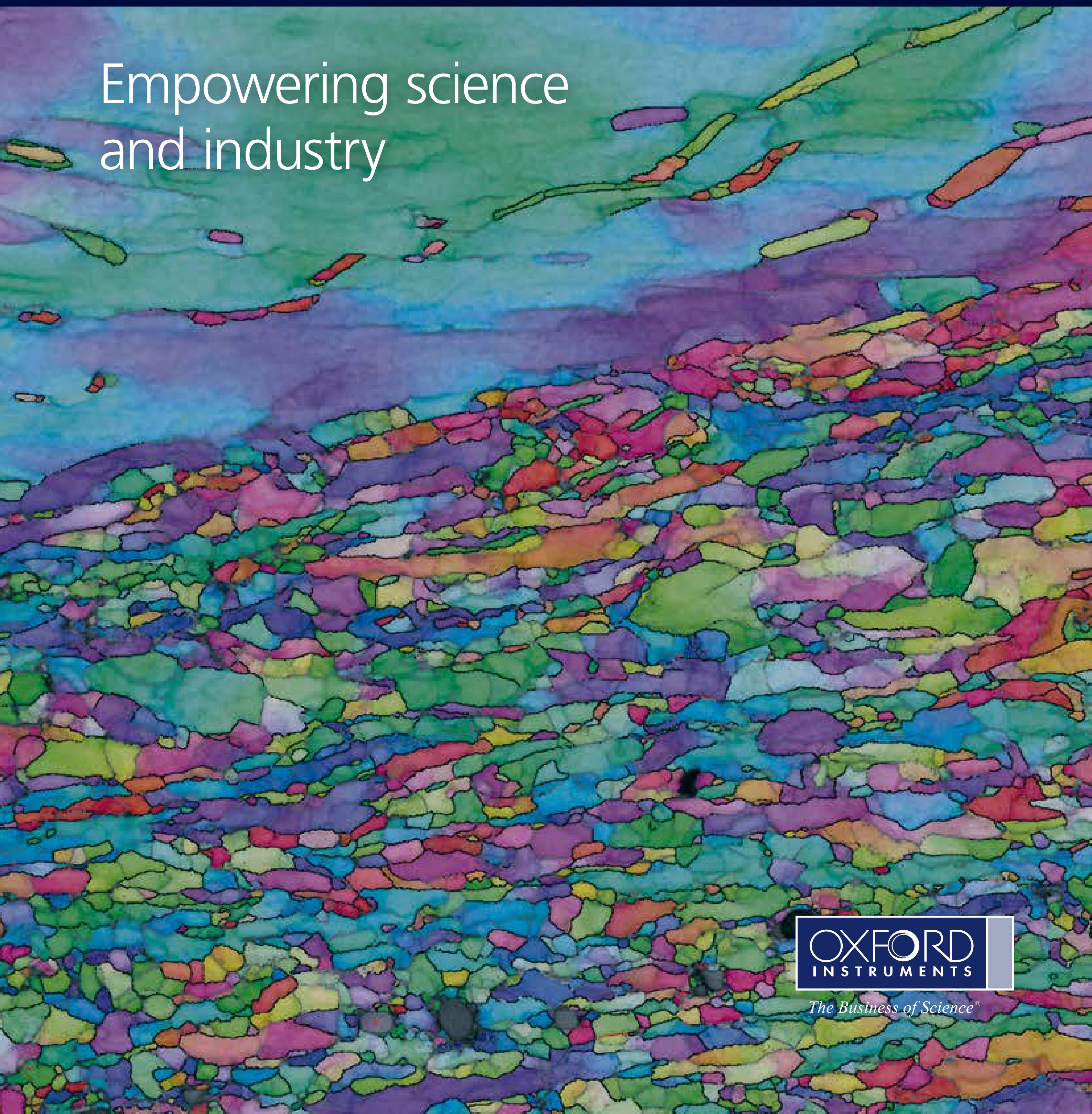
Oxford Instruments plc

Report and Financial Statements 2015

Empowering science and industry



OXFORD INSTRUMENTS

The Business of Science®

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

Cover image: A transmission Kikuchi diffraction orientation map of a deformed aluminium alloy, collected using the Oxford Instruments AZtec microanalysis system by Morgan Tort (Melbourne University) and Pat Trimby (The University of Sydney).

Chairman's Statement

"We have increased our investment in R&D to underpin future organic growth."

The Group delivered revenues of £386 million (2014: £360 million) and an adjusted profit before tax of £35.6 million (2014: £47.1 million). Whilst this was consistent with the guidance given in our January trading statement, it fell short of our expectations at the beginning of the year.

The outcome reflects a testing year for Oxford Instruments plc. In the first half of the year, despite overall increases in orders and revenues, progress was adversely impacted by weaker demand in Japan and tough trading conditions for our Plasma Technology business. We were therefore cautious about the outlook. As reported in our January trading update, in the second half we encountered a combination of headwinds that unexpectedly put our short term performance projections off-course. Three factors were primarily at play: the sudden tightening of trade sanctions for sales to Russia, a slower-than-expected recovery in Japanese markets, and weaker trading in our Industrial Analysis business.

In response to the downturn in trading conditions, we rapidly implemented a wide-ranging programme to bring our cost base in line with our trading environment and to secure efficiencies that will deliver a fast turnaround in our performance. I am pleased to report that as a consequence of these actions, we are on track to deliver a higher level of cost savings in the current financial year than we had previously anticipated.

Our team has rallied to the challenge and I want to thank all our staff for responding so vigorously and for retaining their enthusiasm and creativity despite the difficult conditions.

In addition to our focus on restructuring the Group, we have taken positive strategic steps that will help drive future growth.

We have increased our investment in R&D to underpin future organic growth. Since the year end, we have announced the acquisition of Medical Imaging Resources, and the formation of a joint venture between our Omicron business and Scienta Scientific AB.

During the year, we added new talent to our Board. Professor Sir Richard Friend joined the Board of Oxford Instruments on 1 September 2014. Richard brings with him strong technical capability and valuable contacts in the worldwide academic community. Professor Sir Mike Brady stood down from the Board on 9 September 2014 after serving as a Non-Executive Director since 1995. I would like to thank Mike for his immense contributions over many years and we welcome Richard to the Group.

The Directors are proposing a final dividend of 9.3 pence per share (2014: 9.04 pence), a 2.9% increase, bringing the total for the year to 13.0 pence (2014: 12.4 pence). This represents the fifth consecutive year of dividend growth.

With these strategic moves made and the streamlined cost base in place, the Group looks forward to a period of solid growth.

Nigel Keen
Chairman

05 **Our Chief Executive, Jonathan Flint, summarises our year on page 5**

At the forefront of technological innovation

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

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 nano scale

Industrial Products

Developing and manufacturing tools and components for industrial applications

Services

Supplying knowledgeable support services, training and refurbishment

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 magnetic resonance imaging (MRI) and computed tomography (CT) imaging equipment as well as new opportunities driven by the convergence of physics and biology.

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 and detection of hazardous substances in soil, agriculture and food.

Revenue from external customers by destination

The Group remains confident in the execution of our Nanotechnology strategy despite the challenges we faced this year.

The integration of Andor Technology continues to progress well, and we met our targets in the full first year of reporting. However, our Plasma Technology business suffered as a result of trade sanctions placed on exports to Russia during the year and the decrease in demand for High Brightness Light Emitting Diodes (HBLED). As a Group we have also been impacted by the slower-than-expected recovery in our Japanese markets. We have therefore accelerated a cost reduction programme in response to a downturn in trading conditions. This has resulted in the loss of approximately 160 staff, or 7% of our workforce, and the closure of 6 of our smaller sites. 2014/15 saw the completion of our service contract with Siemens that had run for 17 years. This contract will not be renewed. Despite this, we had a strong performance in our service sector and post period end completed the acquisition of service business Medical Imaging Resources (MIR), better placing us to capitalise on the opportunities that arise from the Affordable Healthcare Act in the USA. Also since year end we have formed an exciting joint venture between our Omicron business and Scienta Scientific AB to create the world's largest player in the highly specialised ultra high vacuum (UHV) surface science field. We continue to focus on our evolution strategy to produce the tools that can exploit the ongoing convergence of science.

A full discussion of our financial performance during the year can be found in the Financial Review.

Read more
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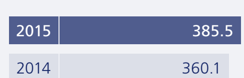
Highlights include:

- Orders grew by 13.0% to £386.6 million (2014: £342.2 million)
- Adjusted profit before tax* of £35.6 million (2014: £47.1 million), reflecting macro headwinds in Japan and Russia, and weaker trading than expected in Industrial Analysis
- Andor Technology acquisition has integrated well and is performing strongly
- Cost reduction programme accelerated and delivering greater than planned savings
- Investment in future organic growth: R&D spend increased to £35.2 million (2014: £27.9 million)
- Proactive portfolio management to deliver long term shareholder value: acquisition of MIR, joint venture to combine Oxford Instruments plc's Omicron business with Scienta Scientific AB

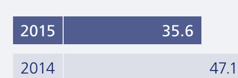
Revenue (£m)

£385.5m
+7.1%



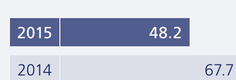
Adjusted profit before tax* (£m)

£35.6m
-24.4%



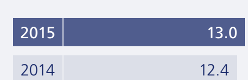
Adjusted earnings per share* (p)

48.2p
-28.8%



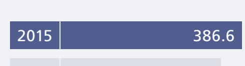
Dividend per share (p)

13.0p
+4.8%



Orders (£m)

£386.6m
+13%



* Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items are given in Note 1 of these financial statements.

