6	**2.2**	0.7	214.3

1. Average employee includes all UK employees in service on 1 April 2014 and 31 March 2016 but excludes those who were on maternity or long-term sick leave.
2. The value of the average employee bonus for the year ended 31 March 2016 (to be paid at the end of June 2016) was not known at the time the Report and Financial Statements were approved and has been subsequently included.

Relative importance of the spend on pay

The following table shows the Group's employee costs relative to dividends and share buybacks:

	Year ended 31 March 2016	Year ended 31 March 2015	% change
Employee costs (£m)	**104.7**	117.5	-10.9
Dividends (£m)	**7.6**	7.1	7.0
Share buybacks (£m)	**0.0**	0.0	0.0

Statement of Shareholder voting (unaudited)

At last year's AGM, the Directors' Report and Financial Statements on Remuneration received the following votes from Shareholders:

Resolution	Shares for	Shares discretionary	Shares against	% for	% against	Shares marked as abstain
To approve the Directors' Report on Remuneration	43,789,805	3,071,342	198,516	99.6	0.4	5,155

How the Policy will be applied in 2016/17 (unaudited)

Base salaries

Kevin Boyd left the Company on 8 April 2016 and Jonathan Flint ceases to be a Director of the Company on 31 July 2016. No base salary increases were determined for these individuals for 2016/17. Ian Barkshire was appointed to the Board in November 2015 and as Chief Executive on 11 May 2016. Ian's base salary on appointment to the Board was £300,000 and on appointment to Chief Executive has been set at £410,000. Gavin Hill, Group Finance Director, was appointed to the Board with effect from 9 May 2016, on a base salary of £320,000.

Benefits and pension

These will be made in accordance with the approved Policy.

Annual bonus

The maximum opportunity under the annual bonus plan for 2016/17 will be 100% of base salary for both the CEO and GFD.

A combination of financial (85%) and non-financial strategic (15%) metrics will be used to determine the level of payment under the annual bonus and as detailed in the table below:

	Weighting as a % of opportunity	
Measure	CEO	GFD
Organic sales	20	20
Profit	45	45
Cash generation	20	20
Strategic objectives	15	15

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include matters which the Committee considers commercially sensitive. Retrospective disclosure of the performance against them will be made in next year's Report and Financial Statements on Remuneration to the extent the targets are not commercially sensitive at that time.

Long term incentives in respect of the 2016/17 financial year

The 2016/17 PSP awards will be over shares with a market value at grant of 150% of salary for the CEO and GFD. Vesting will be subject to the performance condition as set out below, to be achieved over three financial years commencing with the 2016/17 financial year:

Half of the award	Half of the award
EPS growth – 7% p.a. (25% vesting) to 12% p.a. (100% vesting)	TSR v FTSE 250 Index (excluding financial companies) – median (25% vesting) to upper quartile (100% vesting)

Non-Executive Directors' fees

The Committee reviewed and set the fee for our new Chairman at £165,000.

	2015/16[3]	2016/17[3]	% increase[1]
Board Chairman[2]	£161,000	£165,000	2.5
Additional fee Deputy Chairman[4]	£5,000	£5,000	0
Basic fee	£44,000	£44,000	0
Additional fee for Senior Independent Director[4]	£5,000	£5,000	0
Additional fee for Committee Chairman[4]	£7,500	£7,500	0

1. Fees for Non-Executive Directors were last increased on 1 July 2014.
2. The Chairman's fee for 2015/16 is the annual fee paid to Nigel Keen. For 2016/17 the annual fee shown is the fee to be paid to Alan Johnson who is to be appointed from 13 September 2016. The pro-rated fee for 2016/17 payable to Nigel Keen and Alan Thomson is £163,190.
3. The fees shown for 2015/16 and 2016/17 are the annualised rates as at 1 July 2015 and 1 July 2016 respectively.
4. Only one additional fee is paid to any Non-Executive Director.

Approval

This report was adopted by the Committee on 15 June 2016 and has been approved subsequently by the Board for submission to Shareholders at the Annual General Meeting to be held on 13 September 2016.

Thomas Geitner
Chairman of the Remuneration Committee

15 June 2016

Report of the Directors

The Directors present their Report and Financial Statements of Oxford Instruments plc for the year ended 31 March 2016.

Principal activity and business reviews

The Company is the ultimate holding company of a group of subsidiary undertakings (the "Group") engaged in the research, development, manufacture, rental, sale and service of high technology tools and systems. The Company is required to set out in this report a true and fair view of the business of the Group during the financial year ended 31 March 2016, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group. The information which fulfils these requirements includes a Financial Review on pages 26 to 31 and Corporate Responsibility on pages 32 to 39, which are incorporated in this Report by reference. The business, the strategic review, the Research and Development activities and likely future prospects of the Group are reviewed in the Strategic Report on pages 1 to 39.

Results and dividends

The results for the year are shown in the Consolidated Statement of Income on page 90. The Directors recommend a final dividend of 9.3 pence per ordinary share, which together with the interim dividend of 3.7 pence per ordinary share makes a total of 13.0 pence per ordinary share for the year (2015: 13.0 pence). Subject to Shareholder approval, the final dividend will be paid on 20 October 2016 to Shareholders registered at close of business on 23 September 2016.

Risks and uncertainties

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

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

There are a number of risks and uncertainties which may have a material effect on the Oxford Instruments Group. These are described in Principal Risks and Uncertainties on pages 22 to 24.

Directors

Biographies of all the Directors at the date of this report, including the Non-Executive Directors, appear on pages 41 to 43. During the year, Ian Barkshire was appointed an Executive Director on 10 November 2015 and was subsequently appointed Chief Executive on 11 May 2016; Mary Waldner was appointed a Non-Executive Director on 4 February 2016 and will be succeeding Jock Lennox as Chairman of the Audit and Risk Committee on 16 June 2016. After the year end Kevin Boyd stepped down as Group Finance Director on 8 April 2016 and Gavin Hill was appointed in his place on 9 May 2016. On 1 June 2016 Alan Thomson was appointed an Independent Non-Executive Director and Chairman designate and will be succeeding Nigel Keen as Chairman of the Board after the AGM on 13 September 2016. Jonathan Flint will be stepping down from the Board on 31 July 2016. At the conclusion of the AGM, Nigel Keen will retire as Chairman of the Board, Jennifer Allerton will step down as a Non-Executive Director and Jock Lennox will step down as a Non-Executive Director and Senior Independent Director.

Directors' conflicts of interest

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

Directors' interests

The beneficial interests of the Directors in the Company's share capital, all in fully paid up shares at 31 March 2015, are shown below.

Details of share options for the Executive Directors are shown in the Remuneration Report on pages 59 to 75.

	31 March 2016 Shares	31 March 2015 Shares
Jennifer Allerton	**1,000**	1,000
Ian Barkshire	**5,982**	n/a
Kevin Boyd	**94,297**	93,975
Jonathan Flint	**207,333**	206,167
Richard Friend	**—**	—
Thomas Geitner	**—**	—
Nigel Keen	**126,580**	126,580
Jock Lennox	**3,500**	3,500
Mary Waldner	**—**	n/a

No Director was beneficially interested in the shares of any subsidiary company at any time during the year. In the year to 31 March 2016 no Director had a material interest in any contract of significance with the Company or any of its subsidiaries other than as described in the Remuneration Report on pages 59 to 75. Since the year end, there have been no changes to the above shareholdings apart from for Jonathan Flint who, together with his wife, participates in the Oxford Instruments Share Incentive Plan and since the year end have increased their beneficial shareholding by 130 shares.

Insurance cover and Directors' indemnities

For a number of years the Group has purchased insurance to cover its Directors and Officers against their costs in defending themselves in legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. In addition, to the extent permitted by UK law, the Group indemnifies its Directors and Officers for liabilities arising from such proceedings.

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

Share capital

The Company only has one class of share capital which comprises ordinary shares of 5 pence each. All shares forming part of the ordinary share capital have the same rights and carry one vote each. There are no unusual restrictions on the transfer of a share. The full rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Directors, are set out in the Company's Articles of Association, a copy of which is available on the Company's website. These can also be obtained from Companies House or by writing to the Company Secretary.

During the year to 31 March 2016 the issued share capital was increased by 0.01% with the issue of 7,575 ordinary shares (2015: 40,501) following the exercise of options under the Company's share option schemes. At 31 March 2016, the issued share capital of the Company was therefore 57,298,911 ordinary shares of 5 pence each. In connection with the Company's equity incentive plans, a separately administered trust held 183,145 ordinary shares at 31 March 2016 (representing 0.3% of the total issued share capital of the Company). No shares in the Company were acquired by the Company during the year (2015: nil). Details of the share capital and options outstanding as at 31 March 2016 are set out in Notes 13 and 22 respectively to the Financial Statements.

At this year's Annual General Meeting, the Directors propose to renew the authorities granted to them at last year's AGM to:

- allot ordinary shares up to an aggregate nominal value of one-third of the Company's issued share capital and, where full pre-emption rights are applied, up to an aggregate nominal value of two-thirds of the Company's issued share capital;
- allot ordinary shares up to an aggregate nominal value of 10% of the Company's issued share capital without first offering them to existing Shareholders; and
- buy back up to 10% of the Company's issued share capital.

Shareholders will be requested to renew these authorities at the AGM, details of which are set out in the notice of the meeting.

Substantial shareholdings

The following are beneficial interests of 3% or more (where the holding is direct) or of 5% or more (where the holding is indirect) of which the Directors have been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules of the Company's issued ordinary share capital, the only class of voting capital, at 7 June 2016:

	Direct/ indirect	Shares	% of total
Aberdeen Asset Managers Limited	Indirect	5,812,760	10.1
Ameriprise Financial	Indirect/direct	4,244,607	7.4
Sir MF and Lady KA Wood	Direct	3,105,530	5.4
Baillie Gifford & Co	Indirect	2,917,516	5.1

Payment of suppliers

The Group does not follow a standard payment practice but agrees terms and conditions for its business transactions with each of its suppliers. Payment is then made in accordance with these terms. At 31 March 2016 trade creditors of the Company and the Group's UK subsidiaries were equivalent to 26 days (2015: 22) and 74 days (2015: 66) of purchases respectively, based on the amounts invoiced by suppliers during the year and the amounts owed to trade creditors at the end of the year.

Charitable donations

During the year, the Group made charitable donations of £2,542 (2015: £1,575). There have been no political donations during the year.

Fixed assets

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

Disclosure of information to auditor

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

Report of the Directors
continued

Annual General Meeting

The Notice of the Annual General Meeting to be held on 13 September 2016 is set out in a letter to Shareholders together with explanatory notes relating to the resolutions.

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

Change of control arrangements

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover, such as banking agreements and company share plans. On a change of control, the Company's committed credit facilities may be cancelled by lenders by giving not less than three days' notice. It is also possible that pension plan funding arrangements would need to be changed following a change of control if that resulted in a weakening of the employer covenant.

Corporate governance

The Board reviews its work on corporate governance in Corporate Governance on pages 44 to 50.

Financial risk management

Details of the Group's financial risk management objectives and policies, including the exposure to price, credit and liquidity risk are set out in Note 19 to the Financial Statements.

Diversity and inclusion

The Board recognises that its employees are fundamental to the Group's success. The Group's aim is to ensure there are equal opportunities for all employees and that there is an inclusive culture where differences are valued and people are given the environment in which they can do their best work. The Corporate Responsibility review on pages 32 to 39 further describes how diversity and inclusion is managed within Oxford Instruments.

Greenhouse gas emissions

To meet the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, CO_2 emissions are reported on as part of our reporting on greenhouse gas emissions in Corporate Responsibility on page 38.

Material events

There were no material events since 31 March 2016 to report.

By order of the Board

Susan Johnson-Brett
Company Secretary

15 June 2016

Welcome to the Financial Statements

IN THIS SECTION

Directors' Responsibilities
in relation to the Report and Financial Statements

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

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

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

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

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

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

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

Responsibility statement of the Directors in respect of the Report and Financial Statements

We confirm that to the best of our knowledge:

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

We consider the Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board

Ian Barkshire
Chief Executive

Gavin Hill
Group Finance Director

15 June 2016

Opinions and conclusions arising from our audit

1 Our opinion on the Financial Statements is unmodified

We have audited the Financial Statements of Oxford Instruments plc for the year ended 31 March 2016 set out on pages 84 to 135. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2016 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with UK Accounting Standards including FRS 101 Reduced Disclosure Framework; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the Financial Statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows (unchanged from 2015 except for the addition of Valuation of investment in associate):

Revenue recognition in the NanoTechnology Tools segment (revenue: £187.3 million (2015: £210.9 million)), Risk vs 2015 ▲

Refer to page 51 (Audit and Risk Committee Report), page 84 (Accounting Policies) and pages 96 to 122 (financial disclosures)

Risk – there is a risk that revenue is recognised on sales of individual products produced by the Group's NanoTechnology Tools segment before the significant risks and rewards of ownership have passed. This is because these products require considerable technical expertise to manufacture, can be of individually high value, and customer specifications vary. As such there is a risk that particular terms of sale (for example, the shipping term and product specification) may not be met and, as a result, revenue may be recognised in the incorrect period. In addition, in the current year an increased value of revenue was recognised on a bill and hold basis where there is a risk that the specific criteria for recognition has not been met. Consequently this is one of the key areas our audit is focused on.

Our response – our procedures included assessing the effectiveness of internal controls regarding the recognition of revenue such as matching a sample of sales invoices recognised to sales orders and dispatch notes. We also tested, on a sample basis, whether specific revenue transactions around the year end had been recognised in the appropriate period on the basis of the terms of sale within the associated contracts, such as whether shipping terms had been met, goods received notes completed and, or, customer acceptance of the product received. We considered whether a sample of credit notes issued after the year end should reduce revenue in the period and challenged those that were not recorded by obtaining evidence and rationale for significant reversals.

We also assessed the ageing and post year end realisation of accrued income, customer deposits and installation balances with respect to the agreed terms of sale, any of which may indicate the associated revenue has been recognised in the incorrect period. In addition we assessed whether there was any evidence of changes in the revenue profile by comparing the current year revenue profile to historical trends, and comparing to actual. We challenged the recognition of all revenue items which were recognised on a bill and hold basis by assessing whether the specific criteria set out in IAS 18 had been met. We also considered the adequacy of the Group's disclosures in respect of revenue and the related estimates and judgements in the financial statements relating to the passing of the risk and rewards of ownership as a result of the complex technical nature of the Group's products (see notes (b) and (r) of the accounting policies).

Recoverability of acquired intangible assets (£201.0 million (2015: £213.3 million)), Risk vs 2015 ▼

Refer to page 51 (Audit and Risk Committee Report), page 84 (Accounting Policies) and pages 96 to 122 (financial disclosures)

Risk – the Group balance sheet includes a significant amount of goodwill and other acquired intangible assets that have arisen as a result of acquisitions, particularly in respect of the Andor cash generating unit. There is a risk that below forecast performance of the business, or the cash generating unit to which the assets are allocated will result in impairment. This could be due to weaker than forecast demand, product obsolescence, or other factors. Furthermore, there is inherent uncertainty and complexity involved in estimating future cash flows, growth rates and discount rates that are the basis for the assessment of recoverability and, as such, this is one of the key judgement areas our audit is focused on.

Our response – our procedures included performing our own assessment of the key estimates and assumptions used to estimate recoverable amount such as forecast cash flows, long-term growth rates and the discount rate applied with reference to externally and internally derived data including, but not limited to, industry growth rates, historical performance of similar lines of business and market interest rates. We compared the sum of the discounted cash flows to the value derived from the group's market capitalisation to assess the reasonableness of those cash flows. We also performed sensitivity analysis in relation to the key assumptions and considered whether the Group's disclosures regarding the valuation of goodwill and intangible assets appropriately reflected the sensitivity, headroom and assumptions made in preparing the valuations.

Independent Auditor's Report continued

to the Members of Oxford Instruments plc only

Opinions and conclusions arising from our audit continued

2 Our assessment of risks of material misstatement continued

Valuation of investment in associate (new risk)

Refer to page 51 (Audit and Risk Committee Report), page 84 (Accounting Policies) and pages 96 to 122 (financial disclosures)

Risk – during the year, the Group entered into a strategic alliance with GD Intressenter AB whereby the group disposed of its wholly owned Omicron subsidiaries in exchange for a 47% share interest in GD Intressenter's Scienta Scientific AB. Estimating the fair value of an interest in a private entity involves an inherent degree of subjectivity, for example by forecasting the future cash flows of the business. Consequently this is one of the key areas of judgement our audit is focused on.

Our response – our procedures included performing our own assessment of the key estimates and assumptions relating to the future performance of the business, used to determine the initial fair value of the Group's investment. We performed sensitivity analysis over these key assumptions, including but not limited to changes in discount rate and long-term growth rate. We considered alternative valuation methods to determine if there is any contradictory evidence to support a different valuation methodology. We considered the adequacy of the Group's disclosure of the judgement required in determining the valuation of the investment.

Completeness of provisions in respect of product related claims, Risk vs 2015 ◀▶

Refer to page 51 (Audit and Risk Committee Report), page 84 (Accounting Policies) and pages 96 to 122 (financial disclosures)

Risk – the Group designs and builds customised, high technology products, notably in the NanoTechnology Tools segment, and as such there is a risk that products are subject to customer claims in respect of deficiencies in design or performance. In addition, since the Group's products incorporate specific design features and intellectual property that are critical to ensuring the product meets its marketed, or customer specific, performance specifications, there is a risk that the Group inadvertently infringes the intellectual property belonging to third parties. This could result in a material unrecorded, or understated, provision for compensation required to be paid to customers or third parties respectively, or alternatively for the cost of rectification, should the Group be required to recall or rework previously supplied products.