We use innovation to turn our smart science into commercial tools and systems that analyse and manipulate matter at the nano scale.

Summary:

- Group orders grew by 13.0%. Reported sales grew by 7.1%
- We saw little revenue from Russia and in Japan, our forecast of market recovery has proved slower than expected
- The Group accelerated a wide-reaching cost reduction programme aimed at improving our long term efficiencies and margins
- On 1 May 2015 Oxford Instruments announced the acquisition of Medical Imaging Resources (MIR); on 28 May 2015, we announced a joint venture with Scienta Scientific AB

Jonathan Flint, Chief Executive

In the year, Group orders grew by 13.0%. On a constant currency organic basis, order intake was flat. Market conditions demonstrated a mixed picture around the world. In Europe, orders grew by 9.6%, supported by a strong contribution from Andor Technology. On a constant currency organic basis, European orders fell by 4.3%. In North America, where demand for our Nanotechnology Tools is particularly strong, we saw orders grow by 23.8%. On a constant currency organic basis, growth was 2.6%. In Asia, we saw order growth of 8.9% or 1.5% on a constant currency organic basis.

Reported sales grew by 7.1%. On a constant currency organic basis, sales fell by 5.4%. Part of this decline was due to the completion of the ITER contract in the previous year and the decline in the Siemens MRI service business explained in the Operations section. Excluding these one-off factors, underlying sales were 4.1% lower, reflecting in particular the issues in our Plasma Technology and Industrial Analysis businesses as described below, and weaker trading in Japan.

Developments in the second half

In Russia, we had anticipated that we would see increased revenues in the second half, as a number of large contracts were due for delivery. However, the delicate political situation in Russia led to an unexpected tightening of European Union export sanctions. This resulted in existing export licences being withdrawn and, as a consequence, previously booked orders had to be cancelled. It is currently unclear when further export licences will be approved. We saw little revenue from Russia during the second half and we have assumed no resumption in sales to Russia in the current year. This issue particularly affected our Plasma Technology business.

In Japan, our forecast of market recovery has proved slower than expected. While we have seen some pick up in the order run rate, this came too late to generate the level of sales forecast for the second half of the year.

In addition to these macroeconomic headwinds, and the anticipated impact of adverse currency movements throughout the year, we experienced weaker trading in our Industrial Analysis business. This is a short lead-time operation and sales in the second half fell short of expectations, partly due to a delay in introducing our new handheld X-ray fluorescence analysers, which did not start shipping until the end of the year.

"Our efficiency savings have been achieved whilst retaining the key skills that we need to drive future innovation and growth."

Developments in the second half continued

Recognising the weaker trading environment, the Group accelerated a wide-reaching cost reduction programme aimed at improving our long term efficiency and margins. This programme originally targeted cost savings of £6 million which were expected to flow through to operating profit from financial year 2015/16 onwards. Through a rigorous and targeted pursuit of efficiencies, the anticipated savings are now estimated to be in the region of £8 million in the current financial year. This has been achieved through structural changes which have been embedded in the cost base of our businesses. As a result, it should benefit our performance in the current financial year and beyond.

The headcount reduction has resulted in a loss of approximately 160 staff, representing 7% of our workforce. This has been achieved through a combination of voluntary and involuntary redundancies. Importantly, despite this level of restructuring, our efficiency savings have been achieved whilst retaining the key skills that we need to drive future innovation and growth.

The drive for efficiencies has also involved the closure of six of our smaller sites, to be completed by the half year: Mannheim, Germany; Cowfold, UK; Dallas, USA; one of our Tokyo sites; one of our sites in Taunusstein, Germany; and one of our sites in Beijing, China.

Strategic progress

Our focused efforts to restructure our cost base and drive through efficiencies have not distracted us from pursuing strategic actions that will deliver future growth and profitability. The Group has increased its spend on R&D to further exploit the opportunities that our technologies offer. Total cash spend on R&D in the year was £35.2 million or 9.1% of sales, up from 7.7% in the prior year.

In addition, since year end, the Group has announced an acquisition and a joint venture.

On 1 May 2015, Oxford Instruments announced the acquisition of Medical Imaging Resources Inc. (MIR). MIR specialises in the build, lease and service of mobile medical imaging labs. These labs are built in MIR's factory incorporating MRI and CT systems from Siemens, GE, Phillips and Toshiba. These mobile labs are leased to customers across the USA. Customers include hospitals and clinics that need additional capacity or wish to trial MRI or CT machines without committing to the infrastructure associated with a permanent unit. MIR forms a part of OI Healthcare, within the Group's Service sector, our business which already services GE MRI and CT machines in the USA.

On 28 May 2015, we announced a joint venture with Scienta Scientific AB in the area of surface science. The joint venture will see a combination of Oxford Instruments plc's Omicron business and Scienta's surface science business. The combined organisation will use the strength of each of the partners to better address the specialist high technology surface science market niche. The combination of key technologies from Omicron and Scienta will create the dominant player in this growing market segment. Combining the two businesses also creates a number of operational synergies. Oxford Instruments plc owns 47% of the joint organisation and has the right to appoint two of the five Board members.

Strategic direction

Across the world, people are focused on addressing the great challenges of the 21st Century. Constant advances are needed to keep pace with our rapidly evolving world. With finite resources, we need to achieve more with a dwindling supply of raw materials. Oxford Instruments plc offers the means for customers to address these challenges at the atomic and molecular level. We use innovation to turn our smart science into commercial tools and systems that analyse and manipulate matter at the nano scale.

The Andor iXon Ultra camera is a tool used in both the life and physical science arenas. Application areas include super-resolution microscopy and astronomy.

The continued expansion of our capabilities and expertise allows us to address our customers' needs in a wide variety of markets that have an interest in working at the very small scale.

Our staff deploy a high level of technical skill and deep understanding of technology trends to convert our intellectual property into new tools using the latest nanotechnology techniques. We enjoy a high Vitality Index measured by the proportion of revenues coming from products introduced in the last three years. This stands at 41%. Our Voice of the Customer programme constantly calibrates emerging customer requirements against available technology to ensure our R&D activities are focused on the most commercially attractive areas.

We adopt a business model whereby the Group sells tools to customers who wish to exploit the opportunities offered by nanotechnology. This model enables us to generate revenues from emerging industries which need to utilise nanotechnology without the Group incurring undue exposure to any one application or market. The Oxford Instruments plc brand is well recognised and valued, particularly in the research and academic communities.

Advances in information technology, new materials, imaging and quantum physics, have transformed physical science in recent years. Oxford Instruments plc is a leading tool provider for the advancement of physical science. These same advances are now beginning to transform the life sciences. Last year we announced the evolution of our strategy to exploit the current convergence of the sciences, especially at the nano scale, which is driving increased demand for nanotechnology tools. "Convergence" is an increasingly important aspect of scientific research where the merging of previously distinct areas of research and technology into a unified discipline creates new scientific and commercial opportunities. Convergence gives the Group an opportunity to take the technical tools and the disciplined design approach traditional to engineering and physics, and apply them to life science research. This provides the Group with an opportunity to access a new set of customers who are working at the molecular scale. Oxford Instruments' acquisitions of Asylum Research in 2012 and Andor Technology in 2014 support this strategy of extending our reach into analysis tools for nano-bio research.

Current trading and outlook

It has been a slow start in the first two months of the year; however we expect to see a return to organic growth in the remainder of the year as recently launched products and improved routes to market gain traction. This, together with the benefit of announced cost savings, means that our expectations for the current year are unchanged. The benefit of our leaner structure, ongoing cost savings and more favourable currency rates combined with our high gross margins offer the potential for a continuing improvement in our return on sales in the medium term.

Nanotechnology, applied to both the physical sciences and life sciences, will continue to yield long term structural growth in demand for high technology tools. Our strategy is focused on growing the business in our core markets of physical and materials science, and exploiting convergence to expand into life sciences.

Jonathan Flint
Chief Executive
9 June 2015

Our tools-based development model

Oxford Instruments 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

High technology tools and systems that analyse and manipulate matter at the nano scale

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

How it works:

New discoveries
To make better use of finite resources researchers and manufacturers are working at ever smaller scales and therefore require advanced nanotechnology tools.

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

Convergence
Through the convergence of the sciences, the tools traditional to engineering and physics can now be applied to life science research.

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.

Read more
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Tools for customers

Research: cutting-edge tools

In the research field our high technology products are used to advance the frontiers of science. 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 efficient production processes and innovative products.

Customer base

Support

We help our customers remain operational and give them peace of mind by offering maintenance service contracts, spare parts and refurbished systems.

Return on R&D investment

Recurring revenue

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

The key performance indicators are presented below:

Financial goal:

To deliver shareholder return through growth in turnover and margin.

Revenue growth (%)

2015	7.1
2014	2.7
2013	4.0
2012	28.6

Tracks our performance on our growth strategy

Net return on sales[1] (%)

2015	11.1
2014	14.0
2013	14.1
2012	12.5

Tracks our performance on our profitability strategy

Strategic priorities:

Liberating cash

Cash conversion from profit[2] (%)

2015	80.8
2014	51.1
2013	85.4
2012	110.5

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

Inventing the future

Proportion of revenue coming from products launched in the previous three years (%)

2015	41
2014	42
2013	41
2012	44

Measures the effectiveness of our R&D programmes

Realising the brand

Net Promoter Score®[3] (%)

2015	62
2014	66
2013	62
2012	64

Measures customer feedback

Adding personal value

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

2015	1.36
2014	1.51
2013	1.54
2012	1.49

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 Consolidated Statement of Income). Cash generated is calculated as adjusted operating profit plus depreciation on property, plant and equipment, and amortisation on research and development, minus capital expenditure on property, plant and equipment, and research and development, and adjusted for movements in working capital.

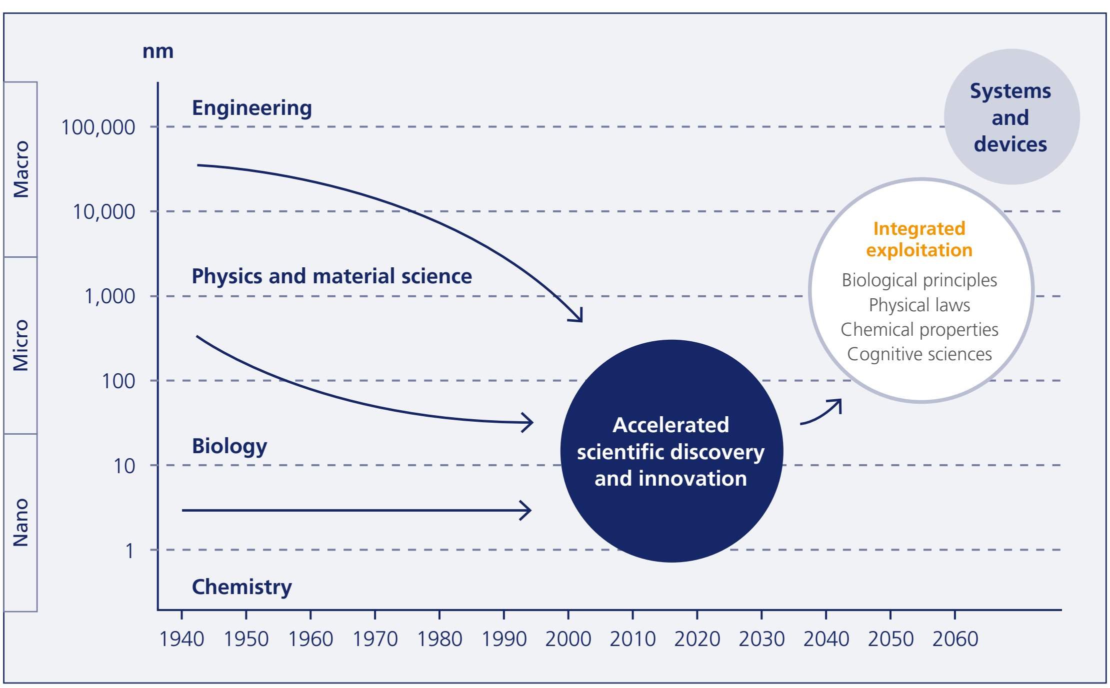
3 The Net Promoter Score is a metric which is compiled by asking customers whether they would recommend Oxford Instruments to a friend or colleague. Customers give a score between zero and ten. Those customers who score nine or ten are promoters, those customers who score seven or eight are neutral and 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 want to operate at the nano scale.

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. Oxford Instruments plc's acquisitions of Asylum Research in 2012 and Andor Technology in 2014 support this strategy of extending over reach into analysis tools for nano-bio research.

Nanotechnology has been our focus over the past five years and, as demand in this area has not slowed, we continue to look for exciting opportunities that will allow us to further strengthen our market presence. As a result of finite resources people are challenged to do more with less and to generate more value from the same raw materials; this is why nanotechnology continues to be so important. As a result, researchers are operating at the smaller scale, using tools that are more advanced; our aim is to ensure these are Oxford Instruments plc tools.



Oxford Instruments plc continues to provide tools to those wishing to explore new frontiers at the nano scale.

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 the ongoing convergence of the sciences. Four key themes underpin our plan for delivering on this strategy while maximising customer and shareholder value.

1 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 concentrated recruitment.

We focus on the following areas:

- Adaptability
- Engagement
- Calibre
- Skill

We benchmark staff engagement externally and measure our progress through regular employee surveys. Our most recent staff survey took place in January 2015. Our overall engagement score is 78%.

2 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

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 2015 Vitality Index is 41%.

3 Market development

We continue to focus on our strategy to grow organically and through strategic acquisition in both our existing physical science markets and by exploiting the current convergence of the sciences that is increasing the demand for nanotechnology tools.

Our goals are:

- To target fast growing markets
- To expand our portfolio of techniques
- To expand into attractive adjacent markets

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

4 Processes development

Continual improvements in our operational excellence forms an important 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. We build on the strong fundamentals of ISO standards to achieve organisational excellence and set ourselves apart from others.

We aim to:

- Promote a culture of continual improvement
- Establish a vision of business excellence

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 = (adjusted operating profit + employment costs)/employment costs. Our 2015 Value Add Index is 1.36.

Principal Risks and Uncertainties

Specific risk	Context	Risk	Possible impact
Technical risk	The Group provides high technology equipment and systems to its customers.	Failure of the advanced technologies applied by the Group to produce commercial products, capable of being manufactured and sold profitably.	Lower profitability and financial returns. Negative impact on the Group's reputation.
Economic environment	Government spend on R&D has been constrained.	Demand for the Group's products may be lower than anticipated.	Lower profitability and financial returns.
Acquisitions	Part of the growth of Oxford Instruments is planned to come from acquisitions which provide the Group with complementary technologies.	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.
Foreign exchange volatility	A significant proportion of the Group's profit is made in foreign currencies. Most costs are in Sterling.	The Group's profit levels are exposed to fluctuations in exchange rates.	Lower profitability and financial returns.
Outsourcing	The Group's strategic plan includes the outsourcing of a significantly higher proportion of the costs of its products to benefit from economies of scale and natural currency hedges.	Failures in the supply chain impacting sales.	Disruption to customers. Negative impact on the Group's reputation.
Pensions	The Group's calculated pension deficit is sensitive to changes in the actuarial assumptions.	Movements in the actuarial assumptions may have an appreciable effect on the reported pension deficit.	Additional cash required by the Group to fund the deficit. Reduction in net assets.
People	A number of the Group's employees are business critical.	The employee leaves the Group.	Lower profitability and financial returns.
Routes to market	In some instances the Group's products are components of higher level systems and thus the Group does not control its route to market.	The systems integrator switches supplier denying the Group's route to market.	Lower profitability and financial returns.

Associated strategic priorities	Mitigation
Realising the brand: Using "Voice of the Customer" to drive rapid new product development. **Liberate cash:** Supporting and developing 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.
Realising the brand: Developing a strong brand in existing and developing markets. **Delivering shareholder value:** Focusing on balanced and attractive global markets.	The Group has a broad spread of customers, applications and geographical markets.
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 and technical due diligence is undertaken by the Group during any acquisition programmes. Each transaction has a comprehensive post acquisition integration plan which is reviewed at the highest level.
Delivering shareholder value: Focusing 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.
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.
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.
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.
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.

Our Group reports in three sectors: Nanotechnology Tools, Industrial Products and Service.

Highlights

- Nanotechnology Tools benefited from the inclusion of a full year of Andor Technology.
- Improvements in our Industrial products portfolio and distribution network are now in place and cause us to be optimistic about future trading.
- Our Service sector continues to perform well in all territories.

Nanotechnology Tools

The Nanotechnology Tools sector produces our highest technology products primarily to research customers (85% of its revenues come from research and academia). 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 research field, our tools are used to advance the frontiers of science. We count many Nobel laureates amongst our customers.

This sector delivered a mixed performance in 2015, benefiting from the inclusion of a full year of Andor Technology, which has performed well, but suffering from trading difficulties at Plasma Technology as a result of the sanctions on exports to Russia, and a decrease in orders from Japan.

Our NanoAnalysis business produces leading-edge tools that enable materials characterisation and sample manipulation at the nano scale. Its products are used on electron microscopes and ion-beam systems in academic institutions and industrial applications including semiconductors, renewable energy, mining, metallurgy and forensics. We launched our new AZtec Feature tool providing a solution for in-factory analysis including cleanliness of high technology manufactured parts. Within AZtec we introduced improvements, beyond our already class-leading performance, for the analysis of low energy X-rays. This benefits research into biological and other fragile sample types that are studied at low microscope power to avoid sample damage. Record orders were received in America, while Europe also saw a performance improvement on last year. However, there was a reduction in orders in Japan and this impacted the full year results.

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. A number of key products were launched during the year that will continue to drive revenue. The iXon Ultra 888 is the most flexible high performance camera for those working in areas such as live cell imaging and super resolution microscopy. The sensitivity of the camera enables customers to image more detail in cell structures than ever before. This allows them to better understand such biological processes as cancer cell behaviour and the molecular mechanisms that go wrong in conditions such

Nanotechnology Tools headline figures

Revenue[1] (£m)

£211.2m
+16.9%

2015	211.2
2014	180.6

Operating profit (£m)

£20.7m
-2.4%

2015	20.7
2014	21.2

1 Underlying growth: -8.2%
excludes FX, acquisitions and completed contracts.

as Parkinson's or Alzheimer's diseases. Our customers continue to make scientific advancements using our products. Our world class Imaris software has recently been used by researchers to visualise how the Ebola virus infected cells, allowing scientists to try different potential treatments. In physical science, two iKon M cameras have made over one billion measurements of the most luminous objects in the universe, allowing scientists to identify previously undiscovered objects including stars and galaxies.