Our response – our procedures included making enquiries of the Group regarding the existence of any previously unidentified product related claims and inspecting the Group's litigation register for any ongoing or potential patent litigation. Where product related claims arise, or are brought forward from previous periods, we consider the specific circumstances by inspecting correspondence between the Group and other parties, such as legal advisers, and challenge the reasonableness of the key assumptions made by the Group to our own expectations based on our historical knowledge, experience, and understanding. We also considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at any provision.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £0.9 million (2015: £1.3 million). This has been determined with reference to a benchmark of Group profit before tax from continuing operations adjusted for the items disclosed in Note 1 to the Financial Statements, excluding amortisation and impairment of acquired intangibles, of £20.3 million, of which it represents 4.4% (2015: Group loss before tax adjusted for the items disclosed in Note 1 to the Financial Statements, excluding amortisation and impairment of acquired intangibles, and normalised by averaging over the last five years due to fluctuations in the business cycle, 5.0%). Materiality represents 6.9% of the Group profit before tax from continuing operations (2015: Group loss before tax normalised by averaging over the last five years, 6.2%).

We report to the Audit and Risk Committee any corrected or uncorrected misstatements exceeding £45,000 (2015: £50,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 65 (2015: 69) reporting components, we subjected 17 (2015: 21) to audits for Group reporting purposes and 8 (2015: 18) to reviews to component materiality.

The components within the scope of our work accounted for the following percentages of the group's results:

	Number of components	Group revenue	Group profit before tax	Group total assets
Audits for Group reporting purposes	17	83%	72%	81%
Reviews to component materiality	8	10%	10%	8%
Total 2016	**25**	**93%**	**82%**	**89%**
Total 2015	39	95%	88%	96%

For the remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these. The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved each component teams audit materiality, which ranged from £0.4 million to £0.7 million (2015: £0.01 million to £0.8 million), having regard to the size and risk profile of the Group across the components.

The Group audit team visited 19 (2015: 24) component locations in the UK, USA and Germany (2015: UK, USA and China). The work performed for the US components was undertaken by the UK audit team. Telephone conference meetings were also held with the component auditors in Japan and China (2015: Germany, Japan and Finland). At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor. The Group audit team reviewed the significant risk areas of the component audit files for individually financially significant components.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Corporate Governance Statement set out on pages 44 to 50 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.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Viability Statement on page 25, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 31 March 2019; or
- the disclosures in the accounting policies to the Financial Statements on page 125 concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Report and Financial Statements that contains a material inconsistency with either that knowledge or the Financial Statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' Statement that they consider that the Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit and Risk Committee Report does not appropriately address matters communicated by us to the Audit and Risk Committee.

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

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

Under the Listing Rules we are required to review:

- the Directors' statements, set out on page 31, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 44 to 50 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in Directors' Responsibilities set out on page 80, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Greg Watts (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snow Hill
Snow Hill Queensway
Birmingham B4 6GH

15 June 2016

Accounting Policies

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

The Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). The Company has elected to prepare its Parent Company Financial Statements in accordance with FRS 101; these are presented on pages 123 to 135.

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

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Performance and Strategy section on pages 8 to 11. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 26 to 31.

The relatively diverse nature of the Group together with its current financial strength provides a solid foundation. The Directors have reviewed the Group's forecasts and flexed them to incorporate a number of potential scenarios relating to changes in trading performance and believe that the Group will be able to operate within its existing debt facilities which expire between February 2020 and March 2021. This review also considered hedging arrangements in place. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. Further information can be found in the Viability Statement on page 25.

The Financial Statements were authorised for issuance on 15 June 2016.

(a) New accounting standards

The following standards and interpretations are applicable to the Group and have been adopted as they are mandatory for the year ended 31 March 2016.

Amendments to IAS 19 Defined Benefit Plans – Employee Contributions: the amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The Group has considered the impact of this amendment in future periods on profit, earnings per share and net assets. The adoption of this standard has had no significant impact.

There are no other new standards, amendments to standards or interpretations mandatory for the first time for the year ended 31 March 2016.

(b) Basis of preparation

The Financial Statements are presented in Sterling, rounded to the nearest £0.1 million and are prepared on the historical cost basis except as described on page 86 under the heading "Financial instruments".

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

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

Fair value measurements on business combinations

The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities. The key judgements involved are:

- the identification and valuation of intangible assets which require the estimation of future cash flows and the selection of a suitable discount rate (see Note 17); and
- the initial valuation of investment in Scienta Scientific AB which required the estimation of future cash flows and the selection of a suitable discount rate (see Note 7).

Impairment of intangible assets (including goodwill) and tangible assets

Goodwill is held at cost and tested annually for impairment and amortised intangibles and tangible assets are tested for impairment where there are indications of impairment. These impairment tests require the Group to make an estimate of the expected cash flows and to select suitable discount rates. These require an estimation of the value in use of these assets (see Note 17).

Provisions

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

Revenue recognition

Revenue is recognised when, in the opinion of the Group, the significant risks and rewards of ownership have transferred to the buyer. The complex technical nature of the Group's products means that the application of judgement is required in determining whether those risks and rewards have passed, notably in determining whether shipping terms have been met or customer acceptance of the product received.

The following other significant judgements and estimates were made in applying the Group accounting policies:

Measurement of defined benefit scheme liabilities

The Group recognises and measures costs relating to defined benefit pension schemes in accordance with IAS 19 (Revised) Employee Benefits. In applying IAS 19 (Revised) the costs are assessed in accordance with the advice of independent qualified actuaries. This requires the exercise of judgement in relation to the estimation of future changes in salaries and inflation, as well as mortality rates, expected returns on plan assets and the selection of suitable discount rates. Further detail is provided in Note 26.

Contingent purchase consideration

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

Capitalised development costs

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

Deferred tax assets

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

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

(c) Basis of consolidation

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

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The results of subsidiary companies are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. The acquisition method is used to account for the acquisition of subsidiaries.

Associates are those entities in which the Group holds more than 20% of the shares and voting rights and has significant influence, but not control, over the financial and operating policies.

The Group financial information includes the Group's share of the total comprehensive income of the associate on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

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

(d) Foreign currency

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

Accounting Policies
continued

(e) Financial instruments

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

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

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

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

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

(v) Contingent purchase consideration is measured at fair value at the date of acquisition and subsequently carried at fair value, with movements recognised in the Income Statement.

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

(f) Property, plant and equipment

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

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

Fixed assets held for rental as part of the Group's service business are depreciated using the reducing balance method at a rate of 3% per month.

Proceeds on disposal of rental assets which have been refurbished by the Group are recorded as revenue with associated costs recorded in cost of sales. Otherwise gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the Income Statement.

(g) Intangible assets

(i) Goodwill

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

The Group expenses transaction costs associated with its acquisitions and movements in liabilities relating to contingent consideration within the Income Statement in conformity with IFRS 3.

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

(ii) Development costs

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

(iii) Acquired intangible assets

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

(iv) Amortisation

Amortisation of intangible assets is charged to the Consolidated Statement of Income on a systematic basis in proportion to the use of the assets over their estimated useful economic lives as follows:

Capitalised development costs	3 to 5 years
Technology related acquired intangibles	5 to 12 years
Customer related acquired intangibles	6 months to 15 years
Development costs acquired intangibles	10 years
Software	10 years

(h) Trade and other receivables

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

(i) Inventories

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

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

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at amortised cost.

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

(k) Non-current assets held for sale

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

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

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

(l) Impairment of non-current assets

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

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

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

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

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

Accounting Policies
continued

(m) Employee benefits

The Group operates a number of defined benefit and defined contribution plans which require contributions to be made to independent trustee-administered funds.

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

The charge to the Consolidated Statement of Income reflects the current service cost. The interest expense or income is calculated on the net defined benefit liability by applying the discount rate to the net defined benefit liability, and is included within financial expenditure or financial income in the Consolidated Statement of Income respectively.

(iii) Share-based payment transactions

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

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

(n) Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision for warranty and product related liability is recognised when the underlying products are sold. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A provision for a claim or dispute is made when it is considered probable that an adverse outcome will occur and the amount of the loss can be reasonably estimated.

Contractual and other provisions represent the Directors' best estimate of the cost of settling future obligations where the Directors, taking into account professional advice received, assess that it is more likely than not that such proceedings may be successful.

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

(o) Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequently stated at amortised cost.

(p) Government grants

Grants from Governments are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate. Government grants relating to property, plant and equipment are included in other current liabilities and are credited to the Income Statement on a straight-line basis over the expected useful economic lives of the related assets.

(q) Interest-bearing borrowings

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

(r) Revenue

Revenue is recognised in the Consolidated Statement of Income when the significant risks and rewards of ownership have transferred to the buyer. In the Industrial Products segment this is generally considered to be on dispatch, as products have a low level of customisation and are manufactured on a routine basis. In the NanoTechnology Tools segment products are generally bespoke and customer contracts more complex. As such, there are a number of conditions which must be satisfied before revenue can be recognised. These can include: legal; contractual ownership; passing internal quality control testing; dispatch from manufacturing sites; installation at customer sites; customer inspection both before and after installation; and/or, ultimately, customer acceptance. Given these conditions, a greater degree of consideration is given as to whether the terms of sale have been met and whether revenue can be recognised for each product. In the Services segment, revenue for maintenance and support is recognised on a pro-rata basis over the length of the contract period. Revenue relating to the rental of machinery is recognised on a straight-line basis over the life of the lease. Where the Services segment makes asset sales, similar considerations as those set out for the NanoTechnology Tools Segment are applied. Revenue excludes value added tax and similar sales-based taxes and is stated before commission payable to agents.

(s) Income tax

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

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

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

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

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

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

(t) Lease payments

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

(u) Segment reporting

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

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

(v) Dividends

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

(w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued by the IASB and endorsed by the EU and are effective for annual periods beginning after 1 April 2016. They have not been applied in preparing these consolidated Financial Statements. None of these standards are expected to have a significant impact on the Group Financial Statements.

A number of other new standards, amendments to standards and interpretations have been issued by the IASB, although they are not yet endorsed by the EU, and are effective for annual periods beginning after 1 April 2016. They have not been applied in preparing these consolidated Financial Statements. The three standards which may be relevant to the Group are set out below:

- **IFRS 9 Financial Instruments:** which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2018 and could change the classification and measurement of financial assets;
- **IFRS 15 Revenue from Contracts with Customers:** which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning 1 April 2018. The potential impact on the Group of the new standard is still being assessed; and
- **IFRS 16 Leases:** which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning 1 April 2019. The potential impact on the Group of the new standard is still being assessed.

Consolidated Statement of Income

year ended 31 March 2016

	Notes	2016 Adjusted[1] £m	2016 Adjusting items[1] £m	2016 Total £m	2015 Adjusted[1] £m	2015 Adjusting items[1] £m	2015 Total £m
Revenue	3	**361.6**	**—**	**361.6**	380.1	—	380.1
Cost of sales		**(199.7)**	**(1.0)**	**(200.7)**	(210.3)	(0.2)	(210.5)
Gross profit		**161.9**	**(1.0)**	**160.9**	169.8	(0.2)	169.6
Research and Development	5	**(24.6)**	**—**	**(24.6)**	(30.5)	—	(30.5)
Selling and marketing		**(59.8)**	**—**	**(59.8)**	(64.9)	—	(64.9)
Administration and shared services		**(33.4)**	**(23.0)**	**(56.4)**	(34.3)	(40.6)	(74.9)
Share of loss of associate, net of tax	7	**(0.2)**	**(1.3)**	**(1.5)**	—	—	—
Other operating income		**—**	**4.9**	**4.9**	—	1.4	1.4
Foreign exchange		**0.7**	**—**	**0.7**	2.7	—	2.7
Operating profit/(loss)		**44.6**	**(20.4)**	**24.2**	42.8	(39.4)	3.4
Other financial income	9	**—**	**—**	**—**	0.1	—	0.1
Financial income		**—**	**—**	**—**	0.1	—	0.1
Interest charge on pension scheme net liabilities	26	**(1.7)**	**—**	**(1.7)**	(1.9)	—	(1.9)
Other financial expenditure	10	**(5.9)**	**(3.5)**	**(9.4)**	(5.3)	(5.9)	(11.2)
Financial expenditure		**(7.6)**	**(3.5)**	**(11.1)**	(7.2)	(5.9)	(13.1)
Profit/(loss) before income tax		**37.0**	**(23.9)**	**13.1**	35.7	(45.3)	(9.6)
Income tax (expense)/credit	14	**(8.9)**	**5.0**	**(3.9)**	(8.1)	11.5	3.4
Profit/(loss) for the year from continuing operations		**28.1**	**(18.9)**	**9.2**	27.6	(33.8)	(6.2)
Loss from discontinued operations after tax	8	**(0.3)**	**(1.9)**	**(2.2)**	(0.1)	—	(0.1)
Profit/(loss) for the year attributable to equity Shareholders of the parent		**27.8**	**(20.8)**	**7.0**	27.5	(33.8)	(6.3)

	Notes	2016 Adjusted pence	2016 Total pence	2015 Adjusted pence	2015 Total pence
Earnings per share					
Basic earnings per share	2				
From continuing operations		**49.2**	**16.1**	48.4	(10.9)
From discontinued operations		**(0.5)**	**(3.9)**	(0.2)	(0.2)
From profit/(loss) for the year		**48.7**	**12.2**	48.2	(11.1)
Diluted earnings per share	2				
From continuing operations		**49.1**	**16.1**	48.2	(10.9)
From discontinued operations		**(0.5)**	**(3.8)**	(0.2)	(0.2)
From profit/(loss) for the year		**48.6**	**12.3**	48.0	(11.1)
Dividends per share					
Dividends paid	15		**13.0**		12.4
Dividends proposed	15		**13.0**		13.0

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

The attached notes form part of the Financial Statements.

Consolidated Statement of Comprehensive Income

year ended 31 March 2016

	Notes	2016 £m	2015 £m
Profit/(loss) for the year		**7.0**	(6.3)
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss			
(Loss)/gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled		**(0.1)**	0.1
Foreign exchange translation differences		**5.6**	7.3
Net foreign exchange loss on disposal of subsidiaries taken to the Income Statement		**1.2**	—
Tax on items that may be reclassified to profit or loss		**—**	—
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain/(loss) in respect of post-retirement benefits	26	**13.6**	(10.8)
Tax on items that will not be reclassified to profit or loss	14	**(2.6)**	2.3
Total other comprehensive income/(expense)		**17.7**	(1.1)
Total comprehensive income/(expense) for the year attributable to equity Shareholders of the parent		**24.7**	(7.4)

Consolidated Statement of Financial Position
as at 31 March 2016

	Notes	2016 £m	2015 £m
Assets			
Non-current assets			
Property, plant and equipment	16	**35.2**	33.1
Intangible assets	17	**220.8**	231.3
Investment in associate		**13.1**	—
Long-term receivables		**3.4**	—
Deferred tax assets	18	**19.0**	20.1
		291.5	284.5
Current assets			
Inventories	19	**61.1**	70.8
Trade and other receivables	20	**77.5**	87.3
Current income tax recoverable		**2.7**	3.3
Derivative financial instruments	23	**1.5**	3.4
Cash and cash equivalents		**21.8**	25.1
		164.6	189.9
Total assets		**456.1**	474.4
Equity			
Capital and reserves attributable to the Company's equity Shareholders			
Share capital	24	**2.9**	2.9
Share premium		**61.5**	61.5
Other reserves		**0.1**	0.2
Translation reserve		**9.7**	2.9
Retained earnings		**68.8**	58.0
		143.0	125.5
Liabilities			
Non-current liabilities			
Bank loans and overdrafts	25	**147.0**	144.0
Other payables	27	**—**	0.8
Retirement benefit obligations	26	**35.0**	53.5
Deferred tax liabilities	18	**5.7**	6.2
		187.7	204.5
Current liabilities			
Bank loans and overdrafts	25	**3.0**	—
Trade and other payables	27	**102.4**	121.6
Current income tax payables		**2.1**	2.6
Derivative financial instruments	23	**5.8**	4.1
Provisions	28	**12.1**	16.1
		125.4	144.4
Total liabilities		**313.1**	348.9
Total liabilities and equity		**456.1**	474.4

The Financial Statements were approved by the Board of Directors on 15 June 2016 and signed on its behalf by:

Ian Barkshire
Director

Gavin Hill
Director

Company number: 775598

Consolidated Statement of Changes in Equity
year ended 31 March 2016

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2015	2.9	61.5	0.2	2.9	58.0	125.5
Total comprehensive income:						
Profit for the year	—	**—**	**—**	**—**	**7.0**	**7.0**
Other comprehensive income:						
– Foreign exchange translation differences	**—**	**—**	**—**	**5.6**	**—**	**5.6**
– Net foreign exchange loss on disposal of subsidiaries taken to the Income Statement	**—**	**—**	**—**	**1.2**	**—**	**1.2**
– Loss on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	**—**	**—**	**(0.1)**	**—**	**—**	**(0.1)**
– Remeasurement gain in respect of post-retirement benefits	**—**	**—**	**—**	**—**	**13.6**	**13.6**
– Tax on items recognised directly in other comprehensive income	—	**—**	**—**	**—**	**(2.6)**	**(2.6)**
Total comprehensive income/(expense) attributable to equity Shareholders of the parent	**—**	**—**	**(0.1)**	**6.8**	**18.0**	**24.7**
Transactions with owners recorded directly in equity:						
– Charge in respect of employee service costs settled by award of share options	**—**	**—**	**—**	**—**	**0.4**	**0.4**
– Dividends paid	**—**	**—**	**—**	**—**	**(7.6)**	**(7.6)**
Total transactions with owners recorded directly in equity	**—**	**—**	**—**	**—**	**(7.2)**	**(7.2)**
Balance at 31 March 2016	**2.9**	**61.5**	**0.1**	**9.7**	**68.8**	**143.0**

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2014	2.9	61.3	0.1	(4.4)	80.3	140.2
Total comprehensive income:						
Loss for the year	—	—	—	—	(6.3)	(6.3)
Other comprehensive income:						
– Foreign exchange translation differences	—	—	—	7.3	—	7.3
– Gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	—	—	0.1	—	—	0.1
– Remeasurement loss in respect of post-retirement benefits	—	—	—	—	(10.8)	(10.8)
– Tax on items recognised directly in other comprehensive income	—	—	—	—	2.3	2.3
Total comprehensive income/(expense) attributable to equity Shareholders of the parent	—	—	0.1	7.3	(14.8)	(7.4)
Transactions with owners recorded directly in equity:						
– Credit in respect of employee service costs settled by award of share options	—	—	—	—	(0.2)	(0.2)
– Tax charge in respect of share options	—	—	—	—	(0.2)	(0.2)
– Proceeds from shares issued	—	0.2	—	—	—	0.2
– Dividends paid	—	—	—	—	(7.1)	(7.1)
Total transactions with owners recorded directly in equity	—	0.2	—	—	(7.5)	(7.3)
Balance at 31 March 2015	2.9	61.5	0.2	2.9	58.0	125.5

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

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

The Group holds 183,145 (2015: 183,145) of its own shares in an employee benefit trust. The cost of these shares is included within retained earnings. There was no movement in the shares held by the trust during the year.