Asylum Research is the technology leader in atomic force and scanning probe microscopy for both materials and bioscience applications. Asylum Research saw good returns from two of our high performance atomic force microscopes (AFM): the Cypher and the MFP-3D Infinity. An AFM uses an ultra-fine stylus to mechanically image objects at the nano-scale. Orders for the Cypher are increasing as it offers market leading resolution at the atomic scale. There is also good traction for Infinity, which offers the most comprehensive selection of accessories for materials and life science research, making it an ideal tool for customers who want to use it for a variety of applications.

Plasma Technology provides processes and platforms to customers in research laboratories and specialised semi-conductor fabrication facilities who are developing new materials, nano-devices and products. The business experienced a challenging year, primarily due to the cancellation of orders to Russia. In addition there was continued weakness in the demand for High Brightness Light Emitting Diodes (HBLED). As a result we have refocused Plasma Technology on its core competence of designing tools for research into advanced materials and we have terminated certain product developments that were not in line with this strategy. This resulted in a restructuring cost (including write-offs of inventory, development costs and fixed assets) and enabled us to right-size the business. We continue to develop market leading solutions in the research markets. For example this year we introduced the NanoFab 1200 for the growth of graphene and other 2D materials. In the Specialised Production market, we introduced an enhanced deposition process for Power Semiconductor applications that will improve the performance of advanced semi-conductor devices.

NanoScience designs, manufactures and supports market-leading research tools that enable quantum technologies, new materials and device development in the physical sciences. Our latest product, the Optistat Dry, was designed for low temperature optical spectroscopy applications including device development for telecommunications. As it does not use costly liquid helium there has been particular interest in China and India, where the availability of helium and budget constraints can impact the extent of their research abilities. At a time when quantum computing is evolving rapidly, the launch of the Triton XL offers higher cooling powers and more sample space, allowing scientists to perform multiple operations in parallel, increasing the processing power of the devices. The recent advancements we have made with superconducting magnet systems include the development of novel methods for coil design, stored energy and quench management. With growing interest in graphene and other 2D material properties in ultra high magnetic fields, we are well placed as a world leader in such systems delivering significant reductions in running costs compared to traditional techniques which do not use these high power superconducting magnets.

Omicron Nanotechnology is a world leader in the specialised field of ultra-high vacuum (UHV) surface science, combining thin film deposition techniques with leading edge surface analysis techniques such as scanning probe microscopy and X-ray photoelectron spectroscopy (XPS). We have a strong position in the global academic research market, selling to leading universities from China to the USA. Customers are using our products to research into the properties of materials using ultra high vacuum to ensure extreme sample purity. The microscopes can image and move individual atoms, allowing the observation and manufacture of nanostructures and this is used in applications such as research into next generation computer storage and processing devices.

Post period end, we announced a joint venture to merge Omicron with Scienta Scientific AB, creating the largest player in the growing UHV surface science market. The joint venture provides excellent opportunities to enhance product development, cut production costs and broaden the product range, whilst extending market reach and strengthening customer relationships.

Industrial Products

Our Industrial Products sector sells more mature, though still technically advanced, products primarily to industrial customers (59% of its revenues come from industrial customers). 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.

Revenues were lower than last year as a result of the successful completion of the ITER order which produced revenues of £3 million in the first quarter of 2014. In addition, the launch of the new, premium priced X-MET8000 handheld analyser came late in the year and could not therefore compensate for falling sales of our preceding product, which had encountered increased market competition.

Industrial Analysis designs and sells a range of spectrometers for industrial markets. The recently launched X-MET8000 supports the regulatory compliance screening of consumer goods. It will help our customers prevent costly rejects, identifying hazardous elements before they enter the manufacturing process. A new distribution network has been established in North America to better reach and support the market and there has been additional focus on building the distribution channels in China. The integration of the two acquisitions made in the prior year, RMG and Roentgenanalytik, is near completion. Production of the revolutionary mPulse LIBS analyser, which uses a laser to cost effectively identify materials, is now proceeding well after an extensive period of production engineering. The Maxxi 6, a new tool for coating thickness measurement and materials analysis, was released in early 2015 and is the first fully developed product to result from our Roentgenanalytik acquisition. Whilst these improvements in product portfolio and distribution network are now in place and cause us to be optimistic about future trading, their implementation happened late in the year and as a result the Industrial Analysis business under-performed against its objectives for the year as a whole.

Industrial Components comprises our Superconducting Wire, Austin Scientific and X-ray Technology businesses. The Industrial Components division experienced a mixed year. In our Superconducting Wire business the demand for wire for MRI scanners continued to be steady. The successful completion of the ITER order in the first quarter of 2014 meant that revenues were lower than in the previous year. There was continued success internationally, with diversification in China to work with new customers who have developed MRI capabilities. X-ray Technology continues to be successful, but it was a difficult year for our Austin Scientific business with a key customer, GTAT, filing for protection from its creditors under Chapter 11 in the USA.

The X-MET8000 series of handheld X-ray fluorescence (XRF) analysers deliver the speed and performance required in even the most demanding applications. This includes mining and regulatory compliance screening.

Industrial Products headline figures

Revenue[1] (£m)

£107.1m
-6.6%

2015	107.1
2014	114.7

Operating profit (£m)

£6.3m
-59.6%

2015	6.3
2014	15.6

1 Underlying growth: -4.1% excludes FX, acquisitions and completed contracts.

Service

The Service sector comprises the Group's maintenance service contracts, spare part sales of Oxford Instruments plc equipment and the servicing of third party MRI and CT machines, under the Oxford Instruments Healthcare brand. The complexity and uniqueness of our products mean our customers increasingly purchase multi-year service contracts. This sector performed well. A good performance in the USA was driven largely by the ongoing success of our MRI and CT scanner servicing business. There was also an increase in refurbished turnkey systems and spare parts. However, this year saw the completion of our nationwide maintenance contract with Siemens (c. £4 million revenue in 2014/15) after 17 years and this will not be renewed. While business remains strong in Japan, with an increase in billable servicing and spare part sales, the negative impact of the exchange rate is reflected in the revenue reported. Our service business in China experienced a strong year. Elsewhere, Andor Technology contributed to the ongoing success of the sector in its first full year of reporting. Post period end we successfully completed the acquisition of Medical Imaging Resources (MIR), which specialises in the build, lease and service of mobile MRI, CT and PET-CT. MIR will become part of Oxford Instruments Healthcare and positions us well to maximise the opportunities made available to us through the Affordable Healthcare Act, which seeks to provide more cost effective healthcare solutions in the USA.

People

During the year, some of our valued friends and colleagues left the Group as part of the cost reduction programme. In order to hear from our staff about how these changes have affected them, our Management Board has been taking part in a number of listening sessions with our staff around the world. These small group discussions have proved beneficial for us all, allowing us to communicate the Oxford Instruments strategy and discuss suggestions for the future. This has resulted in a number of actions that support the continued engagement of our people and will further drive the business forward.

We are now focused on rebuilding the momentum in our business and taking advantage of the many exciting opportunities in our markets. Our people remain the most important part of our differentiation and innovation that is so valued by our customers. The Board thanks everyone for their hard work and effort during what has been a challenging year and recognises the valuable contribution all our staff have made, and continue to make, to our ongoing success.

Service sector headline figures

Revenue[1] (£m)

£68.6m
+3.3%

2015	68.6
2014	66.4

Operating profit (£m)

£15.7m
+16.3%

2015	15.7
2014	13.5

1 Underlying growth: 7.1% excludes FX, acquisitions and completed contracts.

Financial Review

Kevin Boyd, Group Finance Director

Trading performance

Orders in the period were up 13.0% to £386.6 million (2014: £342.2 million). Including inter-segment trade, the split between sectors was: Nanotechnology Tools £213.1 million, up 28.1%; Industrial Products £105.5 million, down 4.1%; and Service £69.2 million, up 2.5%. At the end of the year the Group order book for future deliveries stood at £125.9 million (2014: £126.1 million).

Revenues in the year grew by 7.1% to £385.5 million (2014: £360.1 million). The increase in revenues due to acquisitions made in 2013/14 was £54.8 million. Adverse foreign currency exchange rate movements reduced reported sales by £10.7 million.

In Nanotechnology Tools, revenues grew 16.9% as a result of a full year's contribution from Andor Technology, an acquisition made in January 2014. On a constant currency organic basis revenues fell by 8.2% due primarily to a decline in our NanoAnalysis business in Japan and a marked decline, particularly in Russia, for our Plasma Technology business.

In Industrial Products, revenues reduced by 6.6%. Part of this decline was due to the completion of the ITER contract in the first quarter of the previous year. Excluding ITER, foreign exchange effects and the growth in sales from the RMG and Roentgenanalytik acquisitions that were made in the third quarter of the previous year, sales fell by 4.1%. This was due to increased competition in the hand held XRF market where our outgoing X-MET7000 range struggled against newer models from competitors and a steady market for superconducting wire for MRI applications.