Consolidated Statement of Cash Flows
year ended 31 March 2016

	2016 £m	2015 £m
Profit/(loss) for the year from continuing operations	**9.2**	(6.2)
Adjustments for:		
Income tax expense	**3.9**	(3.4)
Net financial expense	**11.1**	13.0
Acquisition related fair value adjustments to inventory	**0.2**	0.2
Acquisition related fair value adjustments to property, plant and equipment	**0.8**	—
Acquisition related costs	**2.5**	2.2
Restructuring costs	**2.9**	9.9
Restructuring costs – relating to associate	**1.3**	—
Loss on disposal of subsidiary	**0.9**	—
Contingent consideration – further amount deemed payable	**—**	6.8
Contingent consideration deemed no longer payable	**(4.9)**	(1.4)
Share of loss from associate	**0.2**	—
Amortisation and impairment of acquired intangibles	**16.7**	21.7
Depreciation of property, plant and equipment	**6.3**	5.5
Amortisation and impairment of capitalised development costs	**3.9**	4.7
Adjusted earnings before interest, tax, depreciation and amortisation	**55.0**	53.0
Loss on disposal of property, plant and equipment	**0.1**	0.2
Cost of equity settled employee share schemes	**0.4**	(0.2)
Acquisition related costs paid	**(1.8)**	(1.9)
Restructuring costs paid	**(4.7)**	(1.2)
Cash payments to the pension scheme more than the charge to operating profit	**(6.7)**	(5.9)
Operating cash flows before movements in working capital	**42.3**	44.0
Decrease/(increase) in inventories	**2.7**	(3.3)
Decrease/(increase) in receivables	**9.3**	(5.3)
Increase in payables and provisions	**(1.2)**	1.6
Increase in customer deposits	**(0.5)**	1.9
Purchase of rental assets held for subsequent sale	**(3.0)**	—
Cash generated from operations	**49.6**	38.9
Interest paid	**(5.6)**	(5.0)
Income taxes paid	**(3.5)**	(9.1)
Net cash from operating activities	**40.5**	24.8
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	**(27.1)**	(0.8)
Acquisition of property, plant and equipment	**(2.5)**	(4.4)
Acquisition of intangible assets	**(0.2)**	(1.0)
Net cash flow on disposal of subsidiary	**0.6**	—
Capitalised development expenditure	**(8.2)**	(8.0)
Net cash used in investing activities	**(37.4)**	(14.2)
Cash flows from financing activities		
Proceeds from issue of share capital	**—**	0.2
Increase in long-term receivables	**(3.0)**	—
Increase/(decrease) in borrowings	**4.6**	(12.9)
Dividends paid	**(7.6)**	(7.1)
Net cash from financing activities	**(6.0)**	(19.8)
Net decrease in cash and cash equivalents from continuing operations	**(2.9)**	(9.2)
Decrease in cash from discontinued operations	**(0.9)**	(0.1)
Cash and cash equivalents at beginning of the year	**25.1**	32.6
Effect of exchange rate fluctuations on cash held	**(0.9)**	1.8
Cash and cash equivalents at end of the year	**20.4**	25.1

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

	2016 £m	2015 £m
Decrease in cash and cash equivalents	**(3.8)**	(9.3)
Effect of foreign exchange rate changes on cash and cash equivalents	**(0.9)**	1.8
	(4.7)	(7.5)
Cash (inflow)/outflow from increase/decrease in debt	**(4.6)**	12.9
Movement in net debt in the year	**(9.3)**	5.4
Net debt at start of the year	**(118.9)**	(124.3)
Net debt at the end of the year	**(128.2)**	(118.9)

Notes to the Financial Statements
year ended 31 March 2016

1 Non-GAAP measures

The Directors present the following non-GAAP measures as they consider that they give a better indication of the underlying performance of the business.

Reconciliation between profit before income tax and adjusted profit from continuing operations

	2016 £m	2015 £m
Profit/(loss) before income tax from continuing operations	**13.1**	(9.6)
Reversal of acquisition related fair value adjustments to inventory	**0.2**	0.2
Reversal of acquisition related fair value adjustments to property, plant and equipment	**0.8**	—
Acquisition related costs	**2.5**	2.2
Restructuring costs	**2.9**	9.9
Restructuring costs – relating to associate	**1.3**	—
Loss on disposal of subsidiary	**0.9**	—
Contingent consideration – further amount deemed payable	**—**	6.8
Contingent consideration deemed no longer payable	**(4.9)**	(1.4)
Unwind of discount in respect of contingent consideration and acquisition related accruals	**0.8**	1.1
Non-recurring and acquisition related items	**4.5**	18.8
Amortisation and impairment of acquired intangibles	**16.7**	21.7
Mark-to-market loss in respect of derivative financial instruments	**2.7**	4.8
Adjusted profit before income tax from continuing operations	**37.0**	35.7
Share of taxation	**(8.9)**	(8.1)
Adjusted profit for the year from continuing operations	**28.1**	27.6

The reversal of acquisition related fair value adjustments to inventory and property, plant and equipment are excluded from adjusted profit to provide a measure that includes results from acquired businesses on a consistent basis over time to assist comparison of performance.

Acquisition related costs comprise professional fees incurred in relation to mergers and acquisitions activity and any consideration which, under IFRS 3 (revised), falls to be treated as a post acquisition employment expense.

Restructuring costs comprise one-off costs in respect of the ongoing cost reduction programme begun in the prior year, including an impairment of inventory and capitalised development costs in the Plasma Technology business in relation to the exit from the HBLED market. Restructuring costs relating to the Group's associate relate to exceptional costs incurred by the associate arising from the merger of the Scienta and Omicron businesses.

In common with a number of other companies adjusted profit excludes the non-cash amortisation and impairment of acquired intangible assets and goodwill and the unwind of discounts in respect of contingent consideration relating to business combinations.

In the prior year, a further £6.8m was provided in respect of additional contingent consideration expected to be due in respect of the acquisition of Platinum Medical Imaging in November 2011.

In the current year, £4.9m has been released relating to contingent consideration on the acquisition of Asylum Research Corporation following the end of the earnout period. In the prior year, £1.4m was released in respect of contingent consideration relating to the acquisition of RMG Technology Limited.

The Group made a loss on disposal of its Omicron business of £0.9m in the current year. Further details of the transaction can be found in Note 7.

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

In calculating the share of tax attributable to adjusted profit before tax, in 2011 a one-off recognition of deferred tax assets relating to the Group's UK businesses of £11.3m was excluded. At that time, the Group announced its intention to exclude the reversal of this deferred tax from the calculation of the share of tax attributable to adjusted profit before tax in the years in which it reverses. In the current and prior period tax losses arose in the UK and consequently no deferred tax reversed.

See Note 8 for details of adjusting items from discontinued operations.

2 Earnings per share

The calculation of basic and adjusted earnings per share is based on the profit for the year as shown in the Consolidated Statement of Income and the adjusted profit for the year as shown in Note 1 respectively. Basic and adjusted earnings are divided by the weighted average number of ordinary shares outstanding during the year, excluding shares held by the Employee Share Ownership Trust.

	2016 £m	2015 £m
Basic earnings	**7.0**	(6.3)
Adjusted earnings (Note 1)	**27.8**	27.5
Weighted average number of shares	**57.1**	57.1

	2016 pence	2015 pence
Basic earnings per share from continuing operations	**16.1**	(11.1)
Adjusted earnings per share from continuing operations	**49.2**	48.2

The weighted average number of shares used in the calculation excludes shares held by the Employee Share Ownership Trust, as follows:

	2016 Shares million	2015 Shares million
Weighted average number of shares outstanding	**57.3**	57.3
Less shares held by Employee Share Ownership Trust	**(0.2)**	(0.2)
Weighted average number of shares used in calculation of basic earnings per share	**57.1**	57.1

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

	2016 Shares million	2015 Shares million
Weighted average number of ordinary shares per basic earnings per share calculations	**57.1**	57.1
Effect of shares under option	**0.1**	0.2
Weighted average number of ordinary shares per diluted earnings per share calculations	**57.2**	57.3

In the prior year the Group reported a loss, and as such basic earnings per share was equal to reported diluted earnings per share. This is due to the fact that the shares under option above would have an anti-dilutive effect. Adjusted diluted earnings per share has been calculated in a manner consistent with previous periods.

3 Segment information

The Group has eight operating segments. These operating segments have been combined into three aggregated operating segments to the extent that they have similar economic characteristics, with relevance to products and services, type and class of customer, methods of sale and distribution and the regulatory environment in which they operate. Each of these three aggregated operating segments is a reportable segment.

The Group's internal management structure and financial reporting systems differentiate the three aggregated operating segments on the basis of the economic characteristics discussed below:

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

Reportable segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. The operating results of each are regularly reviewed by the Chief Operating Decision Maker, which is deemed to be the Board of Directors. Discrete financial information is available for each segment and used by the Board of Directors for decisions on resource allocation and to assess performance. No asset information is presented below as this information is not presented in reporting to the Group's Board of Directors.

Notes to the Financial Statements continued
year ended 31 March 2016

3 Segment information continued

a) Analysis by business

Year to 31 March 2016	NanoTechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	**187.3**	**95.9**	**78.4**	**361.6**
Inter-segment revenue	**0.1**	**0.7**	**—**	
Total segment revenue	**187.4**	**96.6**	**78.4**	
Segment adjusted operating profit from continuing operations	**21.3**	**4.5**	**18.8**	**44.6**

Year to 31 March 2015	NanoTechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	210.9	103.0	66.2	380.1
Inter-segment revenue	0.3	1.1	—	
Total segment revenue	211.2	104.1	66.2	
Segment adjusted operating profit from continuing operations	20.7	6.4	15.7	42.8

The loss after tax of £0.2m from the Group's associate is reported within the NanoTechnology Tools segment.

Included in the Service sector is revenue from equipment sales of £13.8m (2015: £7.7m) and from equipment leasing of £8.1m (2015: £0.3m). These two business lines contributed £1.7m (2015 £0.7m) and £1.5m (2015: £0.2m) respectively to the Group's operating profit.

Reconciliation of reportable segment profit

	2016 £m	2015 £m
Adjusted profit for reportable segments from continuing operations	**44.6**	42.8
Reversal of acquisition related fair value adjustments to inventory	**(0.2)**	(0.2)
Reversal of acquisition related fair value adjustments to property, plant and equipment	**(0.8)**	—
Acquisition related costs	**(2.5)**	(2.2)
Restructuring costs	**(2.9)**	(9.9)
Restructuring costs – relating to associate	**(1.3)**	—
Loss on disposal of subsidiary	**(0.9)**	—
Contingent consideration – further amount deemed payable	**—**	(6.8)
Contingent consideration deemed no longer payable	**4.9**	1.4
Amortisation and impairment of acquired intangibles	**(16.7)**	(21.7)
Financial income	**—**	0.1
Financial expenditure	**(11.1)**	(13.1)
Profit/(loss) before income tax on continuing operations	**13.1**	(9.6)

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

	2016		2015	
	Depreciation £m	Capital expenditure £m	Depreciation £m	Capital expenditure £m
NanoTechnology Tools	**2.6**	**1.3**	3.0	2.6
Industrial Products	**1.6**	**0.8**	1.9	1.4
Service	**1.7**	**3.1**	0.3	0.1
Unallocated Group items	**0.4**	**0.5**	0.4	1.3
Total	**6.3**	**5.7**	5.6	5.4

	2016		2015	
	Amortisation and impairment £m	**Capitalised development costs £m**	Amortisation and impairment £m	Capitalised development costs £m
NanoTechnology Tools	**13.6**	**5.8**	19.0	6.1
Industrial Products	**5.1**	**2.4**	6.2	1.9
Service	**1.9**	**—**	1.9	—
Total	**20.6**	**8.2**	27.1	8.0

b) Geographical analysis

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

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

Revenue from continuing operations from external customers by destination

	2016 £m	2015 £m
USA	**123.7**	122.8
Rest of Europe	**45.9**	52.4
Rest of Asia	**38.4**	42.5
UK	**32.2**	36.5
Japan	**34.9**	32.0
China	**51.8**	54.3
Germany	**22.3**	26.3
Rest of World	**12.4**	13.3
Total	**361.6**	380.1

Non-current assets (excluding deferred tax)

	2016 £m	2015 £m
UK	**208.5**	206.6
Germany	**7.5**	17.7
USA	**37.3**	27.9
Japan	**0.5**	0.5
China	**0.5**	0.7
Rest of Europe	**15.4**	9.6
Rest of Asia	**0.1**	0.1
Rest of World	**2.7**	1.3
Total	**272.5**	264.4

4 Auditor's remuneration

	2016 £'000	2015 £'000
Audit of these Financial Statements	**150**	125
Amounts received by the auditor and its associates in respect of:		
– Audit of Financial Statements of subsidiaries pursuant to legislation	**287**	282
– Taxation compliance services	**27**	31
– Audit related services	**14**	29
Total fees paid to the auditor and its associates	**478**	467

Notes to the Financial Statements continued

year ended 31 March 2016

5 Research and Development ("R&D")

The total R&D spend by the Group is as follows:

	2016			2015		
	Nanotechnology Tools £m	**Industrial Products £m**	**Total £m**	Nanotechnology Tools £m	Industrial Products £m	Total £m
R&D expense charged to the Consolidated Statement of Income	**17.6**	**7.0**	**24.6**	22.5	8.0	30.5
Less: depreciation of R&D related fixed assets	**—**	**(0.8)**	**(0.8)**	(0.2)	(0.6)	(0.8)
Add: amounts capitalised as fixed assets	**0.1**	**1.1**	**1.2**	0.9	1.3	2.2
Less: amortisation of R&D costs previously capitalised as intangibles	**(2.8)**	**(1.1)**	**(3.9)**	(3.2)	(1.5)	(4.7)
Add: amounts capitalised as intangible assets	**5.8**	**2.4**	**8.2**	6.1	1.9	8.0
Total cash spent on R&D during the year	**20.7**	**8.6**	**29.3**	26.1	9.1	35.2

In the current year an additional £0.6m (2015: £0.7m) impairment of capitalised development was included within administration and shared services in the Consolidated Statement of Income relating to the refocusing of the Plasma Technology business.

6 Acquisitions

Medical Imaging Resources, Inc

On 1 May 2015 the Group acquired 100% of the issued share capital of Medical Imaging Resources, Inc ("MIR") for a net cash consideration of £8.7m. Further contingent consideration of up to £6.7m is payable based on the performance of the Oxford Instruments Healthcare business in the year to 31 March 2016. MIR specialises in the build, lease, service and sale of mobile medical imaging labs.

The book and fair values of the assets and liabilities acquired are given in the table below. Fair value adjustments have been made to better align the accounting policies of the acquired business with the Group accounting policies and to reflect the fair value of assets and liabilities acquired. The business has been acquired for the purpose of integrating into the Oxford Instruments Healthcare business where it is believed that a number of synergies can be obtained.

	Book value £m	Adjustments £m	Fair value £m
Intangible fixed assets	—	5.7	5.7
Tangible fixed assets	3.8	0.5	4.3
Inventories	1.4	0.1	1.5
Trade and other receivables	0.9	—	0.9
Trade and other payables	(1.7)	—	(1.7)
Deferred tax	0.2	(0.4)	(0.2)
Net debt	(2.6)	—	(2.6)
Net assets acquired	2.0	5.9	7.9
Goodwill			4.5
Total consideration			12.4
Net debt acquired			2.6
Contingent consideration at acquisition			(6.3)
Net cash outflow relating to the acquisition			8.7

The goodwill arising is not tax deductible and is considered to represent the value of the acquired workforce and synergistic benefits expected to arise from the acquisition. No deferred tax liability has been recognised relating to the fair value of acquired intangibles due to the Company making a 3338 election in the USA to treat this acquisition as a trade and assets purchase for tax purposes.

The book value of receivables in the tables above represents the gross contractual amounts receivable.

The acquisition above contributed revenue of £16.0m and a reported operating profit of £6.3m to the Group's result for the period. Had the acquisition taken place on 1 April 2015, the equivalent Group numbers would have been revenue of £363.1m and a reported operating profit of £24.6m.

Cash outflow from the acquisition of subsidiaries (net of cash acquired) includes £18.4m of deferred consideration paid for the acquisition of Platinum Medical Imaging and Asylum Research Corporation in 2011 and 2012 respectively.

7 Investment in associate

On 27 May 2015 the Group entered into a strategic alliance with GD Intressenter AB of Sweden ("GDI") to create the world's largest company in the highly specialised ultra high vacuum surface science field. The alliance comprises Oxford Instruments' Omicron Nanotechnology GmbH ("Omicron") and associated subsidiaries and GDI's Scienta Scientific AB ("Scienta") and associated subsidiaries. Scienta Scientific AB is registered and has its principal place of business in Sweden.

In consideration for new shares in Scienta, Oxford Instruments transferred all of its shares in the capital of Omicron to Scienta. Oxford Instruments holds a 47% interest in the ordinary share capital of Scienta and GDI holds 53%. The investment has been accounted for as an associate taking into account the following factors:

- the Group holds substantial, but minority, voting rights (47%). All other rights are controlled by a single shareholder;
- the Group has a minority number of Non-Executive Board seats (two of five), with the remaining seats held by representatives of GDI; and
- whilst the Group has certain veto rights in respect of key decisions, it cannot unilaterally direct the activities of the Scienta Group.

The book value of the net assets disposed of was £14.9m. The value of the shareholding acquired in Scienta was considered to be £14.6m and as a result a £0.3m loss on disposal arose on the transaction. In addition, a further £0.6m has been provided in respect of certain liabilities arising from the transaction.

The Group's share of loss in its equity accounted associate for the year was £1.5m. The Group did not receive any dividends from the associate.

	£m
Carrying value at 1 April 2015	—
Addition	14.6
Share of loss of associate (net of tax)	(1.5)
Dividends received	—
Carrying value at 31 March 2016	**13.1**

Summary financial information for the equity accounted associate is as follows:

	2016 £m
Non-current assets	**3.2**
Current assets	**27.0**
Total assets	**30.2**
Current liabilities	**(21.4)**
Non-current liabilities	**(4.0)**
Total liabilities	**(25.4)**
Net assets	**4.8**
Income	**34.0**
Expenses	**(37.2)**
Loss for the year	**(3.2)**
Group's share of net assets	**2.3**
Group's share of loss	**(1.5)**

According to the terms of the transaction, no dividend can be paid by the associate until 27 May 2017. Following that date, any dividend paid must be agreed by both Oxford Instruments plc and GD Intressenter AB, up to a maximum of 50% of the previous year's profit after tax.

Notes to the Financial Statements continued

year ended 31 March 2016

8 Disposal of subsidiary and discontinued operations

On 23 November 2015 the Group disposed of its Austin Scientific business for a final consideration of £0.6m.

Effect of disposal on the financial position of the Group

	2016 £m
Other intangible assets	(1.7)
Property, plant and equipment	(0.2)
Inventory	(1.4)
Trade and other receivables	(0.5)
Trade and other payables	0.3
Net assets divested	(3.5)
Consideration received, satisfied in cash	0.6
Cash disposed of	—
Transaction expenses	(0.1)
Net cash inflow	0.5
Carrying value of net assets disposed of	(3.5)
Impairment of net assets to fair value less costs to sell	2.8
Currency translation differences transferred from translation reserve	0.7
Gain on disposal before impairment	0.5
Less impairment loss	(2.8)
Loss on disposal	(2.3)
Tax on loss on disposal	0.4
Loss on disposal net of tax	(1.9)

Discontinued operations

At 31 March 2016 the Group's Austin Scientific business was classified as a discontinued operation. It was considered a major class of business on the basis that it was previously an operating segment referred to in the Group Strategic Report.

Results of discontinued operations

	2016 £m	2015 £m
Revenue	2.3	5.5
Expenses	(2.8)	(5.6)
Adjusted loss from operating activities before income tax	(0.5)	(0.1)
Income tax credit	0.2	—
Adjusted loss from operating activities after tax	(0.3)	(0.1)
Loss on disposal	(2.3)	—
Tax on loss on disposal	0.4	—
Loss from discontinued operations after tax	(2.2)	(0.1)

Earnings per share from discontinued operations

	2016 pence	2015 pence
Adjusted basic loss per share	(0.5)	(0.2)
Adjusted diluted loss per share	(0.5)	(0.2)
Total basic loss per share	(3.9)	(0.2)
Total diluted loss per share	(3.8)	(0.2)

Cash flows from discontinued operations

	2016 £m	2015 £m
Net cash used in operating activities	(0.9)	(0.1)
Net cash from investing activities	—	—
Net cash from financing activities	—	—
Net cash flows	(0.9)	(0.1)

9 Financial income

	2016 £m	2015 £m
Interest receivable	—	0.1
	—	0.1

10 Financial expenditure

	2016 £m	2015 £m
Interest payable	5.9	5.3
Interest charge on pension scheme net liabilities	1.7	1.9
Unwind of discount on contingent consideration	0.6	1.0
Unwind of discount on accrued expenses	0.2	0.1
Fair value movement on derivative financial instruments	2.7	4.8
	11.1	13.1

11 Personnel costs

	2016 £m	2015 £m
Wages and salaries	90.6	101.6
Social security costs	9.3	11.7
Contributions to defined contribution pension plans	4.4	4.4
Charge/(credit) in respect of employee share options	0.4	(0.2)
	104.7	117.5

Directors' emoluments are disclosed in the Remuneration Report on pages 59 to 75 of this Report and Financial Statements.

12 Employees

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

	2016 Number	2015 Number
Production	905	1,047
Sales and marketing	501	581
Research and Development	390	462
Administration and shared services	281	330
Total average number of employees	2,077	2,420

Notes to the Financial Statements continued

year ended 31 March 2016

13 Share option schemes

The Group operates three share option schemes:

All employee Share Incentive Plan ("SIP")

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

Executive Share Option Scheme ("ESO")

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

Senior Executive Long Term Incentive Scheme ("SELTIS")

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

Both the Executive Share Option Scheme and Senior Executive Long Term Incentive Scheme are subject to performance conditions which can be found in the Remuneration Report on pages 59 to 75.

Performance Share Plan Scheme ("PSP")

Under the Performance Share Plan awards of performance shares (or nil cost options) are made annually to certain senior managers. Awards have a life of ten years with vesting subject to achievement of performance targets and a vesting period of a minimum of three years (but may be up to five years).

Administrative expenses include a charge of £0.4m (2015: credit of £0.2m) in respect of the cost of providing share based remuneration. The credit in the prior year arose as a result of options granted in 2012 under the Executive Share Option scheme failing to meet their vesting conditions. The cost of share options is calculated by estimating the fair value of the option at grant date and spreading that amount over the vesting period after adjusting for an expectation of non-vesting.

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

For options granted in the years ended 31 March 2016 and 2015, the fair value per option granted and the assumptions used in the calculation are as follows:

	Performance Share Plan Scheme June 2015	Executive Share Option Scheme June 2015	Performance Share Plan Scheme October 2014
Fair value at measurement date	£6.96	£3.57	£6.58
Share price at grant date	£10.28	£10.28	£9.72
Exercise price	£nil	£10.28	£nil
Expected volatility	38.5%	39.1%	34.6%
Expected option life (expressed as weighted average life used in the modelling)	3 years	6 years	3 years
Expected dividend yield	1.3%	1.3%	1.3%
Risk free interest rate	1.0%	1.6%	1.0%

The options existing at the year end were as follows:

	2016			2015
	Number of shares	**Exercise price**	**Period when exercisable**	Number of shares
Options subsisting at the year end on unissued ordinary shares				
Executive Share Option Schemes				
July 2005	**—**	**£2.19**	**15/07/08–14/07/15**	980
July 2006	**9,500**	**£2.10**	**15/07/09–14/07/16**	9,500
September 2007	**6,000**	**£2.32**	**28/08/10–27/09/17**	6,000
December 2008	**12,839**	**£1.35**	**16/12/11–15/12/18**	12,839
December 2009	**20,562**	**£2.04**	**17/12/12–16/12/19**	24,646
January 2011	**100,075**	**£7.05**	**07/01/14–06/01/21**	111,075
December 2011	**330,540**	**£9.90**	**14/12/14–13/12/21**	369,470
December 2012	**—**	**£13.88**	**19/12/15–18/12/22**	320,750
June 2013	**2,250**	**£14.55**	**12/06/16–11/06/23**	10,670
March 2014	**92,000**	**£12.89**	**20/03/17–19/03/24**	94,000
June 2014	**338,400**	**£14.15**	**13/06/17–12/06/24**	388,600
July 2014	**16,375**	**£12.61**	**08/07/17–07/07/24**	19,813
June 2015	**599,562**	**£10.28**	**15/06/18–14/06/25**	—
Total options subsisting on existing ordinary shares	**1,528,103**			1,368,343
Percentage of issued share capital	**2.7%**			2.4%
Performance Share Plan				
October 2014	**120,325**	**nil**	**10/10/17–09/10/21**	120,325
June 2015	**112,718**	**nil**	**15/06/18–14/06/22**	—
Total options subsisting on existing ordinary shares	**233,043**			120,325
Percentage of issued share capital	**0.4%**			0.2%
Options subsisting at the year end on existing ordinary shares held in trust				
Senior Executive Long Term Incentive Scheme				
January 2011	**15,500**	**nil**	**07/01/14–06/01/18**	15,500
December 2012	**—**	**nil**	**19/12/15–18/12/19**	32,800
June 2014	**21,400**	**nil**	**19/12/15–18/12/19**	21,400
Total options subsisting on existing ordinary shares held in trust	**36,900**			69,700
Percentage of issued share capital	**0.1%**			0.1%

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

	2016		2015	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	**£10.46**	**1,558,368**	£9.94	1,221,937
Granted during the year	**£8.67**	**720,880**	£10.58	570,238
Forfeited during the year	**£12.45**	**(35,675)**	£12.42	(137,945)
Exercised during the year	**£4.78**	**(7,575)**	£5.68	(40,501)
Lapsed during the year	**£12.40**	**(437,952)**	£9.74	(55,361)
Outstanding at the year end	**£9.25**	**1,798,046**	£10.46	1,558,368
Exercisable at the year end	**£8.22**	**495,016**	£8.26	550,010

The weighted average share price at the time of exercise of the options was £9.36 (2015: £12.06).

Notes to the Financial Statements continued

year ended 31 March 2016

14 Income tax expense

Recognised in the Consolidated Statement of Income

	2016 £m	2015 £m
Current tax expense		
Current year	**4.8**	6.5
Adjustment in respect of prior years	**(0.2)**	(0.3)
	4.6	6.2
Deferred tax expense		
Origination and reversal of temporary differences	**(1.3)**	(9.0)
Recognition of deferred tax not previously recognised	**—**	—
Adjustment in respect of prior years	**0.6**	(0.6)
	(0.7)	(9.6)
Total tax expense/(credit)	**3.9**	(3.4)
Reconciliation of effective tax rate		
Profit/(loss) before income tax	**13.1**	(9.6)
Income tax using the UK corporation tax rate of 20% (2015: 21%)	**2.6**	(2.0)
Effect of:		
Tax rates other than the UK standard rate	**2.2**	1.2
Change in rate at which deferred tax recognised	**(0.4)**	—
Loss on disposal of held for sale assets	**0.3**	—
Non-taxable income and expenses	**(0.4)**	(1.5)
Tax incentives not recognised in the Consolidated Statement of Income	**(0.8)**	—
Recognition of deferred tax not previously recognised	**(0.1)**	—
Movement in unrecognised deferred tax	**0.3**	(0.2)
Adjustment in respect of prior years	**0.2**	(0.9)
Total tax expense/(credit)	**3.9**	(3.4)
Taxation charge/(credit) recognised in other comprehensive income		
Deferred tax – relating to employee benefits	**2.6**	(2.3)
	2.6	(2.3)
Taxation charge/(credit) recognised directly in equity		
Deferred tax – relating to share options	**—**	0.2

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The UK deferred tax balances at 31 March 2016 have been calculated based on these rates which were substantively enacted at the balance sheet date. The Group carries tax provisions in relation to uncertain tax provisions arising from the possible outcome of negotiations with tax authorities. Such provisions are a reflection of the geographical spread of the Group's operations and the variety of jurisdictions in which it carries out its activities.

15 Dividends per share

The following dividends per share were paid by the Group:

	2016 pence	2015 pence
Previous year interim dividend	**3.70**	3.36
Previous year final dividend	**9.30**	9.04
	13.00	12.40

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

	2016 pence	2015 pence
Interim dividend	**3.70**	3.70
Final dividend	**9.30**	9.30
	13.00	13.00

The interim dividend was not provided for at the year end and was paid on 8 April 2016. The final proposed dividend of 13.0 pence per share (2015: 9.3 pence) was not provided at the year end and will be paid on 20 October 2016 subject to authorisation by the Shareholders at the forthcoming Annual General Meeting.

16 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
Balance at 1 April 2014	24.3	47.4	9.9	81.6
Additions – other	0.2	3.6	0.6	4.4
Disposals	—	(1.9)	—	(1.9)
Effect of movements in foreign exchange rates	0.1	1.0	—	1.1
Balance at 31 March 2015	24.6	50.1	10.5	85.2
Balance at 1 April 2015	24.6	50.1	10.5	85.2
Additions – business combinations	**—**	**4.3**	**—**	**4.3**
Additions – other	**0.1**	**5.2**	**0.2**	**5.5**
Disposals	**(0.2)**	**(4.4)**	**(0.8)**	**(5.4)**
Transfer from inventory	**—**	**0.5**	**—**	**0.5**
Effect of movements in foreign exchange rates	**0.7**	**1.2**	**0.1**	**2.0**
Balance at 31 March 2016	**25.2**	**56.9**	**10.0**	**92.1**
Depreciation and impairment losses				
Balance at 1 April 2014	6.2	33.9	7.1	47.2
Depreciation charge for the year	1.0	4.1	0.5	5.6
Disposals	—	(1.7)	—	(1.7)
Effect of movements in foreign exchange rates	0.3	0.7	—	1.0
Balance at 31 March 2015	7.5	37.0	7.6	52.1
Balance at 1 April 2015	7.5	37.0	7.6	52.1
Depreciation charge for the year	**0.6**	**5.2**	**0.5**	**6.3**
Disposals	**(0.2)**	**(1.7)**	**(0.5)**	**(2.4)**
Effect of movements in foreign exchange rates	**0.2**	**0.7**	**—**	**0.9**
Balance at 31 March 2016	**8.1**	**41.2**	**7.6**	**56.9**
Carrying amounts				
At 1 April 2014	18.1	13.5	2.8	34.4
At 31 March 2015 and 1 April 2015	17.1	13.1	2.9	33.1
At 31 March 2016	**17.1**	**15.7**	**2.4**	**35.2**

At 31 March 2016, the net book value of plant and equipment included £0.2m (2015: £1.2m) of assets under construction.

Notes to the Financial Statements continued
year ended 31 March 2016

17 Intangible assets

	Goodwill £m	Customer related acquired intangibles £m	Technology related acquired intangibles £m	Development costs acquired intangibles £m	Development costs internally generated £m	Software £m	Total £m
Cost							
Balance at 1 April 2014	108.0	46.4	125.2	6.5	43.1	0.9	330.1
Additions – internally generated	—	—	—	—	8.0	1.0	9.0
Effect of movements in foreign exchange rates	(0.4)	1.7	(1.5)	(0.6)	(0.8)	—	(1.6)
Balance at 31 March 2015	107.6	48.1	123.7	5.9	50.3	1.9	337.5
Balance at 1 April 2015	107.6	48.1	123.7	5.9	50.3	1.9	337.5
Additions – business combinations	**4.5**	**5.7**	**—**	**—**	**—**	**—**	**10.2**
Additions – internally generated	**—**	**—**	**—**	**—**	**8.2**	**0.2**	**8.4**
Disposals	**(2.1)**	**(3.8)**	**(15.1)**	**(4.1)**	**(2.7)**	**—**	**(27.8)**
Effect of movements in foreign exchange rates	**1.2**	**1.4**	**3.4**	**—**	**1.0**	**—**	**7.0**
Balance at 31 March 2016	**111.2**	**51.4**	**112.0**	**1.8**	**56.8**	**2.1**	**335.3**
Amortisation and impairment losses							
Balance at 1 April 2014	1.6	21.2	25.9	4.5	29.0	—	82.2
Amortisation and impairment charge for the year	—	7.3	14.2	0.2	5.4	—	27.1
Effect of movements in foreign exchange rates	(0.2)	0.6	(2.7)	(0.6)	(0.2)	—	(3.1)
Balance at 31 March 2015	1.4	29.1	37.4	4.1	34.2	—	106.2
Balance at 1 April 2015	1.4	29.1	37.4	4.1	34.2	—	106.2
Amortisation and impairment charge for the year	**—**	**3.6**	**12.9**	**0.2**	**4.5**	**—**	**21.2**
Disposals	**(0.4)**	**(3.8)**	**(8.2)**	**(3.9)**	**(0.5)**		**(16.8)**
Effect of movements in foreign exchange rates	**0.1**	**0.9**	**2.0**	**—**	**0.9**	**—**	**3.9**
Balance at 31 March 2016	**1.1**	**29.8**	**44.1**	**0.4**	**39.1**	**—**	**114.5**
Carrying amounts							
At 1 April 2014	106.4	25.2	99.3	2.0	14.1	0.9	247.9
At 31 March 2015 and 1 April 2015	106.2	19.0	86.3	1.8	16.1	1.9	231.3
At 31 March 2016	**110.1**	**21.6**	**67.9**	**1.4**	**17.7**	**2.1**	**220.8**

The following intangible assets are considered material by the Directors as they represent 78% (2015: 73%) of total acquired intangible assets:

	2016			2015
Intangible asset category	**£m**	**Amortisation period Years**	**Remaining amortisation period Years**	£m
Trademarks – Andor	**10.2**	**15.0**	12.8	11.0
Technology, know-how and patents – Andor:				
– Product related	**41.6**	**12.0**	9.8	45.9
– Software related	**7.9**	**10.0**	7.8	8.9
Technology, know-how and patents – Asylum	**11.5**	**12.0**	8.7	12.5

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

	2016 £m	2015 £m
NanoTechnology Tools		
NanoScience	**6.5**	6.3
NanoAnalysis	**9.6**	9.3
Asylum	**21.1**	20.8
Andor	**61.4**	61.4
Industrial Products		
Industrial Analysis	**3.9**	3.6
Magnetic Resonance	**2.3**	2.3
Austin Scientific	**—**	1.8
Service		
OI Healthcare	**5.3**	0.7
	110.1	106.2

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

Accounting standards require an impairment test to be carried out by determining the recoverable amount of each cash generating unit which contains goodwill. The recoverable amount is calculated as the higher of the fair value less costs to sell or the value in use of the CGU. In the Group's case the recoverable amount is based on value in use calculations. Value in use is calculated by discounting expected future cash flows and in particular Board-approved five year cash flow forecasts, prepared by the management of each CGU, are used together with 3% (2015: 3%) per annum revenue growth and 1% (2015: 1%) growth in overheads for each CGU for the subsequent 20 years. Revenue is assumed to grow more quickly than overheads due to the effect of operational gearing. These assumptions, combined with the operational leverage of the CGUs, result in cash flow growth for the subsequent 20 years ranging from from 4.6% to 9.4%. These rates are considered to be at or below long-term market trends for the Group's businesses, determined by reference to the Group's historical growth rates and benchmarking with comparator companies.