Service revenues increased by 3.3%. This was despite a £2.0 million decline in our business that services Siemens MRI machines in North America. We believe that this business, which had sales of approximately £4.0 million in 2014/15, will cease in 2015/16. Excluding the Siemens effect, foreign

Adjusting items

The Directors believe that adjusted profit before tax gives a clearer indication of the underlying performance of the business. A reconciliation of reported profit before tax to adjusted profit before tax is given below:

	2015 £m	2014 £m
(Loss)/profit before income tax	**(9.7)**	24.0
Reversal of acquisition-related fair value adjustments to inventory	**0.2**	3.7
Acquisition-related costs	**2.2**	7.8
Restructuring costs	**9.9**	—
Amortisation and impairment of acquired intangibles	**21.7**	14.7
Contingent consideration – further amount deemed payable	**6.8**	—
Contingent consideration deemed no longer payable	**(1.4)**	—
Unwind of discount in respect of contingent consideration	**1.1**	0.9
Mark to market loss/(gain) in respect of derivative financial instruments	**4.8**	(4.1)
Settlement loss on US pension scheme	**—**	0.1
Adjusted profit before income tax	**35.6**	47.1
Share of taxation	**(8.1)**	(8.7)
Adjusted profit for the year	**27.5**	38.4

exchange and acquisitions we saw underlying growth of 7.1%. This was due to good growth in the servicing of Oxford Instruments' equipment in Asia and the continued growth of OIHealthcare.

Adjusted Group gross margins reduced from 45.4% to 44.4% due to adverse currency movements and the operational gearing effect of reduced sales in Plasma Technology and Industrial Analysis.

Adjusted operating expenses rose by £16.3 million reflecting an increase of £20.0 million spend due to the inclusion of the acquired businesses, a £2.7 million benefit from foreign exchange rate movements and a saving of £1.0 million in underlying costs.

Adjusted operating profit decreased from £50.3 million to £42.7 million which equates to an adjusted operating profit margin of 11.1% (2014: 14.1%). The interest charge increased to £7.1 million (2014: £3.2 million) primarily as a result of the increased debt due to the Andor acquisition in the prior year. As a result adjusted profit before tax fell from £47.1 million to £35.6 million. This compares with a reported loss before tax of £9.7 million (2014: profit of 24.0 million). The adjusting items table on page 20 provides reconciliation.

Financial income and expenditure

Within financial income and expenditure, the cost of interest on loans and overdrafts and the commitment fee for our revolving credit facility, offset by deposit interest, rose to £5.2 million (2014: £1.2 million) due to the increased borrowing that financed the Andor Technology acquisition. The interest charge on net pension scheme liabilities was £1.9 million, in line with the prior year.

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

In common with a number of other companies, the Group has decided that the additional costs of meeting the extensive documentation requirements of IAS 39 to apply hedge accounting to these foreign exchange hedges cannot be justified. Accordingly the Group does not use hedge accounting for these derivatives.

Net movements on marking to market such derivatives at the balance sheet date are disclosed in the Consolidated Statement of Income as financial expenditure and excluded from our calculation of adjusted profit before tax (Note 1). The mark to market loss in respect of derivative financial instruments was £4.8 million (2014: £4.1 million gain).

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

Taxation

The Group's weighted average statutory tax rate was 30% (2014: 29%). The underlying rate on the profit before tax for the Group before adjusting items was 23% (2014: 18%). This difference is due to prior year adjustments, tax incentives relating to income earned from technology assets and manufacturing activities and tax efficient financing.

In the year ended March 2011, due to the improved performance of the Group's UK businesses, we recognised a deferred tax asset of £11.3 million in respect of brought forward tax losses in the UK and a corresponding credit to the Consolidated Statement of Income. We believe that this was exceptional both in nature and quantum and therefore excluded it from our calculation of adjusted earnings per share. In order to be consistent we have, over time, excluded the reversal of this asset from the calculation of adjusted earnings per share. During the current year as a result of the restructuring the Group made a loss in the UK before tax. Consequently no part of the deferred tax asset reversed during 2015. We now expect the final £1.2 million to reverse in the year ending 31 March 2016.

Earnings

After a tax credit of £3.4 million (2014: charge of £5.8 million), the reported net loss for the financial year was £6.3 million (2014: profit of £18.2 million). With a weighted average number of shares of 57.1 million (2014: 56.8 million), the reported basic earnings per share were (11.1) pence (2014: 32.1 pence).

Adjusted profit before tax (Note 1) fell by £11.5 million to £35.6 million which equates to adjusted earnings per share of 48.2 pence (2014: 67.7 pence).

Dividends

In 2011 the Group moved to a progressive dividend policy, whereby we seek to raise dividends as adjusted earnings per share rise, although not necessarily in the same proportion. In recommending the dividend, the Directors take account of the perceived need for cash to expand the business both organically and through acquisition. For the year just ended, the proposed final dividend of 9.3 pence per share (2014: 9.04 pence), payable on 22 October 2015 to Shareholders who are on the register on 25 September 2015, gives a total dividend for the year of 13.0 pence per share (2014: 12.4 pence). Dividend cover for the underlying business before adjusting items was 3.7 times (2014: 5.5 times).

Investment in research and development (R&D)

Total cash spend on R&D in the year was £35.2 million or 9.1% of sales (2014: £27.9 million, 7.7%).

A reconciliation between the amounts charged to the Consolidated Statement of Income and the cash spent is given below:

	2015 £m	2014 £m
R&D expense charged to the Consolidated Statement of Income	**30.8**	25.1
Less: depreciation of R&D related fixed assets	**(0.9)**	(0.8)
Add: amounts capitalised as fixed assets	**2.0**	2.1
Less: amortisation of R&D costs capitalised as intangibles	**(4.7)**	(3.9)
Add: amounts capitalised as intangible assets	**8.0**	5.4
Total cash spent on R&D during the year	**35.2**	27.9

The net book value of capitalised development costs at the end of the financial year was £16.1 million (2014: £14.1 million).

Balance sheet

Net assets fell from £140.2 million to £125.5 million in the year.

Net working capital (excluding derivative financial instruments, contingent consideration and tax payable/receivable) fell from £41.0 million to £37.1 million.

Inventory turns increased by 0.1 to 3.0 while debtor days increased from 45 days to 52 days.

Net debt at the year end was £118.9 million (2014:£124.3 million). During the year the Group renegotiated its committed revolving credit facility to extend the tenor of the facility by just over a year to February 2020. At the same time the Group increased the amount of the facility to include a US Dollar tranche totalling $37 million.

In addition to the revolving credit facility which totals £100 million plus US$37 million, the Group has a £44.5 million fixed rate loan from Pricoa Capital which matures in 2021 and a £25.0 million fixed rate loan from the European Investment Bank that matures in 2020. The Group has overdraft facilities totalling £16.3 million.

We continue to operate well within our banking covenants. Debt covenants are net debt/EBITDA less than 3.5 (until and including 31 March 2016), 3.0 thereafter and EBITDA/debt interest greater than 4.0 for the year under review, net debt/EBITDA was 2.3 and EBITDA/debt interest was 10.0.

Acquisitions and disposals

Post year end, on 1 May 2015, the Group acquired Medical Imaging Resources, Inc. (MIR), a US company specialising in the build, lease and service of mobile medical imaging labs. Consideration comprised an initial $10.4 million (c. £6.7 million) plus a further $10.1 million (c. £6.5 million) earn-out payment, payable one year later. MIR had $3.0 million (c. £2.0 million) net debt at completion.

MIR will form a part of OIHealthcare, within the Group's Service sector. The acquisition was funded from existing facilities.

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 plc's Omicron Nanotechnology GmbH and GDI's Scienta Scientific AB.

In consideration for new shares in Scienta, Oxford Instruments plc has transferred all of its shares in the capital of Omicron to Scienta. Oxford Instruments holds a 47% interest in the share capital of Scienta and GDI holds 53%.

In the 12 months to 31 March 2014, Omicron generated revenue of £28.5 million and a loss before tax of £0.6 million. Scienta generated revenue of SEK279 million (approximately £24.6 million) and a profit before tax of SEK25 million (approximately £2.2 million). Oxford Instruments has provided a term loan of SEK40 million (approximately £3.1 million) to the joint venture. The transaction will result in no profit or loss on the carrying value of Omicron for Oxford Instruments.

Pensions

The Group has defined benefit pension schemes in the UK and the USA. Both have been closed to new entrants since 2001 and closed to future accrual from July 2010. The total deficit, before tax, under IAS 19 on these pension schemes grew in the year by £7.2 million to £53.5 million. There is a corresponding deferred tax asset of £11.2 million.

Assets of the schemes at 31 March 2015 were £238.6 million (2014: £196.6 million), while liabilities increased from £242.9 million to £292.1 million.

The latest triennial actuarial valuation of the UK scheme was carried out as at 31 March 2012 and resulted in an actuarial deficit of £48.8 million. A long-term plan for recovering the deficit over eight years has been agreed between the Company and the Pension Trustee. Under the deficit recovery plan, payments will increase for the three years to March 2015 by the greater of 10% or the percentage increase in dividend per share. Thereafter, the payment will increase by 3.05% per annum. The payment in 2014/15, the third year of the new plan, was £6.3 million. An actuarial valuation as at 31 March 2015 will be carried out in the current year.

Cash

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 10.5% to £53.0 million. There was a working capital outflow of £5.1 million.

Cash generated from operations was £38.9 million (2014: £28.4 million). The ratio of operating cash to operating profit, which is one of our key performance indicators, was 80.8% (2014: 51.1%).

Employees

The average number of people employed during the year was 2,420, an increase of 370 over the prior year, due primarily to the inclusion of Andor Technology in the Group for the full year.

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 and Strategy and Operations sections. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in this Financial Review.

The diverse nature of the Group, combined with its 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 enquiries, that the Group has adequate resources to continue in operational existence for the foreseeable future.