Key assumptions

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

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

The pre-tax weighted average costs of capital used for NanoTechnology Tools, Industrial Products and Service in impairment testing are 12.1%–12.9% (2015: 13.6%–14.2%), 13.0%–13.4% (2015: 13.8%–14.3%) and 13.3% (2015: 14.8%) respectively in line with the risk associated with each of the business segments. Management have estimated these discount rates by reference to past experience and an industry average weighted cost of capital as adjusted for appropriate risk factors reflecting current economic circumstances and the risk profiles of each CGU.

Sensitivity analysis

The Group's estimate of impairments are most sensitive to changes in the discount rate and forecast growth rate. Sensitivity analysis has been carried out by reference to both of these assumptions. This demonstrated that a 201 basis point increase in the discount rate would be required in order to eliminate current headroom of £20.3m and result in an impairment in the Andor business. For the Asylum business a 295 basis point increase would required to eliminate the current headroom of £12.7m. No impairment would arise in any other business.

Similarly a 334 basis point reduction in the growth rate would be required in order to result in an impairment in the Andor business and a 490 basis point reduction in the Asylum business, with no impairment arising in any other business.

Notes to the Financial Statements continued

year ended 31 March 2016

18 Deferred tax

Movements in deferred tax assets and liabilities were as follows:

	Property, plant and equipment £m	Inventory £m	Employee benefits £m	Intangible assets £m	Tax losses £m	Other £m	Total £m
Balance 31 March 2014	0.4	2.2	11.1	(19.7)	2.4	2.8	(0.8)
Reclassification	—	—	—	—	—	—	—
Recognised in income	(1.1)	0.7	(0.9)	6.7	2.0	2.2	9.6
Recognised in other comprehensive income	—	—	2.3	—	—	—	2.3
Recognised directly in equity	—	—	(0.2)	—	—	—	(0.2)
Acquisitions	—	—	—	0.9	0.8	(0.2)	1.5
Foreign exchange	(0.1)	—	0.2	1.0	(0.3)	0.7	1.5
Balance 31 March 2015	(0.8)	2.9	12.5	(11.1)	4.9	5.5	13.9
Reclassification							
Recognised in income	**1.5**	**0.3**	**(1.4)**	**1.7**	**(0.7)**	**(0.8)**	**0.6**
Recognised in other comprehensive income	**—**	**—**	**(2.6)**	**—**	**—**	**—**	**(2.6)**
Recognised directly in equity	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Acquisitions	**(0.3)**	**—**	**—**	**—**	**—**	**0.2**	**(0.1)**
Disposals	**0.1**	**—**	**—**	**1.4**	**(0.4)**	**(0.1)**	**1.0**
Foreign exchange	**0.1**	**0.1**	**0.1**	**(0.1)**	**0.3**	**—**	**0.5**
Balance 31 March 2016	**0.6**	**3.3**	**8.6**	**(8.1)**	**4.1**	**4.8**	**13.3**

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

	Assets		Liabilities		Net	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Gross assets/(liabilities)	**33.6**	38.9	**(20.3)**	(25.0)	**13.3**	13.9
Offset	**(14.6)**	(18.8)	**14.6**	18.8	**—**	—
Net assets/(liabilities)	**19.0**	20.1	**(5.7)**	(6.2)	**13.3**	13.9

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

	2016 £m	2015 £m
Deductible temporary differences	**1.0**	1.1
Tax losses	**9.1**	4.9
	10.1	6.0

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

No deferred tax liability has been recognised in respect of £33.1m (2015: £31.7m) of undistributed earnings of overseas subsidiaries since the majority of such distributions would not be taxable. In other cases the Group considers that it is able to control the timing of remittances so that any tax is not expected to arise in the foreseeable future.

19 Inventories

	2016 £m	2015 £m
Raw materials and consumables	**19.7**	21.2
Work in progress	**20.6**	28.0
Finished goods	**20.8**	21.6
	61.1	70.8

The amount of inventory recognised as an expense was £175.1m (2015: £190.3m). In the ordinary course of business, the Group makes impairment provisions for slow-moving, excess and obsolete inventory as appropriate. Inventory is stated after charging impairments of £1.9m in the current period (2015: £2.9m). In the current year £0.2m (2015: £nil) was reversed relating to previous impairments. Impairments are included within gross profit.

Inventory carried at fair value less costs to sell is £nil (2015: £nil).

20 Trade and other receivables

	2016 £m	2015 £m
Trade receivables	**69.2**	78.1
Less provision for impairment of receivables	**(2.0)**	(2.3)
Net trade receivables	**67.2**	75.8
Prepayments	**4.3**	3.9
Accrued income	**0.7**	2.6
Other receivables	**5.3**	5.0
	77.5	87.3

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

The maximum exposure to credit risk for trade and other receivables by geographic region was:

	2016 £m	2015 £m
UK	**6.8**	6.7
China	**10.7**	12.3
Japan	**10.3**	10.6
USA	**17.0**	26.7
Germany	**3.2**	4.2
Rest of Europe	**17.1**	10.1
Rest of Asia	**6.6**	8.0
Rest of World	**4.4**	3.7
Total	**76.1**	82.3

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

	2016 £m	2015 £m
Current (not overdue)	**51.0**	50.7
Less than 31 days overdue	**15.2**	18.0
More than 30 days but less than 91 days overdue	**6.0**	8.5
More than 90 days overdue	**3.9**	5.1
	76.1	82.3

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

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

	2016 £m	2015 £m
Balance at start of year	**2.3**	1.6
(Decrease)/increase in allowance	**(0.3)**	0.7
Balance at end of year	**2.0**	2.3

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

21 Cash and cash equivalents

	2016 £m	2015 £m
Cash balances	**21.8**	25.1
Bank overdraft	**(1.4)**	—
Cash and cash equivalents in the Consolidated Statement of Cash Flows	**20.4**	25.1

All cash and cash equivalents are available for use by the Group.

Notes to the Financial Statements continued
year ended 31 March 2016

22 Financial risk management

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

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

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

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

Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of Sterling (translational exposures). The Group has operations around the world which record their results in a variety of different local functional currencies. In countries where the Group does not have operations, it invariably has some customers or suppliers that transact in a foreign currency. The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies but the Group's primary exposures relate to the US Dollar, the Euro and the Japanese Yen. To reduce uncertainty, the Group maintains a rolling hedge equivalent to 80% of the exposure expected to arise over the following twelve months. The hedge comprises a mixture of fixed forward contracts and option-based products. The remaining 20% is sold on the spot market as it arises. The fair value of outstanding currency contracts recognised as a liability as at 31 March 2016 amount to £5.8m (2015: £4.1m) and those recognised as an asset amount to £1.5m (2015: £3.4m).

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

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

Interest rate risk

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates. The Group's policy is to use a mixture of revolving short- and medium-term floating rate debt underpinned by longer-term fixed rate debt. The short- and medium-term floating rate debt provides flexibility to reduce debt levels as appropriate. The longer-term fixed rate debt provides stability and cost certainty to the Group's financing structure.

Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk by maintaining adequate committed lines of funding from high quality lenders. The facilities committed to the Group as at 31 March 2016 are set out in Note 25.

Credit risk

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

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 March 2016 was £96.5m (2015: £109.3m).

	2016 £m	2015 £m
Trade receivables	**67.2**	75.8
Other receivables	**6.0**	5.0
Cash and cash equivalents	**21.8**	25.1
Forward exchange contracts	**1.5**	3.4
	96.5	109.3

The maximum exposure to credit risk for trade receivables is discussed in Note 20.

Other receivables include £3.1m (2015: £0.9m) in respect of VAT and similar taxes which are not past due date.

Commodity risk

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

At 31 March 2016, the Group had outstanding commodity hedge contracts with a fair value liability of £0.1m (2015: £0.1m asset) that were designated and effective as cash flow hedges of committed and highly probable forecast transactions. Fair value movements of these contracts have been deferred in equity until the hedged transaction takes place. These contracts all mature within one year of the Consolidated Statement of Financial Position date.

A £0.1m loss net of tax (2015: £0.2m gain) has been deferred in equity as at 31 March 2016 in respect of these contracts. A gain of £0.2m (2015: £0.1m loss) has been recycled to current assets (inventory) in respect of contracts designated as cash flow hedges that have matured during the year to 31 March 2016.

Capital management

The Board considers capital to comprise share capital, reserves and the net cash or net debt position of the Company. The Company was in a net debt position at the year end. Total capital at the end of the current year totalled £271.2m (2015: £243.4m).

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

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

As set out in the Chief Executive's Statement, the Group's strategy is to grow its business in its core markets of physical and materials science and to exploit convergence to expand into life sciences. An essential part of this will be to make acquisitions. In line with the objective of maintaining a balance between borrowings and equity, the Group would seek to finance smaller "bolt-on" acquisitions from operating cash flow thus maintaining balance sheet efficiency. Larger acquisitions would be financed either by equity or a mixture of equity and debt so as to ensure the Group has a manageable ratio of net debt to EBITDA.

The Board encourages employees to hold shares in the Company. As well as various share option plans (full details of which are given in Note 13), from April 2008 all UK employees have been offered the opportunity to take part in a Share Incentive Plan ("SIP"). Under this plan, employees are able to invest up to £1,500 each tax year in shares in the Company. The Company awards one additional free share (a matching share) for every five shares bought by each employee.

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

Notes to the Financial Statements continued

year ended 31 March 2016

23 Financial instruments

Fair values of financial assets and liabilities

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

		2016		2015	
	Fair value hierarchy	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Assets carried at amortised cost					
Trade receivables		**67.2**	**67.2**	75.8	75.8
Other receivables		**6.0**	**6.0**	5.0	5.0
Cash and cash equivalents		**21.8**	**21.8**	25.1	25.1
Assets carried at fair value					
Derivative financial instruments:					
– Copper hedging contracts (designated as an IAS 39 hedge)	2	**—**	**—**	0.1	0.1
– Foreign currency contracts	2	**1.5**	**1.5**	3.3	3.3
		1.5	**1.5**	3.4	3.4
Liabilities carried at fair value					
Derivative financial instruments:					
– Foreign currency contracts	2	**(5.8)**	**(5.8)**	(4.1)	(4.1)
– Copper hedging contracts (designated as an IAS 39 hedge)	2	**(0.1)**	**(0.1)**	—	—
Contingent consideration	3	**(6.6)**	**(6.6)**	(17.5)	(17.5)
		(12.5)	**(12.5)**	(21.6)	(21.6)
Liabilities carried at amortised cost					
Trade and other payables		**(82.4)**	**(82.4)**	(86.9)	(86.9)
Bank overdraft		**(1.4)**	**(1.4)**	—	—
Borrowings		**(148.6)**	**(148.6)**	(144.0)	(144.0)

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

Derivative financial instruments

Derivative financial instruments are marked to market using market prices.

Fixed and floating rate borrowings

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

Trade and other receivables/payables

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

Contingent consideration

The fair value of contingent consideration is estimated based on the forecast future performance of the acquired business over a timeframe determined as part of the acquisition agreement, discounted as appropriate. Key assumptions include growth rates, expected selling volumes and prices and direct costs during the period.

Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as 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.

There have been no transfers between levels during the year.

Maturity of financial liabilities

31 March 2016	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due one to five years £m
Trade and other payables	**82.4**	**82.4**	**82.4**	**—**
Contingent consideration	**6.6**	**6.6**	**6.6**	**—**
Foreign exchange contracts	**5.8**	**5.8**	**5.8**	**—**
Bank overdraft	**1.4**	**1.4**	**1.4**	**—**
Borrowings	**148.6**	**148.6**	**1.6**	**147.0**
	244.8	**244.8**	**97.8**	**147.0**

31 March 2015	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due one to five years £m
Trade and other payables	86.9	86.9	86.1	0.8
Contingent consideration	17.5	18.8	18.8	—
Foreign exchange contracts	4.1	4.1	4.1	—
Bank overdraft	—	—	—	—
Borrowings	144.0	144.0	—	144.0
	252.5	253.8	109.0	144.8

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

	Carrying amount 2016 £m	Carrying amount 2015 £m
Variable rate instruments		
Financial assets	**21.8**	25.1
Financial liabilities	**(80.7)**	(74.8)
Fixed rate instruments		
Financial liabilities	**(69.3)**	(69.2)

Sensitivity analysis

The Group has estimated the impact on the Consolidated Statement of Income and on Equity of the following changes in market conditions at the balance sheet date:

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

The sensitivities above represent the Directors' view of reasonably possible changes in each risk variable, not worst case scenarios or stress tests. The outputs from the sensitivity analysis are estimates of the impact of market risk assuming that the specified changes occur at the year end and are applied to the risk exposures at that date. Accordingly, they show the impact on the balance sheet of an instantaneous shock. The calculations include all hedges in place at the year end.

Actual results in the future may differ materially from these estimates due to commercial actions taken to mitigate any potential losses from such rate movements, to the interaction of more than one sensitivity occurring and to further developments in global financial markets. As such, this table should not be considered as a projection of likely future gains and losses.

	1% increase in interest rates £m	10% weakening in Sterling[1] £m	10% strengthening in Sterling[2] £m	5% increase in copper prices £m	5% decrease in copper prices £m
At 31 March 2016					
Impact on Consolidated Statement of Income	**—**	**(8.5)**	**6.9**	**—**	**—**
Impact on equity	**—**	**(37.6)**	**(6.1)**	**0.1**	**(0.1)**
At 31 March 2015					
Impact on Consolidated Statement of Income	—	(4.5)	5.5	—	—
Impact on equity	—	(43.3)	(15.5)	—	—

1. Of the effect on the Consolidated Statement of Income, £7.4m (2015: £6.3m) would have been recognised on the "mark-to-market" line (Note 1).
2. Of the effect on the Consolidated Statement of Income, £(9.1)m (2015: £(5.1)m) would have been recognised on the "mark-to-market" line (Note 1).

Notes to the Financial Statements continued
year ended 31 March 2016

24 Called up share capital

Issued and fully paid ordinary shares:

	2016 Number of shares	2015 Number of shares
At the beginning of the year	**57,291,336**	57,250,835
Issued for cash	**7,575**	40,501
At the end of the year	**57,298,911**	57,291,336

	2016		2015	
	Number of shares	£m	Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of 5p each	**57,298,911**	**2.9**	57,291,336	2.9

	Number of shares	Aggregate nominal value	Consideration per share
New issues of ordinary shares of 5p each during the year			
Exercise of executive share options	4,084	£204	£2.04
Exercise of executive share options – share appreciation rights	3,491	£175	£7.05-£9.90

The total consideration received from exercise of share options in the year was £nil (2015: £0.2m).

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

25 Borrowings

Current	Effective interest rate	Earlier of repricing date or maturity date	2016 £m	2015 £m
Bank overdrafts		On demand	**1.4**	—
European Investment Bank Loan – unsecured	3.30%	August 2020	**1.6**	—
			3.0	—

Non-current	Effective interest rate	Earlier of repricing date or maturity date	2016 £m	2015 £m
Revolving credit facility – unsecured	2.21%	April 2016	**79.3**	74.8
European Investment Bank Loan – unsecured	3.30%	August 2020	**23.3**	24.8
Loan Notes – unsecured	5.10%	March 2021	**44.4**	44.4
			147.0	144.0

The Group's undrawn committed facilities available at 31 March 2016 were £45.7m comprising the undrawn portion of the Group's £125.7m revolving credit facility. This facility expires on 28 February 2020.

The European Investment Bank loan is repayable in equal quarterly instalments commencing November 2016 with the final maturity in August 2020.

26 Retirement benefit obligations

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

The amounts recognised in the Consolidated Statement of Financial Position are:

	2016			2015		
	UK £m	USA £m	Total £m	UK £m	USA £m	Total £m
Present value of funded obligations	**266.0**	**8.5**	**274.5**	283.8	8.3	292.1
Fair value of plan assets	**(235.0)**	**(4.5)**	**(239.5)**	(233.9)	(4.7)	(238.6)
Recognised liability for defined benefit obligations	**31.0**	**4.0**	**35.0**	49.9	3.6	53.5

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

	2016			2015		
	UK £m	**USA £m**	**Total £m**	UK £m	USA £m	Total £m
Benefit obligation at the beginning of the year	**283.8**	**8.3**	**292.1**	235.7	7.2	242.9
Interest on defined benefit obligation	**9.5**	**0.3**	**9.8**	10.5	0.2	10.7
Benefits paid	**(6.1)**	**(0.5)**	**(6.6)**	(4.8)	(1.0)	(5.8)
Remeasurement (gain)/loss on obligation	**(21.2)**	**0.1**	**(21.1)**	42.4	0.8	43.2
Exchange rate adjustment	**—**	**0.3**	**0.3**	—	1.1	1.1
Benefit obligation at the end of the year	**266.0**	**8.5**	**274.5**	283.8	8.3	292.1

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

	2016			2015		
	UK £m	**USA £m**	**Total £m**	UK £m	USA £m	Total £m
Fair value of plan assets at the beginning of the year	**233.9**	**4.7**	**238.6**	191.9	4.7	196.6
Interest on plan assets	**8.0**	**0.1**	**8.1**	8.6	0.2	8.8
Contributions by employers	**6.8**	**0.4**	**7.2**	6.3	0.2	6.5
Benefits paid	**(6.1)**	**(0.5)**	**(6.6)**	(4.8)	(1.0)	(5.8)
Administrative expenses	**(0.4)**	**(0.1)**	**(0.5)**	(0.4)	(0.1)	(0.5)
Actual return on assets excluding interest income	**(7.2)**	**(0.3)**	**(7.5)**	32.3	0.1	32.4
Exchange rate adjustment	**—**	**0.2**	**0.2**	—	0.6	0.6
Fair value of plan assets at the end of the year	**235.0**	**4.5**	**239.5**	233.9	4.7	238.6

Expense recognised in the Consolidated Statement of Income

	2016 £m	2015 £m
Total – defined benefit expense	**1.7**	1.9
Contributions to defined contribution schemes	**4.4**	4.4
	6.1	6.3

The Group has agreed a basis for deficit recovery payments with the trustees of the UK pension scheme. The annual deficit recovery payment to the UK scheme was £6.8m for the financial year, payable through to and including 2021. For the years up to and including 2018, the payment will rise by the higher of inflation and growth in dividend per share; thereafter, the payment will increase in line with inflation. The weighted average duration of the defined benefit obligation at 31 March 2016 was 18.9 years (2015: 18.8 years).

The Group has considered the requirements of IFRIC14 and concluded that there is no impact on the amounts recognised in respect of retirement benefit obligations.

The Group expects to contribute approximately £7.4m to defined benefit plans in the next financial year.

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

	2016 £m	2015 £m
Cost of sales	**1.5**	1.4
Selling and marketing costs	**1.0**	1.0
Administration and shared services	**1.0**	0.7
Research and Development	**0.9**	1.3
Financial expenditure	**1.7**	1.9
	6.1	6.3

Notes to the Financial Statements continued
year ended 31 March 2016

26 Retirement benefit obligations continued

Remeasurement gains and losses shown in the Consolidated Statement of Comprehensive Income

	2016 £m	2015 £m
Actual return on assets excluding interest income	**(7.5)**	32.4
Experience gain on scheme obligations	**15.6**	2.2
Changes in assumptions underlying the present value of scheme obligations		
– Financial	**5.0**	(45.9)
– Demographic	**0.5**	0.5

Cumulative actuarial losses reported in the Consolidated Statement of Comprehensive Income since 1 April 2004, the transition date to IFRS, are £35.9m (2015: £49.5m cumulative actuarial losses).

History of experience gains and losses are as follows:

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Present value of benefit obligations	**274.5**	292.1	242.9	245.9	215.4
Fair value of plan assets	**(239.5)**	(238.6)	(196.6)	(198.0)	(180.2)
Recognised liability for defined benefit obligations	**35.0**	53.5	46.3	47.9	35.2
Difference between the expected and actual return:					
Amount	**(7.5)**	32.4	(7.1)	8.7	(3.0)
% of scheme assets	**(3%)**	14%	(4%)	4%	(2%)
Experience gains/(losses) on scheme liabilities:					
Amount	**15.6**	2.2	(0.9)	0.4	(4.7)
% of the present value of the scheme liabilities	**6%**	1%	—%	—%	2%

The table below shows the sensitivity of the Consolidated Statement of Financial Position to changes in the significant pension assumptions:

	Balance at 31 March 2016 £m	Discount rate (-0.1% p.a.) £m	Inflation rate (+0.1% p.a.) £m	Life expectancy (+one year) £m
Value of funded obligations	**274.5**	279.4	279.2	282.8
Fair value of plan assets	**(239.5)**	(239.5)	(239.5)	(239.5)
Deficit	**35.0**	39.9	39.7	43.3

The valuation of defined benefit liabilities is most sensitive to changes in the discount rate, inflation rate and mortality rate. The sensitivities have been calculated by running the liability calculations in full using the alternative assumptions. In each case, only the indicated assumption has changed by the amount stated. For the inflation sensitivity, the impact on the assumptions that are based on RPI inflation, such as CPI inflation and the inflation-linked pension increases, has been included.

Defined benefit scheme – UK

A full actuarial valuation of the UK plan was carried out as at 31 March 2015 and has been updated to 31 March 2016 by a qualified independent actuary. The major assumptions used by the actuary for the purposes of IAS 19 were (in nominal terms):

	As at 31 March 2016 %	As at 31 March 2015 %
Discount rate	**3.5%**	3.4%
Rate of increase in pensions in payment (“3LPI”)	**2.4%**	2.4%
Rate of increase in pensions in payment (“5LPI”)	**2.9%**	2.9%
Rate of inflation (“CPI”)	**1.9%**	1.9%
Mortality – pre and post-retirement – males and females	**93% of S1PA tables (96% for females) future improvement in line with CMI 2015 with 1.25% long-term trend**	94% of S1PA tables (97% for females) future improvement in line with CMI 2013 with 1% long-term trend

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

	2016 years	2015 years
Pre-retirement – males	**24.5**	22.4
Pre-retirement – females	**26.4**	24.5
Post-retirement – males	**22.7**	23.7
Post-retirement – females	**24.5**	26.0

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

The assets in the plan were:

	Value at 31 March 2016 £m	Value at 31 March 2015 £m
Equities	**92.2**	97.8
Corporate bonds	**47.2**	55.6
Gilts	**37.6**	34.2
Cash	**28.6**	24.8
Alternative	**29.4**	21.5
	235.0	233.9

Defined benefit scheme – USA

A full actuarial valuation of the USA plan was carried out as at 31 December 2014, which for reporting purposes has been updated to 31 March 2016 by a qualified independent actuary. The major assumptions used by the actuary for the purposes of IAS 19 were (in nominal terms):

	As at 31 March 2016 %	As at 31 March 2015 %
Discount rate	**3.75**	3.75
Rate of increase to pensions in payment	**0.00**	0.00
Rate of inflation	**2.25**	2.25
Mortality – pre- and post-retirement	**RP-2014 with projection Scale MP-2015 (fully generational), male and female**	RP-2000CH with projection Scale BB (fully generational), male and female

The assets in the plan were:

	Value at 31 March 2016 £m	Value at 31 March 2015 £m
Equities	**1.8**	1.9
Bonds	**2.7**	2.8
	4.5	4.7

Defined contribution schemes

In the UK employees are offered participation in the defined contribution Oxford Instruments Stakeholder Plan. The Company contribution rate and employee contribution rate varies between grades and whether the individual had previously been in the Defined Benefit scheme. The Company contribution ranges between 4% and 14% of base salary. The Group also operates a 401k defined distribution plan in the USA. Details of pension schemes contributions made in respect of Directors can be found in the Remuneration Report on pages 59 to 75.

Notes to the Financial Statements continued

year ended 31 March 2016

27 Trade and other payables

	2016 £m	2015 £m
Trade payables	**33.7**	36.4
Customer deposits	**13.4**	18.0
Social security and other taxes	**2.5**	3.1
Accrued expenses and deferred income	**43.3**	42.1
Contingent consideration due within one year	**6.6**	17.5
Other creditors	**2.9**	4.5
Current trade and other payables	**102.4**	121.6
Amounts due after more than one year – accrued expenses	**—**	0.8
Total trade and other payables	**102.4**	122.4

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

	Contingent consideration £m
Balance at 1 April 2015	17.5
Fair value of contingent consideration on acquisitions in the year	**6.3**
Unwind of discount in respect of contingent consideration	**0.6**
Contingent consideration paid	**(13.3)**
Contingent consideration released to the Consolidated Statement of Income	**(4.9)**
Effect of movement in foreign exchange	**0.4**
Balance at 31 March 2016	**6.6**

28 Provisions for other liabilities and charges

	Warranties £m	Restructuring £m	Other £m	Total £m
Balance at 1 April 2015	7.1	5.8	3.2	16.1
Provisions made during the year	**3.4**	**1.4**	**0.9**	**5.7**
Provisions used during the year	**(2.1)**	**(3.6)**	**(0.3)**	**(6.0)**
Provisions released during the year	**(2.0)**	**(1.7)**	**—**	**(3.7)**
Effect of movement in foreign exchange	**(0.1)**	**—**	**0.1**	**—**
Balance at 31 March 2016	**6.3**	**1.9**	**3.9**	**12.1**

Warranty provisions

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business and included within the Group companies' standard terms and conditions. Warranty commitments typically apply for a twelve-month period. The provision represents the Directors' best estimate of the Group's liability based on past experience.

Restructuring provision

The Restructuring provision relates to amounts provided as a result of the cost reduction programme initiated in the prior year. The provision represents the Directors' best estimate of the liability arising. The Directors expect these amounts to be settled within the next twelve months.

Other provisions

Other provisions relate to various obligations including obligations in respect of onerous leases, obligations to employees in Japan on termination of their employment and claims and disputes such as intellectual property claims arising against the Group in the ordinary course of business.

The Company has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent the Directors' best estimate of the likely outcome. The timing of utilisation of these provisions is frequently uncertain reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent the Directors' best estimate of the cost of settling future obligations and reflect the Directors' assessment of the likely settlement method, which may change over time. However, no provision is made for proceedings which have been, or might be brought by other parties against Group companies unless the Directors, taking into account professional advice received, assesses that it is more likely than not that such proceedings may be successful. The Group's expectation is that the other provisions are likely to be utilised within a twelve-month period.

29 Operating leases

Leases

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

	2016 £m	2015 £m
Within one year	**3.2**	3.6
Between one and five years	**5.4**	6.4
Over five years	**2.1**	2.0
	10.7	12.0

During the year ended 31 March 2016, £3.0m was recognised as an expense in the Consolidated Statement of Income in respect of operating leases (2015: £2.4m).

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

30 Capital commitments

During the year ended 31 March 2016, the Group entered into contracts to purchase property, plant and equipment which are expected to be settled in the following financial year for £nil (2015: £nil).

31 Contingencies

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

32 Related parties

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

The remuneration of key management personnel is as follows:

	2016 £m	2015 £m
Short-term employee benefits	**1.5**	1.2
Post-employment benefits	**0.2**	0.1
Share-based payment	**—**	0.1
Total	**1.7**	1.4

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

During the year the Company paid £0.2m (2015: £0.2m) to Imperialise Ltd, a company for which Nigel Keen is a Director. The payment was for his services as Chairman of the Group. The liability due to Imperialise Ltd at the year end was £nil (2015: £nil).

During the year, the Group supplied services and materials to, and purchased services and materials from, its associate on an arm's length basis. It had the following transactions with its associate during the year:

2016	**Revenue £m**	**Purchases £m**	**Receivables £m**	**Payables £m**
Scienta Omicron GmbH	**2.0**	**—**	**3.6**	**—**

2015	Revenue £m	Purchases £m	Receivables £m	Payables £m
Scienta Omicron GmbH	—	—	—	—

33 Subsequent events

The interim dividend of 3.7p per share (total cost £2.1m) was paid after the year end. In addition on 9 June 2015, the Directors proposed a final dividend of 9.3p per ordinary share (total cost £5.4m). The total amount of £7.5m has not been provided for and there are no income tax consequences.

Notes to the Financial Statements continued
year ended 31 March 2016

34 Exchange rates

The principal exchange rates to Sterling used were:

Year end rates	2016	2015
US Dollar	**1.44**	1.48
Euro	**1.26**	1.38
Yen	**162**	178

Average translation rates 2016	US Dollar	Euro	Yen
April	**1.50**	**1.37**	**180**
May	**1.52**	**1.37**	**186**
June	**1.55**	**1.40**	**192**
July	**1.57**	**1.41**	**194**
August	**1.55**	**1.39**	**190**
September	**1.53**	**1.36**	**184**
October	**1.53**	**1.38**	**184**
November	**1.53**	**1.41**	**186**
December	**1.49**	**1.39**	**181**
January	**1.45**	**1.33**	**175**
February	**1.40**	**1.29**	**165**
March	**1.41**	**1.27**	**160**

Average translation rates 2015	US Dollar	Euro	Yen
April	1.68	1.21	172
May	1.68	1.22	172
June	1.69	1.24	172
July	1.69	1.25	173
August	1.67	1.26	173
September	1.64	1.27	175
October	1.61	1.28	179
November	1.58	1.27	183
December	1.56	1.27	186
January	1.53	1.31	182
February	1.52	1.35	181
March	1.51	1.38	181

Parent Company Statement of Financial Position
as at 31 March 2016

	Notes	2016 £m	2015 (Restated) £m
Assets			
Non-current assets			
Intangible assets	d	**2.1**	1.8
Tangible assets	c	**1.3**	1.6
Investments in subsidiary undertakings	e	**320.2**	320.0
Deferred tax assets	h	**1.9**	3.1
		325.5	326.5
Current assets			
Debtors	f	**104.4**	95.4
Current income tax recoverable		**1.3**	2.8
Cash at bank and in hand		**1.4**	5.1
		107.1	103.3
Total assets		**432.6**	429.8
Equity			
Capital and reserves attributable to the Company's equity Shareholders			
Share capital		**2.9**	2.9
Share premium account		**61.5**	61.5
Capital redemption reserve		**0.1**	0.1
Other reserves		**7.6**	7.6
Profit and loss account		**126.0**	135.3
		198.1	207.4
Liabilities			
Non-current liabilities			
Long-term loans		**147.0**	144.0
Retirement benefit obligations	i	**7.1**	11.4
Provisions for liabilities	h	**0.4**	0.4
		154.5	155.8
Current liabilities			
Bank loans and overdrafts		**30.1**	36.1
Other creditors	g	**49.9**	30.5
		80.0	66.6
Total liabilities		**234.5**	222.4
Total liabilities and equity		**432.6**	429.8

The Financial Statements were approved by the Board of Directors on 15 June 2016 and signed on its behalf by:

Ian Barkshire
Director

Gavin Hill
Director

Company number: 775598

Statement of Changes in Equity
for the year ended 31 March 2016

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
Balance at 1 April 2014 (restated)	2.9	61.3	0.1	7.6	152.6	224.5
Loss for the year	—	—	—	—	(8.8)	(8.8)
Other comprehensive income:						
Remeasurement of defined benefit liability, net of tax	—	—	—	—	(1.0)	(1.0)
Total comprehensive expense for the year	—	—	—	—	(9.8)	(9.8)
Proceeds from shares issued	—	0.2	—	—	—	0.2
Share options awarded to employees	—	—	—	—	—	—
Share options awarded to employees of subsidiaries	—	—	—	—	(0.2)	(0.2)
Tax charge in respect of share options	—	—	—	—	(0.2)	(0.2)
Dividends paid	—	—	—	—	(7.1)	(7.1)
Balance at 1 April 2015 (restated)	2.9	61.5	0.1	7.6	135.3	207.4
Loss for the year	**—**	**—**	**—**	**—**	**(5.4)**	**(5.4)**
Other comprehensive income:						
Remeasurement of defined benefit liability, net of tax	**—**	**—**	**—**	**—**	**3.5**	**3.5**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**(1.9)**	**(1.9)**
Proceeds from shares issued	**—**	**—**	**—**	**—**	**—**	**—**
Share options awarded to employees	**—**	**—**	**—**	**—**	**0.3**	**0.3**
Share options awarded to employees of subsidiaries	**—**	**—**	**—**	**—**	**0.1**	**0.1**
Dividends paid	**—**	**—**	**—**	**—**	**(7.6)**	**(7.6)**
Balance at 31 March 2016	**2.9**	**61.5**	**0.1**	**7.6**	**126.2**	**198.3**

Details of issued, authorised and allotted share capital are included in Note 24 to the Group Financial Statements.

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

Details of the Group's share option schemes are included in Note 13 to the Group Financial Statements.

Details of the Group's defined benefit pension scheme are included in Note 26 to the Group Financial Statements.

Details of dividends paid are included in Note 15 to the Group Financial Statements.

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

Notes to the Parent Company Financial Statements
year ended 31 March 2016

a) Accounting policies

Oxford Instruments plc is a company incorporated and domiciled in the UK.

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in Note n.

In these Financial Statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRS;
- an additional balance sheet for the beginning of the earliest comparative period following the reclassification of items in the Financial Statements (see Note n); and
- disclosures in respect of the compensation of key management personnel.