Forward-looking statements

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

Restructuring

In January 2015 the Group announced that it was embarking on a restructuring programme to reduce its cost base. The programme included a number of redundancies, the closure of six sites across the Group and the costs of Plasma Technology exiting the high volume production semiconductor market. The costs of the programme are recognised as non-recurring adjusting items as summarised below:

	2014/15 £m	2015/16 £m	Total £m
Consolidated Statement of Income	**9.9**	1.4	11.3
Cash	**1.2**	7.4	8.6

The savings as a result of the programme are expected to be £8.0 million in 2015/16.

We are committed to the following guiding principles of corporate responsibility:

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

Oxford Instruments' brand and reputation are some of its key assets. As a leading supplier of high technology tools and systems we set ourselves the highest standards of integrity, personal conduct and fairness.

We believe that it is important for a sustainable business to focus on the needs of employees, customers and other stakeholders through shared goals and trusted relationships.

While the Group is accountable to our Shareholders, we take into account the interest of all our stakeholders, including our employees, our customers and our suppliers, as well as the local communities and environments in which we operate.

Our stakeholders

Investors

In line with stock exchange and other relevant requirements, the Group ensures that investors receive regular and transparent communications on all matters that are material to an understanding of the performance and future prospects of the organisation. It aims to protect investors' funds, and manage risks appropriately.

The Chief Executive and Group Finance Director allocate a significant proportion of their time to investor meetings, and host regular site visits for both analysts and investors. In 2014/15, interaction with investors increased with site visits, one to one meetings and telephone conferencing. Of particular note was a site visit to newly acquired Andor Technology in Belfast in September 2014.

The Investor pages of the Oxford Instruments plc website provide a comprehensive overview of the Group (www.oxford-instruments.com/investors).

Customers

Oxford Instruments plc believes that effective customer relationships are built on mutual trust, respect and integrity, and that this principle should govern all aspects of the business. We seek to be honest and fair in our relationships and provide the standards of product and service that are expected. We also focus on the safety and quality of our products and services.

The continued focus on the "Voice of the Customer" in any new product introduction or current product development helps put customer needs are at the core of our business.

Our values

Inclusive

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

Innovative and progressive

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

Trusted

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

Wholehearted

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

The success of new products introduced in 2014/15 supports this focus. The percentage of revenue that is made up of products launched or acquired in the last three years is a key indicator of the vitality of our new product development and was at 41% for the financial year 2014/15.

Externally, the Group makes extensive use of social media platforms to keep all stakeholders, and the media, up to date and informed of news, product launches and events. The Group websites are mobile responsive.

Employees

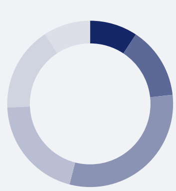
Our highly skilled employees are vital to our continued growth and success. We aim to provide careers, opportunities and working environments in which our people can achieve their potential. We do this through safe, modern working environments, recognition of the value of culture and diversity, managing and developing talent, employee incentive and engagement activities, and regular, informative, two-way communication.

Training and development

The Maximising Potential programme initiated in 2014 has been running very successfully, with a strong focus on developing high potential people identified throughout Oxford Instruments plc. Recognising the different training needs of our staff internationally we have tailored our global training to offer bespoke management development programmes in the USA and China. Highlighting the positive impact our focus on training has had, nearly three-quarters of our staff told us in our recent employee survey that they are confident they will receive training if a need is identified. We have also seen an increase in the number of employees who felt their managers communicated difficult information well, demonstrating the skills our managers have developed throughout their training. We continue to focus on developing high potential technical and people leaders at all levels in the business.

Highest qualification achieved by employees (%)

PhD	9.28
Masters	13.98
Degree	30.75
Diploma	20.30
Vocational	16.49
School	9.20



* Based on an employee population of 1,359.

Management Development Programme
Strengthening the core skills of management

17 separate MDP groups up to 2014/15

8% of staff (190)

11% promoted after completing course

Senior Leadership Programme
Encouraging collaborative and transformative leadership to drive growth

Five courses since introduction in June 2013

48 senior leads have completed the course

Diversity and inclusion

We believe diversity promotes innovation and effective decision making. The Group's aim is to ensure there are equal opportunities for all employees and that we create an inclusive culture where differences are valued and people are given the environment in which they can do their best work. Decisions regarding recruitment, selection and access to training and promotion are based on merit. 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, Group Service Director. Dawn has been responsible for leading a full programme of diversity and inclusion awareness and engagement sessions to all parts of the business. We have embedded diversity and cross cultural awareness in our Group-wide development programmes, fostering a shared understanding of our position and ambitions in regard to developing our diverse global talent pool. The Group has a proud track record of encouraging flexible working. Our recent employee survey reflects our efforts with the majority of our staff recognising our commitment to treating employees equally.

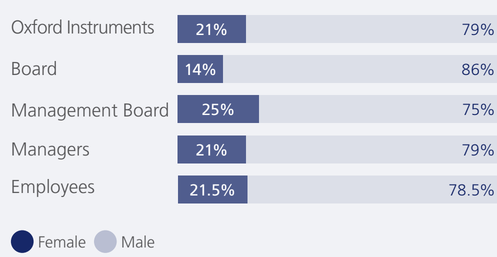
Our stakeholders continued

Employees continued

Diversity and inclusion *continued*

Our Management Board, which is responsible for delivering the Group's strategy, consists of six male directors and two female directors. Oxford Instruments is actively engaged with the BIS Women on Boards initiative. Claire Flint, Group HR and Brand Director, participates on the National Nuclear Laboratory Board as part of the Government's Women on Boards Future Directors programme. Dawn Brooks is also supporting BIS as an inspirational speaker at government events, for example a Ministerial Recognition Event for Further Education and Sixth Form College Chairs. Dawn has also contributed to a recent BIS publication, Inspirational Women in Business. We wish to continue our focus on developing an organisation which mirrors the diversity of our customers and employees globally. Our aim over the next year will be that at the end of that time, each level of Executive Management continues to reflect approximately the same gender balance as exists in the Company overall.

Workforce gender diversity



Communication

We recognise that information about business strategy and performance, and regular opportunities for a two way dialogue with our employees are important and this is reflected in the way we communicate with our people. We have a regular communications programme that informs all employees on strategy, divisional and Group business performance, operational changes and initiatives, as well as examples of best practice and success stories. Employees can access our intranet to obtain this and other general information on the Group, and we make use of video, blogs and Company meetings where appropriate. We invite feedback and suggestions at every opportunity and we listen and act on their feedback.

The engagement of our employees is a leading indicator of being a great place to work and we use an employee engagement survey to measure our progress. Our most recent Group-wide survey was undertaken in January 2015, prior to the trading update of 22 January 2015 and subsequent cost reduction programme. The survey questions covered a wide spectrum of the work experience at Oxford Instruments and therefore the majority of the feedback is still relevant after this programme. We also conducted a series of Group-wide listening sessions in April 2015. All employees were given an opportunity to put questions and ideas to a member of the Management Board. This was used to update the views provided in the employee survey. The final results of the survey and listening sessions will be fed back to our employees.

Voice of the Customer case study

At Oxford Instruments plc we recognise the importance of learning what our customers need, want and expect from our products. During the development of our new Cryofree cryostat for optical spectroscopy applications, such as device development and the development of new semiconductor materials, we used Voice of the Customer (VOC) throughout.

At the start of our project we undertook an online questionnaire to help identify our target segments within the spectroscopy market. This also gave us some initial guidance on what our product offerings might need to be.

We undertook more detailed VOC interviews with a large number of customers to help develop the market requirement specification, which defined the key features and benefits they required from these products. We also gathered further feedback from a smaller number of customers during the beta testing stage and built this into the design of the final production version of our new Optistat Dry product.

The Optistat Dry is the most user-friendly, easy to set up instrument available on the market. It allows low temperature spectroscopy down to 3 Kelvin without using inconvenient and expensive liquid cryogens. Since the launch of this product customer feedback has been extremely positive and we have already taken many orders for the cryostats.

Introducing OptistatDry

The overall results show positive responses in the following areas:

- Oxford Instruments plc's commitment to treating employees equally;
- employees' feelings of accountability for what they do and achieve;
- employees' sense that their jobs are important and worthwhile; and
- employees' desire for career progression within Oxford Instruments.

However

- Understanding the business strategy was lower than in the previous survey at 67%. The senior management team will be focusing on providing more clarity and accessibility to this for all staff.

Feedback groups met in May 2015 to put together action plans and we will conduct pulse surveys over the coming months to track our progress.

Reward and recognition

The Group believes it is important that our highly skilled and educated workforce receive a share in the success of the business. In addition to the regular management bonus and sales commission schemes, we operate a Gain Share scheme for all non-management employees. This plan is linked to achievement of our strategy and aligns employees' interest with that of our Shareholders. In addition, through our Extra Intranet site, we offer employees extra benefits such as discounts on certain local activities, merchandise, insurance, and health and dental cover.

Generally, employees are encouraged to suggest ways to improve performance and efficiency. Local reward and recognition schemes exist to support this.

Suppliers/partners

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

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

Local communities

We encourage our local businesses to support their communities through charity and community activities.

The Group also sponsors a number of international and national science based awards and events including the prestigious Sir Martin Wood Prize through the Millennium Science Forum in Japan, which was presented in 2014 to Dr Masamitsu Hayashi for his work in effective field measurements and spin torque dynamics in magnetic nanostructures. A new award recognising young nanotechnology scientists was launched in India during 2014. The recipient was Prof Arindam Ghosh, who was presented with his prize in April 2015 in recognition of his outstanding contribution to nanoscience in India and for his research on nano scale materials.