As the consolidated Financial Statements of Oxford Instruments plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-based Payments in respect of Group settled share-based payments;
- certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements and in preparing an opening FRS 101 IFRS Balance Sheet at 1 April 2014 for the purposes of the transition to FRS 101 Adopted IFRS.

Measurement convention

The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

Going concern

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

Taxation

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

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

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

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

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

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

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes to the Parent Company Financial Statements continued

year ended 31 March 2016

a) Accounting policies continued

Non-derivative financial instruments continued

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Details of the Group's interest-bearing borrowings are included in Note 25 to the Group Financial Statements.

Intra-Group lending

The Company has lent funds to and from its UK subsidiaries on interest-free terms. These amounts are repayable on demand. They are stated at cost less any impairment losses.

Derivative financial instruments

The Company's accounting policies for financial instruments are the same as the Group's accounting policies under IFRS, namely IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. These policies are set out in accounting policy "(e) Financial instruments" in the Group accounting policies, on page 86.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Computer equipment	4 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible assets

Intangible assets represents internally developed software. Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Computer software	10 years

Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

The Company assesses at each balance sheet reporting date whether there is any objective evidence that a financial asset, or group of financial assets, is impaired. A financial asset, or group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company is the sponsoring employer of a Group-wide defined benefit pension plan. The net defined benefit cost of the plans is charged to participating entities on the basis of the proportion of scheme membership attributable to each legal entity at the reporting date. The contributions payable by the participating entities are determined on the same basis.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting date, then they are discounted to their present value.

Share-based payment transactions

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual Financial Statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settled share-based payment charge recognised in its consolidated Financial Statements with the corresponding credit being recognised directly in equity. Amounts recharged to the subsidiary are recognised as a reduction in the cost of investment in subsidiary. If the amount recharged exceeds the increase in the cost of investment the excess is recognised as a dividend.

Own shares held by ESOP trust

Transactions of the Company-sponsored ESOP trust are treated as being those of the Company and are therefore reflected in the Company Financial Statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

Provisions

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Foreign currencies

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

Own shares held by Employee Benefit Trust ("EBT")

Transactions of the Group-sponsored EBT are included in the Group Financial Statements. In particular, the trust's purchase of shares in the Company are debited directly to equity.

Investments

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

Notes to the Parent Company Financial Statements continued

year ended 31 March 2016

a) Accounting policies continued

Provisions

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

Dividends on shares presented within Shareholders' funds

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

Financial guarantee contracts

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

b) Loss for the year

The Company's loss for the financial year was £5.4m (2015: loss of £8.8m). Other comprehensive income in the year was £3.5m (2015: expense of £1.0m). The expense will not subsequently be reclassified to profit or loss.

The auditor's remuneration comprised £150,000 (2015: £125,000) for the statutory audit.

The average number of people employed by the Company (including Directors) during the year was 51 (2015: 62). All of these individuals were involved in administration.

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

	2016 £m	2015 £m
Wages and salaries	**4.4**	5.2
Social security costs	**0.6**	0.6
Other pension costs	**0.2**	0.2
	5.2	6.0

The share-based payment expense was £0.8m (2015: income of £0.2m). Details of the Group's share option schemes are included in Note 13 to the Group Financial Statements.

Full details of the emoluments paid to Directors can be found in the Remuneration Report on pages 59 to 75.

c) Tangible fixed assets

	Motor vehicles £m	Computer equipment £m	Total £m
Cost			
Balance at 1 April 2015	0.1	5.5	5.6
Additions	—	0.2	0.2
Disposals	(0.1)	—	(0.1)
Balance at 31 March 2016	**—**	**5.7**	**5.7**
Depreciation			
Balance at 1 April 2015	—	4.0	4.0
Charge for year	—	0.4	0.4
Balance at 31 March 2016	**—**	**4.4**	**4.4**
Net book value			
At 31 March 2015	0.1	1.5	1.6
At 31 March 2016	**—**	**1.3**	**1.3**

d) Intangible assets

	Software £m
Cost	
Balance at 1 April 2015	1.8
Additions	0.3
Balance at 31 March 2016	**2.1**
Depreciation	
Balance at 1 April 2015	—
Charge for year	—
Balance at 31 March 2016	**—**
Net book value	
At 31 March 2015	1.8
At 31 March 2016	**2.1**

The software assets are in the course of construction and therefore not currently being amortised.

e) Investments

	Investments in subsidiary undertakings £m
Cost or valuation	
Balance at 1 April 2015	338.7
Expense in respect of share options transferred to subsidiary undertakings	0.2
Balance at 31 March 2016	**338.9**
Impairment	
Balance at 1 April 2015 and 31 March 2016	**18.7**
Net book value	
At 31 March 2015	320.0
At 31 March 2016	**320.2**

Notes to the Parent Company Financial Statements continued

year ended 31 March 2016

e) Investments continued

The following is a full list of the subsidiaries and associates, the country of registration and percentage of equity owned directly or indirectly by Oxford Instruments plc, as at 31 March 2016. This information is provided in accordance with Section 409 of the Companies Act 2006.

	Country of incorporation	Ultimate holding %
Subsidiaries		
Nanotechnology Tools Limited	UK	100
Oxbridge Instruments Limited	UK	100
Oxford Instruments Analytical Limited	UK	100
Oxford Instruments Superconductivity Limited	UK	100
Oxford Instruments Innovation Limited	UK	100
Oxford Instruments NanoScience Limited	UK	100
Oxford Magnet Technology Limited	UK	100
Oxford Instruments Industrial Analysis Limited	UK	100
Oxford Instruments Industrial Products Holdings Limited	UK	100
Oxford Instruments Industrial Products Limited	UK	100
RMG Technology Limited	UK	100
Oxford Instruments NanoAnalysis Limited	UK	100
Oxford Instruments Nanotechnology Tools Holdings Limited	UK	100
Andor Technology Limited	UK	100
Andor U.S. Holdings, Inc	USA	100
Apogee Imaging Systems Inc	USA	100
Bitplane AG	Switzerland	100
Bitplane Inc	USA	100
Spectral Applied Research Inc	Canada	100
Oxford Instruments Molecular Biotools Limited	UK	100
Resonance Instruments Limited	UK	100
Oxford Instruments Nanotechnology Tools Limited	UK	100
Link Analytical Limited	UK	100
Oxbridge Instruments Limited	UK	100
Oxford Instruments AFM Limited	UK	100
Oxford Instruments Industrial Analysis Limited	UK	100
Link Analytical Limited	UK	100
Oxford Instruments Plasma Technology Limited	UK	100
Oxford Semicon Limited	UK	100
Plasma Technology (UK) Limited	UK	100
Oxford Instruments Overseas Holdings Ltd	UK	100
Oxford Instruments (Shanghai) Co. Limited[1]	China	100
Oxford Instruments Analytical Oy	Finland	100
Oxford Instruments Holdings 2013 Inc	USA	100
Oxford Instruments Holdings 2008 Inc	USA	100
Oxford Instruments Holdings Inc	USA	100
Omniprobe, Inc	USA	100
Oxford Instruments (Tennessee) Inc	USA	100
Oxford Instruments America Inc	USA	100
Medical Imaging Resources Inc	USA	100
Oxford Instruments OST Asset Co. LLC	USA	100
Oxford Instruments OST Holdings LLC	USA	100
Oxford Superconducting Technology Limited Partnership	USA	100
Oxford Instruments Service LLC	USA	100
Oxford Instruments Superconducting Wire LLC	USA	100
Oxford Instruments Asylum Research Inc	USA	100

	Country of incorporation	Ultimate holding %
Asylum Research Technology Limited	Taiwan	100
Asylum Research UK Limited	UK	100
Oxford Instruments KK	Japan	100
Oxford Instruments Overseas Marketing Limited	UK	100
Oxford Instruments X-Ray Technology Inc	USA	100
Oxford Instruments Holdings Europe Limited	UK	100
Oxford Instruments Guernsey Ltd.	Guernsey	100
Oxford Instruments Holdings GmbH	Germany	100
Oxford Instruments GmbH	Germany	100
Oxford Instruments Analytical GmbH	Germany	100
Roentgenanalytik Systeme GmbH & Co KG	Germany	100
Oxford Instruments India Private Limited	India	100
Oxford Instruments Nordiska Ab	Sweden	100
Oxford Instruments Overseas Holdings 2008 Limited	UK	100
Oxford Instruments UK 2013 Limited	UK	100
Oxford Instruments Funding (Ireland) Limited	Ireland	100
Oxford Instruments Funding (Luxembourg) S.a.r.l.	Luxembourg	100
Oxford Instruments Private Limited	Singapore	100
Oxford Instruments India Private Limited	India	100
Oxford Instruments SAS	France	100
Oxford Instruments Synchrotron Research Limited	UK	100
Oxford Semicon Limited	UK	100
Associates		
Scienta Scientific AB[1]	Sweden	47
Scienta Omicron GmbH[1]	Germany	47
Omicron NanoTechnology Japan, Inc.[1]	Japan	47
Omicron Nanotechnology Limited[1]	UK	47
Omicron UHV Technik Limited[1]	UK	47
Scienta Omicron Inc.[1]	USA	47
Scienta Omicron Nanotechnology EURL[1]	France	47
VACGEN Limited[1]	UK	47

1. Year end is 31 December.

Equity owned by the Company represents issued ordinary share capital. All subsidiaries are consolidated in the Group accounts.

f) Debtors

	2016 £m	2015 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**98.0**	91.3
Other debtors	**6.1**	3.8
Prepayments and accrued income	**0.3**	0.3
	104.4	95.4

Other debtors include £3.4m (2015: £nil) due after more than one year.

Notes to the Parent Company Financial Statements continued

year ended 31 March 2016

g) Other creditors

	2016 £m	2015 £m
Trade creditors	**0.6**	0.5
Amounts owed to subsidiary undertakings	**40.7**	23.3
Tax, social security and sales related taxes	**1.2**	0.9
Other financial liabilities	**5.8**	4.2
Accruals and deferred income	**1.6**	1.6
	49.9	30.5

h) Provisions for liabilities

	Restructuring provision
Balance at 1 April 2015	0.4
Provisions made during the year	**0.4**
Provisions used during the year	**(0.4)**
Balance at 31 March 2016	**0.4**

Deferred tax asset

	2016 £m	2015 £m
Balance at 1 April	**3.1**	2.7
Profit and loss (debit)/credit	**(1.2)**	0.4
Balance at 31 March	**1.9**	3.1

The amounts of deferred tax assets are as follows:

	Recognised	
	2016 £m	2015 £m
Excess of depreciation over corresponding capital allowances	**0.5**	0.3
Tax losses	**—**	0.5
Provisions	**0.1**	—
Employee benefits – pension and share schemes	**1.3**	2.3
	1.9	3.1

The Company recognises deferred tax assets only to the extent that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

	2016 £m	2015 £m
Tax losses	**1.0**	—
	1.0	—

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The UK deferred tax balances at 31 March 2016 have been calculated based on these rates which were substantively enacted at the balance sheet date.

i) Pension commitments

Defined benefit scheme

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

During the year, the Group went through a detailed exercise to attempt to identify an employer for each member of the scheme. The actuary used this data to apportion the pension liability of each member to the appropriate employing company. For approximately one quarter of members it was not possible to identify an employing company. The liability in respect of these members has been allocated to the employers in proportion to the known liabilities for each employer.

Details of the scheme and most recent actuarial valuation can be found in Note 26 to the Group Financial Statements. The contributions paid by the Company to the Oxford Instruments Pension Scheme were £0.4m (2015: £0.4m).

Stakeholder pension scheme

The Company makes contributions to a stakeholder pension scheme. The pension costs charge for the year represents contributions payable by the Company to the scheme. These amounted to £0.2m (2015: £0.2m). There were no outstanding contributions at the end of the financial year (2015: £nil).

j) Guarantees

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

The Company and its UK subsidiaries have entered into a cross-guarantee for £10.0m (2015: £10.0m) in respect of overdraft facilities of which £nil (2015: £nil) was drawn at the year end.

k) Commitments

At 31 March 2016, capital commitments contracted were £nil (2015: £nil) and authorised were £nil (2015: £nil).

l) Subsequent events

See Note 33 to the Group Financial Statements for details of dividends paid or declared after the balance sheet date.

m) Related party transactions

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

Transactions with key management personnel are disclosed in the Remuneration Report on pages 59 to 75. There were no other significant transactions with key management personnel in either the current or preceding year other than the following.

During the year the Company paid £0.2m (2015: £0.2m) to Imperialise Ltd, a company for whom Nigel Keen is a Director. The payment was for his services as Chairman of the Group. The liability due to Imperialise Ltd at the year end was £nil (2015: £nil).

Notes to the Parent Company Financial Statements continued

year ended 31 March 2016

n) Explanation of transition to FRS 101

As stated in Note 1, these are the Company's first Financial Statements prepared in accordance with FRS 101.

The accounting policies set out in note a) have been applied in preparing the Financial Statements for the year ended 31 March 2016, the comparative information presented in these Financial Statements for the year ended 31 March 2015 and in the preparation of an opening FRS 101 Balance Sheet at 31 March 2014 (the Company's date of transition).

In preparing its FRS 101 Balance Sheet, the Company has adjusted amounts reported previously in Financial Statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

		1 April 2014			31 March 2015		
	Notes	UK GAAP £m	Effect of transition to FRS 101 £m	FRS 101 £m	UK GAAP £m	Effect of transition to FRS 101 £m	FRS 101 £m
Assets							
Non-current assets							
Intangible assets	(i)	—	0.9	0.9	—	1.8	1.8
Tangible assets		2.5	(0.9)	1.6	3.4	(1.8)	1.6
Investments in subsidiary undertakings		320.2	—	320.2	320.0	—	320.0
Deferred tax assets	(iii)	0.4	2.2	2.6	0.8	2.3	3.1
		323.1	2.2	325.3	324.2	2.3	326.5
Current assets							
Debtors		93.9	—	93.9	95.4	—	95.4
Current income tax recoverable		—	—	—	2.8	—	2.8
Cash at bank and in hand		1.5	—	1.5	5.1	—	5.1
		95.4	—	95.4	103.3	—	103.3
Total assets		418.5	2.2	420.7	427.5	2.3	429.8
Equity							
Capital and reserves attributable to the Company's equity Shareholders							
Share capital		2.9	—	2.9	2.9	—	2.9
Share premium account		61.3	—	61.3	61.5	—	61.5
Capital redemption reserve		0.1	—	0.1	0.1	—	0.1
Other reserves		7.6	—	7.6	7.6	—	7.6
Profit and loss account		160.4	(7.8)	152.6	144.4	(9.1)	135.3
		232.3	(7.8)	224.5	216.5	(9.1)	207.4
Liabilities							
Non-current liabilities							
Long-term loans		141.4	—	141.4	144.0	—	144.0
Retirement benefit obligations	(ii)	—	10.0	10.0	—	11.4	11.4
Provisions for liabilities		—	—	—	0.4	—	0.4
		141.4	10.0	151.4	144.4	11.4	155.8
Current liabilities							
Bank loans and overdrafts		31.7	—	31.7	36.1	—	36.1
Other creditors		13.1	—	13.1	30.5	—	30.5
		44.8	—	44.8	66.6	—	66.6
Total liabilities		186.2	10.0	196.2	211.0	11.4	222.4
Total liabilities and equity		418.5	2.2	420.7	427.5	2.3	429.8

Notes to the reconciliation of equity

(i) Software which was treated as a fixed asset under UK GAAP has been reclassified to intangible assets on transition to FRS 101.

(ii) Under UK GAAP (FRS 17), as the defined benefit scheme was a multi-employer scheme of which the Company was unable to identify its share of the defined benefit contribution plan's underlying assets and liabilities, this scheme was accounted for as a defined contribution scheme, recognising only the contribution payable by the Company. Under FRS 101 the multi-employer exemption is no longer available. The stated policy for charging the net defined benefit cost within the Group amongst the participating companies is to do so on the basis of the proportion of scheme membership attributable to each statutory entity. Therefore under FRS 101 the Company has recognised its calculated share of the defined benefit liability on the Balance Sheet which was not previously recognised on the individual balance sheet of any UK company within the Group.

The impact has been to increase non-current liabilities at 1 April 2014 by £10.0m and at 31 March 2015 by £11.4m. As prescribed under FRS 101 any actuarial gains and losses are recognised through the Statement of Comprehensive Income. In 2014/15 the defined benefit deficit increased by £1.4m of which £1.3m related to actuarial losses, £0.4m net interest income and £0.1m scheme administrative costs.

(iii) A deferred tax asset of £2.0m has been recognised at the transition date on the retirement benefit scheme liability which has been brought onto the Balance Sheet under FRS 101. This results in an increase in the profit and loss account reserve of £2.0m. The increase in the pension scheme liability in the year to 31 March 2015, as described above, has given rise to an increase in the corresponding deferred tax asset from £2.0m to £2.3m and has increased the profit and loss account reserve by £0.3m.

Under UK GAAP, a deferred tax asset is recognised in relation to share options outstanding at the balance sheet date, based on the lower of the cumulative accounting charge and the total expected future tax deductions. Under FRS 101, a deferred tax asset is recognised on the total expected future tax deductions. As a result, the deferred tax asset and profit and loss account reserves have increased by £0.2m to recognise the higher deferred tax asset on the Company Balance Sheet as at the transition date.

In addition, at 31 March 2015 as a result of the share option charges during the year, an adjustment is required to reduce the deferred tax asset from £0.2m to £nil, reducing the profit and loss account reserves by £0.2m giving an overall transitional adjustment for the year to 31 March 2015 of £nil.