Ethics

We work ethically, openly, responsibly and inclusively. We strive for maximum transparency; do not tolerate any form of bribery, corruption or fraud and do not make political donations. We have in place a Business Conduct and Ethics Code, which all employees are made aware of at the time of joining the Company and through subsequent exposure on the Company intranet and corporate website.

Graduate programme case study

Tuomas Pylkkänen started on the graduate programme not long after joining Oxford Instruments plc as an XRF scientist in Finland. Initially only expecting lectures about business fundamentals, he was pleasantly surprised by the strong focus on people skills. The programme offered Tuomas exposure to different functions in the business, building his understanding about how the Company works and where his role fits in.

As part of the programme, Tuomas had the opportunity to come to the UK on secondment to NanoAnalysis. This allowed him to gain practical project management and communication skills, but he also felt it improved his confidence and motivation, giving him an appreciation of the differences in working cultures between the UK and Finland.

Towards the end of the graduate programme, Tuomas was promoted to a technical team leader role. He feels the skills he learned on the programme helped him achieve this promotion. Tuomas found the programme to be much more valuable than he first anticipated and has learned the people across the businesses are ultimately motivated by the same things; to use the best technology and processes to make great products for our customers.

Tuomas Pylkkänen

Ethics continued

We have a zero tolerance attitude towards bribery and corruption and 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.

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

Health, safety and environment

Health and Safety within Oxford Instruments plc is managed at the Executive level by Charles Holroyd, Group Business Development Director, who is assisted by the Group Health, Safety and Environment Manager, Dave Wales. Each 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.

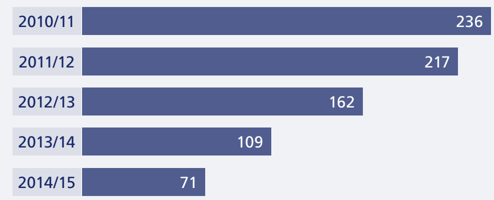
Accidents reduced for the fifth consecutive year

There has again been substantial progress on reducing accidents within the Group. In 2014/15 we reduced the total number of accidents to 71, a 35% reduction on the previous year.

Globally there were two serious accidents reported during the year. This marks a 50% reduction on the previous year. For reporting purposes, global serious accidents were normalised using the UK definition of over seven days' absence from work.

As a result of our sustained focus on health and safety issues, we have reduced accidents by 67% from 217 in 2011 to 71 in 2015. We have been particularly successful at our Oxford Superconducting Technology site, as detailed in the case study below.

Total accidents 2010/15



Environment

Our environmental priorities are the efficient use of energy and waste minimisation, and we seek to continuously improve these areas. Each business has an Energy Champion responsible for the day-to-day issues of environmental compliance and energy management. This includes the monitoring of energy use, waste streams, recycling and emissions to air, water and land.

- The total global consumption of energy during the year fell to 58.34 MWh/£million of revenue from 60.79 MWh/£million in the previous year, this is a reduction of 4.3% against a reduction target of 3.0%.
- In accordance with our Energy and Environmental Policies the business is committed to improving its efficiency in relation to energy use and we are investing in energy reducing technologies such as upgrading some sites to low energy LED lighting.
- Oxford Instruments plc is a full participant in the UK Carbon Reduction Commitment Energy Efficiency Scheme (CRC) and purchases carbon allowances to cover its UK energy use when necessary. We have forward purchased carbon allowances to cover our 2014/15 UK emissions, which totalled 4,066 tonnes of CO_2. These will be surrendered in September 2015 to settle our obligations to the CRC.

Oxford Superconducting Technology case study

Our Oxford Superconducting Technology (OST) site produces superconducting wire, which is used in MRI scanners; the wire has also been supplied to the ITER project in Europe, which is researching into nuclear fusion.

Three years ago OST had a problem with the number of accidents that were occurring within the site. The Senior Management team was reorganised and a Health and Safety Director appointed. This prompted the formation of a Health and Safety Management Team who were tasked with focusing on the safe working practices at the site and they implemented a program of Job Safety Analysis for all hazardous tasks within the production process. In addition to the Job Safety Analysis the team encouraged the employees to record every near miss that occurred in order to try and prevent them turning into accidents. They changed the "near miss" classification to "near hits".

The results of the increased focus and extra work were dramatic. The total number of accidents reduced from 80 in 2011/12 to just nine in 2014/15; this is a terrific performance by the team and all employees.

In addition to the above, the team was successful in gaining certification to the OHSAS18001 Health and Safety Management System Standard.

- Oxford Instruments plc also measures the energy equivalent of employee air travel for the UK and USA operations. During the 2014/15 financial year UK and USA air travel equated to 2,302 tCO_2e.
- The Group complies with all legislation in countries where we operate 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.

Greenhouse gas reporting

As part of the UK Companies Act 2006 (Strategic Report and Directors' reports) Regulations 2013, Oxford Instruments plc has a mandatory duty to report greenhouse gas emissions.

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

Summary

We will maintain the focus on corporate social responsibility in the way we run Oxford Instruments plc. 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.

Jonathan Flint
Chief Executive
9 June 2015

Greenhouse Gas (GHG) emissions

Oxford Instruments plc is a global business with operations in many parts of the world and has been monitoring energy use and carbon emissions since 2008. Emissions from 26 of the Company's sites are monitored and are reported on below; 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 been omitted from the figures.

Emissions

Emissions from purchased electricity, emissions from fuel burned on site for heating or process purposes (gas and oil) and fugitive emissions from process gases are reported in tonnes of carbon dioxide equivalent (tCO_2e).

Region	Purchased electricity	Secondary fuel	Fugitive emissions	Total
UK	3,775	444	—	**4,219**
North America	3,673	445	—	**4,118**
Europe	388	70	—	**458**
Asia	240	—	—	**240**
Total	**8,076**	**959**	**—**	**9,035**

Intensity ratio

The Company's declared intensity ratio for Greenhouse Gas Reporting is tonnes of CO_2 equivalent (tCO_2e) per £million of revenue. With revenues for the year at £385.6 million and total declared carbon dioxide equivalent of 9,035 tonnes, this gives an intensity ratio as follows:

$$\frac{tCO_2e}{\text{Revenue}} = 23.43\ tCO_2e\ /\text{£million revenue}$$

Board of Directors

Nigel Keen
Non-Executive Chairman

Appointed to the Board
February 1999

Committee membership
Nomination, Chairman
Remuneration

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

External appointments
Chairman of:
Bioquell Plc
Deltex Medical Group Plc
Syncona Partners LLP
(a Wellcome Trust company)

Chairman/Trustee of:
The David Shepherd Wildlife Foundation
ISIS Innovation Ltd (an Oxford University company)
Oxford Academic Health Science Network

Previous experience
Chairman of:
Laird PLC
Axis-Shield Plc

Jonathan Flint, CBE
Chief Executive

Appointed to the Board
April 2005

Committee membership
None

Background
Jonathan 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

Kevin Boyd
Group Finance Director

Appointed to the Board
August 2006

Committee membership
None

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

External appointments
Non-Executive Director of:
Guidance Ltd (to March 2014)
EMIS Group plc (from May 2014)

Member of:
London Stock Exchange's Primary Markets Group

Previous experience
Group Finance Director of:
Radstone Technology plc

Finance Director of:
Siroyan Ltd

Senior finance positions within:
TI Group (now Smiths Group plc)

Professor Sir Richard Friend
Independent Non-Executive Director

Appointed to the Board
September 2014

Committee membership
Audit
Remuneration
Nomination

Background
Richard is Cavendish Professor of Physics and a Fellow of St. John's College 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 Limited
Azuri Technologies Limited

Jock Lennox
Senior Independent Non-Executive Director

Appointed to the Board
April 2009

Committee membership
Audit, Chairman
Remuneration
Nomination

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

External appointments
Chairman of:
Tall Ships Youth Trust

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

Previous experience
Senior Audit Partner at:
EY (formerly Ernst & Young)

Thomas Geitner
Independent Non-Executive Director

Appointed to the Board
January 2013

Committee membership
Remuneration, Chairman
Audit
Nomination

Background
Thomas has extensive international experience in the technology and engineering sectors, having spent over 30 years in businesses 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
Non-Executive Director of:
BBC Worldwide Ltd
Singulus Technologies AG
Supervisory Board of Constantia Flexibles GmbH Vienna

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

Jennifer Allerton
Independent Non-Executive Director

Appointed to the Board
June 2013

Committee membership
Audit
Remuneration
Nomination

Background
Jennifer holds a BSc from Imperial College and an MSc from the University of Manitoba, Canada. She is a Cost and Management Accountant. She has extensive international experience beginning her career with Unilever and has worked in the UK, Brazil, the US, Switzerland, Canada, Italy and Asia.

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

Previous experience
Chief information Officer at:
F.Hoffmann-La Roche, Pharma Division, Switzerland

Technology Director of:
Barclaycard

Chief Operating Officer of:
ServiceNet, USA

Chief Information Officer of;
BOC (now Linde)

Susan Johnson-Brett
Company Secretary

Committee membership
Secretary to:
Audit
Remuneration
Nomination

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

Report of the Directors

The Directors present their Report and the Financial Statements of Oxford Instruments plc for the year ended 31 March 2015.

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, 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 2015, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group. The information which fulfils these requirements includes a business and financial review on pages 5 to 23 and Corporate Responsibility Review on pages 24 to 29, which are incorporated in this report by reference. The Business Review, 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 23.