Reconciliation of profit for the year to 31 March 2015

In accordance with the exemption provided by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. As a result of the adjustments noted above, the transition to FRS 101 has reduced the profit after tax for the year to 31 March 2015 by £9.1m. This relates to the net defined benefit cost of £9.1m.

Historical Financial Summary

	2012 (Restated)[2] £m	2013 (Restated)[2] £m	2014 £m	2015 £m	**2016 £m**
Consolidated Statement of Income					
Revenue from continuing operations	337.3	350.8	360.1	380.1	**361.6**
Adjusted operating profit from continuing operations	41.7	49.3	50.3	42.8	**44.6**
Other operating income	7.0	—	—	—	**—**
Contingent consideration deemed no longer payable	—	—	—	1.4	**4.9**
Reversal of acquisition related fair value adjustments	(1.7)	(0.5)	(3.7)	(0.2)	**(1.0)**
Acquisition related costs	(1.5)	(2.1)	(7.8)	(2.2)	**(2.5)**
Loss on disposal of subsidiary undertakings	—	—	—	—	**(0.9)**
Contingent consideration – further amount deemed payable	—	—	—	(6.8)	**—**
Restructuring costs	—	—	—	(9.9)	**(2.9)**
Restructuring costs – relating to associate	—	—	—	—	**(1.3)**
Settlement loss on US pension scheme	—	—	(0.1)	—	**—**
Amortisation of acquired intangibles	(11.2)	(13.8)	(14.7)	(21.7)	**(16.7)**
Operating profit from continuing operations	34.3	32.9	24.0	3.4	**24.2**
Net financing (costs)/income	—	(4.5)	—	(13.0)	**(11.1)**
(Loss)/profit before taxation from continuing operations	34.3	28.4	24.0	(9.6)	**13.1**
Income tax credit/(expense)	(10.9)	(7.4)	(5.8)	3.4	**(3.9)**
(Loss)/profit for the year from continuing operations	23.4	21.0	18.2	(6.2)	**9.2**
Adjusted profit before tax from continuing operations[2]	40.2	47.0	47.1	35.7	**37.0**
Consolidated Statement of Financial Position					
Property, plant and equipment	28.2	32.9	34.4	33.1	**35.2**
Intangible assets	78.1	91.9	247.9	231.3	**220.8**
Investment in associate	—	—	—	—	**13.1**
Long-term receivables	—	—	—	—	**3.4**
Deferred and current tax	7.6	14.9	(3.5)	14.6	**13.9**
Inventories	59.3	58.1	68.3	70.8	**61.1**
Trade and other receivables	61.0	71.8	86.2	90.7	**79.0**
Trade and other payables	(99.2)	(112.5)	(112.8)	(126.5)	**(108.2)**
Net assets excluding net cash	135.0	157.1	320.5	314.0	**318.3**
Cash and cash equivalents	35.1	39.2	32.6	25.1	**21.8**
Bank overdrafts	—	—	—	—	**(1.4)**
Bank borrowings	—	—	(156.9)	(144.0)	**(148.6)**
Net cash/(debt)	35.1	39.2	(124.3)	(118.9)	**(128.2)**
Provisions and other items	(7.8)	(10.7)	(9.7)	(16.1)	**(12.1)**
Retirement benefit obligations	(35.2)	(47.9)	(46.3)	(53.5)	**(35.0)**
Net assets employed/capital and reserves attributable to the Company's equity holders	127.1	137.7	140.2	125.5	**143.0**
Cash flow					
Net cash from operating activities	41.6	41.5	21.2	24.8	**40.5**
Net cash used in investing activities	(52.2)	(32.3)	(177.9)	(14.2)	**(37.4)**
Net cash from financing activities	22.6	(5.2)	151.3	(19.8)	**(6.0)**
Net (decrease)/increase in cash equivalents	12.0	4.0	(5.4)	(9.2)	**(2.9)**
	pence	pence	pence	pence	**pence**
Per ordinary share					
Earnings – continuing	43.5	37.4	32.1	(11.1)	**16.1**
Adjusted earnings[1]	59.1	66.5	67.7	48.2	**49.2**
Dividends	10.0	11.2	12.4	13.0	**13.0**
Employees					
Average number of employees	1,834	1,927	2,050	2,420	**2,077**

1. Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in Note 1 to the Group Financial Statements.
2. Years 2012 and 2013 were restated as a result of changes to IAS 19 (Revised) Employee Benefits.

Shareholder Information

Financial calendar

2016

10 March	Ordinary shares quoted ex-dividend
11 March	Record date for interim dividend
13 March	Dividend reinvestment (“DRIP”) last date for election
31 March	Financial year end
8 April	Payment of interim dividend
15 June	Announcement of preliminary results
15 June	Announcement of final dividend
Late July	Publication of Report and Financial Statements
13 September	Annual General Meeting
22 September	Ordinary shares quoted ex-dividend
23 September	Record date for final dividend
25 September	DRIP date
20 October	Payment of final dividend
15 November	Announcement of interim results

2017

March	Ordinary shares quoted ex-dividend
March	DRIP last date for election
March	Record date for interim dividend
31 March	Financial year end

Administrative enquiries concerning shareholdings

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

Administrative enquiries concerning shareholdings in Oxford Instruments plc, such as the loss of a share certificate, dividend payments, or a change of address should be directed, in the first instance, to the Registrar, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Tel: +44 (0)871 664 0300 (Calls cost 12 pence per minute plus your phone company’s access charge. Calls outside the UK will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales)

Email: Shareholderenquiries@capita.co.uk
Website: www.capitaassetservices.com

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

Dividend bank mandates

If you wish dividends to be paid directly into a bank or building society account and notification to be sent to your Shareholder register address, please contact the Company’s Registrar at the address given above for a dividend mandate form. Overseas holders can also choose to receive payment directly into their bank account, or can be sent a draft in local currency. Further details on international payments are available from Capita Asset Services at the contact details below.

Tel: +44 (0)871 664 0385 (Calls cost 12 pence per minute plus your phone company’s access charge. Calls outside the UK will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales)

Website: http://international.capitaregistrars.com/

Duplicate share register accounts

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

Shareholder communications

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

Shareholder enquiries

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

Company Secretary

Oxford Instruments plc
Tubney Woods, Abingdon, Oxfordshire OX13 5QX

Tel: 01865 393200
Fax: 01865 393442

Email: investors@oxinst.com
Website: www.oxford-instruments.com

Company registration

Registered office: Tubney Woods, Abingdon, Oxfordshire OX13 5QX
Registered in England number: 775598
Website: www.oxford-instruments.com

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

Shareholder Information
continued

Capita Share Dealing Services

A quick and easy share dealing service to either sell or buy shares in many leading UK companies is provided by Capita Share Dealing Services. An online and telephone facility is available, providing our Shareholders with an easy to access and simple to use service. There's no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade "real time" at a known price which will be given to you at the time you give your instruction. To deal online or by telephone all you need is your surname, Investor Code ("IVC") reference number, full postcode and your date of birth. Your Investor Code can be found on a recent share certificate, statement or tax voucher. Should you not be able to locate your IVC number, please contact Capita Asset Services on +44 (0)871 664 0300 (Calls cost 12 pence per minute plus your phone company's access charge. Calls outside the UK will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales). Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service, or to buy and sell shares, please contact www.capitadeal.com (online dealing) or +44 (0)371 664 0445 (telephone dealing – calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. We are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales). Full terms, conditions and risks apply and are available on request or by visiting www.capitadeal.com.

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

Analysis of Shareholders as at 31 March 2016

	Number of holders	% of total	Total holding	% of total
Up to 5,000 shares	2,219	87.8	1,456,305	2.5
5,001 to 50,000 shares	179	7.1	2,893,098	5.1
50,001 to 200,000 shares	75	3.0	8,088,334	14.1
Over 200,000 shares	52	2.1	44,861,174	78.3
Total	2,523	100	57,298,911	100

Oxford Instruments Directory

Company/address	Descriptor	Country	Telephone	Fax	Email
Oxford Instruments Head Office					
Tubney Woods, Abingdon Oxfordshire OX13 5QX, UK		UK	+44 (0)1865 393200	+44 (0)1865 393333	info.oiplc@oxinst.com
NanoTechnology Tools					
NanoCharacterisation					
Oxford Instruments NanoAnalysis					
Halifax Road, High Wycombe Buckinghamshire HP12 3SE, UK	Systems for materials analysis at the nanoscale	UK	+44 (0)1494 442255	+44 (0)1494 524129	nanoanalysis@oxinst.com
Arenavägen 41, 10th floor 121 77 Johanneshov, Sweden	Systems for materials analysis at the nanoscale	Sweden	+46 8 5448 1550	+46 8 5448 1558	nordiska@oxinst.com
Asylum Research					
6310 Hollister Ave, Santa Barbara CA 93117 USA	Systems for materials analysis at the nanoscale	USA	+1 (805) 696 6466	+1 (805) 696 6444	sba.sales@oxinst.com
Hauptstrasse 161, DE-68259 Mannheim, Germany		Germany	+49 621 762117 0	+49 621 762117 11	sba.de.sales@oxinst.com
3-4 Shaochuan Street Kaohsiung City, 80441 Taiwan, R.O.C.		Taiwan	+886 9 3837 4589	+886 2 2794 2757	sba.tw.sales@oxinst.com
Halifax Road, High Wycombe Buckinghamshire HP12 3SE, UK		UK	+44 (0)1494 442255	+44 (0)1494 524129	sba.uk.sales@oxinst.com
Andor/Bitplane/Spectral					
7 Millennium Way Springvale Business Park Belfast, BT12 7AL UK	Scientific imaging cameras, spectroscopy solutions and microscopy systems	UK	+44 (0)28 9023 7126	+44 (0)28 9031 0792	info@andor.com
Badenerstrasse 682 CH-8048 Zürich		Switzerland	+41 44 430 11 00	+41 44 430 11 01	info@bitplane.com
9078 Leslie St., Unit 11 Richmond Hill, Ontario Canada L4B 3L8		Canada	+1 (905) 326 5040	+1 (905) 326 5041	info@spectral.ca
NanoSolutions					
Oxford Instruments Plasma Technology					
North End, Yatton Bristol BS49 4AP, UK	Tools for nanotechnology fabrication	UK	+44 (0)1934 837000	+44 (0)1934 837001	plasma@oxinst.com
Oxford Instruments Omicron NanoScience					
Tubney Woods, Abingdon Oxfordshire OX13 5QX, UK	Advanced tools for applied research	UK	+44 (0)1865 393200	+44 (0)1865 393333	nanoscience@oxinst.com
Industrial Products					
Industrial Analysis					
Oxford Instruments Industrial Analysis					
Tubney Woods, Abingdon Oxfordshire OX13 5QX, UK	Tools for QC/QA, environmental and compliance testing	UK	+44 (0)1865 393200	+44 (0)1865 393333	industrial@oxinst.com
Derby Business Park Tarvonsalmenkatu 17 FI-02600 Espoo, Finland		Finland	+358 932 9411	+358 932 9413	industrial@oxinst.com
Wellesweg 31, 47589 Uedem Germany		Germany	+49 2825 93830	+49 2825 9383100	industrial@oxinst.com
8403 Cross Park Drive, Suite 3F Austin, TX 78754, USA		USA	+1 (512) 339 0640	+1 (512) 339 0620	industrial@oxinst.com
Industrial Components					
Oxford Superconducting Technology					
600 Milik Street, PO Box 429 Carteret, NJ 07008, USA	Superconducting wire	USA	+1 (732) 541 1300	+1 (732) 541 7769	sales@ost.oxinst.com
Oxford X-Ray Technology					
360 El Pueblo Road, Scotts Valley CA 95066, USA	X-ray tubes and detectors	USA	+1 (831) 439 9729	+1 (831) 439 6051	industrial@oxinst.com

Oxford Instruments Directory
continued

Company/address	Country	Telephone	Fax	Email
Service				
OiService CT & MR				
1027 SW 30th Avenue, Deerfield Beach, FL 33442, USA	USA	+1 (954) 596 4945	+1 (954) 596 4946	oiservice@oxinst.com
64 Union Way, Vacaville, CA 95687, USA	USA	+1 (707) 469 1320	+1 (707) 469 1318	oiservice@oxinst.com
120 Enterprise Drive, Ann Arbor M1, 48103, USA	USA	+1 (888) 323 1316	+1 (734) 822 1011	info@mobileleasing.com info@medimagingsales.com
Regional Sales and Service Offices				
Oxford Instruments/Canada/Latin America				
300 Baker Avenue, Suite 150, Concord, MA 01742, USA	USA	+1 (978) 369 9933	+1 (978) 369 8287	info@ma.oxinst.com
Oxford Instruments China				
Unit 1, Building A, No. 66 Zhufang Road Haidian District, Beijing, 100085, China	China	+86 (0)40 621 5191	+86 (0)10 8271 9055	china.info@oxinst.com
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No. 129, Lane 150, Pingbei Road, Xinzhuang Industrial Area Minhang District, 201102 Shanghai, China	China	+86 (0)21 6490 8580	+86 (0)21 6490 4042	china.info@oxinst.com
Room 2112, Bai Hui Plaza, 193 Zhong Shan Wu Road Guangzhou 510030, China	China	+86 (0)20 8364 9990	+86 (0)20 8364 9996	china.info@oxinst.com
Room 1909, Huamin Empire Plaza, No.1, Fu Xing Street Chengdu, China	China	+86 (0)28 8670 3596	+86 (0)28 8670 3595	china.info@oxinst.com
Oxford Instruments Czech Republic				
Velvarska 13, CZ-160 00 Praha Czech Republic	Czech Republic	+420 233 343 264	+420 234 311 724	office@oxinst.cz
Oxford Instruments France				
77 ZA de Montvoisin, 91400 Gometz la Ville, France	France	+33 1 69 85 25 25	+33 1 69 41 46 80	infofrance@oxinst.com
Oxford Instruments Germany				
Borsigstrasse 15a, 65205 Wresbaden, Germany	Germany	+49 6122 9370	+49 6122 937100	info-oiplc@oxinst.com
Oxford Instruments India				
11, Marwah's Complex, Krishanlal Marwah Marg Andheri East, Mumbai 400072, India	India	+91 224 4253 5100	+91 224 4253 5110	india@oxinst.com
Oxford Instruments Japan				
IS Building 3-32-42, Higashi-Shinagawa Shinagawa-ku Tokyo 140-0002, Japan	Japan	+81 (0)3 6732 8961	+81 (0)3 6732 8937	info.jp@oxinst.com
Oxford Instruments Korea				
No. 8-S 26, 8F., 10 Chungmin-ro, Songpa-gu Seoul 138-962 Korea (Republic of)	Republic of Korea	+82 2 2008 4500	+82 2 2008 4555	nanoanalysis@oxinst.com
Oxford Instruments Russia				
Denisovskiy per. 26, Moscow 105005, Russian Federation	Russia	+7 (095) 933 51 23	+7 (095) 933 51 24	russia.info@oxinst.com
Oxford Instruments Singapore				
10 Ubi Crescent, #04-81 Ubi TechPark Lobby E Singapore 408564, Republic of Singapore	Singapore	+65 6337 6848	+65 6337 6286	oi.admin@ oxfordinstruments.com.sg
Oxford Instruments Taiwan				
1F, No. 23, Jing-Shang 19th Street Hsinchu, Taiwan 300, Taiwan, R.O.C.	Taiwan	+886 3 5788696	+886 3 5789993	oi.admin@ oxfordinstruments.com.tw

Directors and Advisers

Honorary President

Sir Martin Wood OBE FRS Hon FREng DL

Company Secretary

Susan Johnson-Brett ACIS

Board Committees

Audit and Risk

Jock Lennox, Chairman[2]
Jennifer Allerton
Richard Friend
Thomas Geitner
Mary Waldner[1]

Nomination

Nigel Keen, Chairman
Jennifer Allerton
Richard Friend
Thomas Geitner
Jock Lennox
Mary Waldner[1]
Alan Thomson[3]

Remuneration

Thomas Geitner, Chairman
Jennifer Allerton
Richard Friend
Nigel Keen
Jennifer Lennox
Mary Waldner[1]
Alan Thomson[3]

Administration

Any two Directors

1. Mary Waldner's term commenced on 4 February 2016.
2. Mary Waldner takes over as Chairman of the Committee on 16 June 2016.
3. Alan Thomson's term commenced on 1 June 2016.

Auditor

KPMG LLP

Principal Bankers

HSBC Bank plc
Santander plc
The Royal Bank of Scotland plc

Stockbroker

JPMorgan Cazenove

UK Solicitors

Laytons Solicitors LLP
Ashurst LLP

US Counsel

Wilmer Hale LLP

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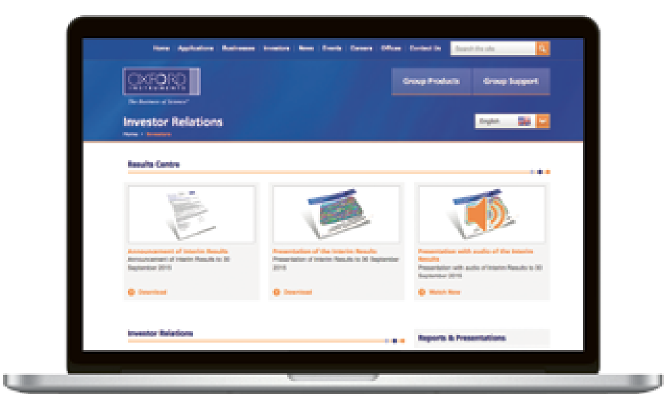

Find out more online

www.oxford-instruments.com/investors

For more information please email: investors@oxinst.com