Results and dividends

The results for the year are shown in the Consolidated Statement of Income on page 78. The Directors recommend a final dividend of 9.3p per ordinary share, which together with the interim dividend of 3.7p per ordinary share makes a total of 13.0p per ordinary share for the year (2014: 12.4p). Subject to Shareholder approval, the final dividend will be paid on 22 October 2015 to Shareholders registered at close of business on 25 September 2015.

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 by the Board quarterly.

There are a number of risks and uncertainties which may have a material effect on the Oxford Instruments Group. These are described in Principal Risks and Uncertainties on pages 14 and 15.

Directors

Biographies of all the Directors at the date of this report, including the Non-Executive Directors, appear on pages 30 and 31. During the year, Professor Richard Friend was appointed as Non-Executive Director on 1 September 2014 and at the conclusion of the AGM held on 9 September 2014 Professor Mike Brady retired as a Non-Executive 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 Directors' Remuneration Report on pages 48 to 66.

	2015 Shares	2014 Shares
Jennifer Allerton	**1,000**	1,000
Kevin Boyd	**93,975**	91,611
Jonathan Flint	**206,167**	205,803
Richard Friend	**—**	—
Thomas Geitner	**—**	—
Nigel Keen	**126,580**	126,580
Jock Lennox	**3,500**	3,500

No Director was beneficially interested in the shares of any subsidiary company at any time during the year. In the year to 31 March 2015 no Director had a material interest in any contract of significance with the Company or any of its subsidiaries other than as described in the Directors' Remuneration Report on page 48. Since the year end, there have been no changes to the above shareholdings apart from for Jonathan Flint, together with his wife, and Kevin Boyd, who participate in the Oxford Instruments Share Incentive Plan and since the year end have each increased their beneficial shareholding by 61 and 46 shares respectively.

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

During the year to 31 March 2015 the issued share capital was increased by 0.1% with the issue of 40,501 ordinary shares (2014: 334,005) following the exercise of options under the Company's share option schemes.

At 31 March 2015, the issued share capital of the Company was therefore 57,291,336 ordinary shares of 5p each. In connection with the Company's equity incentive plans, a separately administered trust held 183,145 ordinary shares at 31 March 2015 (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 (2014: nil). Details of the share capital and options outstanding as at 31 March 2015 are set out in Notes 11 and 21 respectively of the Financial Statements.

At this year's Annual General Meeting (AGM), the Directors propose to:

a) renew the authority granted to them at last year's AGM to allot ordinary shares up to an aggregate nominal value of one-third of the Company's issued share capital and, where full pre-emption rights are applied, up to an aggregate nominal value of two-thirds of the Company's issued share capital;

b) allot ordinary shares up to an aggregate nominal value of 5% of the Company's issued share capital without first offering them to existing Shareholders; and

c) buy back up to 10% of the Company's issued share capital.

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

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 2 June 2015:

	Direct/ indirect	Shares 000	% of total
Aberdeen Asset Managers Limited	Indirect	5,902,349	10.3
Ameriprise Financial	Indirect/direct	4,983,663	8.7
Sir MF and Lady KA Wood	Direct	3,105,530	5.4
Mondrian Investment Partners Limited	Indirect	3,068,362	5.4
Allianz Global Investors GmbH	Direct	2,923,663	5.1
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 2015 trade creditors of the Company and the Group's UK subsidiaries were equivalent to 22 days (2014: 32) and 66 days (2014: 72) 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 £1,575 (2014: £2,596). 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.

Annual General Meeting

The Notice of the AGM to be held on 8 September 2015 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 its remuneration will be proposed at the AGM.

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 the Corporate Governance section on pages 35 to 42.

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 page 24 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 the Corporate Responsibility Review on page 24.

Material events

There were no material events since 31 March 2015 to report other than the acquisition of Medical Imaging Resources Inc and the joint venture with GD Intressenter AB involving Omicron NanoTechnology GmbH as reported in Note 31.

By order of the Board

Susan Johnson-Brett
Company Secretary
9 June 2015

Corporate Governance

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

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

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, Professor Sir Richard Friend joined the Board as an Independent Non-Executive Director in September 2014 and Professor Mike Brady stepped down from the Board at last year's AGM.

Resolutions for the election of Directors will be put to Shareholders at the Company's forthcoming AGM. This will continue to deliver a Board that 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 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.

Board of Directors and management structure

Board of Directors

The Board currently comprises the Chairman, four Non-Executive Directors and two Executive Directors. The Directors' biographies and details of length of service are shown on pages 30 and 31. 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 AGM.

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 Jonathan Flint and he reports to the Board on these matters at each meeting.

Board members' length of service

Nigel Keen	16 years
Jonathan Flint	10 years
Kevin Boyd	9 years
Jock Lennox	6 years
Thomas Geitner	2 years
Jennifer Allerton	2 years
Richard Friend	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.

Read more in the Strategic Report
Turn to pages 11 to 13

Changes in the Board

Joined the Board

Richard Friend
Independent Non-Executive Director
Joined: 1 September 2014

Retired from the Board

Mike Brady
Non-Executive Director
Retired: 9 September 2014

Board of Directors and management structure continued

Operation of the Board

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

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

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

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

The Board meets on a regular basis, at least nine times a year, and otherwise as required. Of the nine regular meetings, typically six are held at Group locations and the remaining three are held by telephone conference. Other Board meetings are held on an as needed basis. The Board also held two off-site meetings 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 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.

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.

The Board of the Company and the Board of the Trustee to the Pension Scheme have each independently considered whether it is appropriate to have the Chairman of the Company as Chairman to the Board of the Trustee of the Pension Scheme, notwithstanding the potential conflicts of interest inherent in the same person holding both these positions, and they each have unanimously confirmed that they believe that it is in the interest of all parties for this to continue.

He is Chairman of the Nomination Committee and a member of the Remuneration Committee.

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 Fellow 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.

Jennifer Allerton was appointed to the Board as an Independent Non-Executive Director on 11 June 2013. Jennifer is a graduate of Imperial College, London and has a masters degree in physics from the University of Manitoba and is a chartered engineer.

She has extensive international business experience which strengthens the skills and expertise of the Board.

Jennifer 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.

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 that 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.

The Board believes that Jock's skills, experience and knowledge enhance and maintain an effective Board and provide a well qualified Chairman of the Audit and Risk Committee. Jock is Chairman of the Audit and Risk Committee and is a member of the Remuneration and Nomination Committees.

Independence of Non-Executive Directors

In the opinion of the Board, Jock Lennox, Thomas Geitner, Jennifer Allerton 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.

Board balance and independence continued

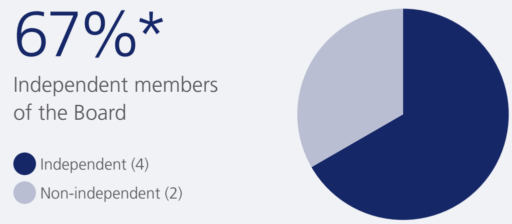
Term of appointment of Non-Executive Directors

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

67%*

Independent members of the Board



* 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, 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. In particular, he considered the barriers inherent within the Company to it meeting its aspirations for growth. To facilitate his work, Professor Mayer reviewed Board and Company papers, attended Board and committee meetings, consulted with the Board and other members of senior management, employees and external stakeholders including institutional investors, legal counsel and bankers. He formally presented the result of his review to the Board. Professor Mayer determined that Oxford Instruments is well governed, well run and a successful company that comfortably fulfils the requirements of the Governance Code in terms of the structure and conduct of its governance. The formal governance and procedures 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.

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 Committee, but others may attend by invitation of the Committee. No Director votes on matters where he has a conflict of interest. Further details of the individual Committees' activities are described below.

The following table sets out the frequency of, and attendance at, Board and principal Board Committee meetings for the year to 31 March 2015:

	Main Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Number of meetings held	11	7	7	3
Nigel Keen	11	7[1]	7	3
Jonathan Flint	11	7[1]	4[1]	3[1]
Kevin Boyd	11	7[1]	1[1]	3[1]
Mike Brady[2]	4	4[1]	4[1]	3
Jock Lennox	11	7	7	3
Thomas Geitner	11	7	7	3
Jennifer Allerton	11	7	7	3
Richard Friend[3]	8	4	3	—

Note:

1 Attended by invitation.

2 Mike Brady resigned on 9 September 2014.

3 Richard Friend was appointed to the Board on 1 September 2014.

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 30 and 31, 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 AGM.

Nomination Committee

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

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

During the year, a sub-committee, established by the Nomination 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. Accordingly, using information it has gathered, taking into account both diversity within the Board and the balance of skills on the Board, it has drawn up descriptions of the role and desired capabilities for candidates to help in the search of new Non-Executive Directors. With the help of executive search consultants Korn/Ferry, the Committee developed shortlists of qualifying candidates. Candidates met with the Chairman and the Deputy Chairman and a final selection of potential appointees met several Directors individually. Following these meetings, the Nomination Committee considered each Director's feedback and made a final recommendation to the Board concerning any further appointment.

Following this process, the Committee has during the year recommended the appointment of Professor Sir Richard Friend to the Board as an Independent Non-Executive Director with a strong scientific background. His appointment to the Board commenced 1 September 2014.

The Nomination Committee, taking into account the performance of each individual, has considered whether each of the Non-Executive Director's appointments should be renewed and has confirmed that they should.

The Nomination Committee has also carried out its annual review of the performance of the Chief Executive and succession planning within the business.

Board committees continued

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

During the year the Audit Committee was re-designated as the Audit and Risk Committee and the remit of the Committee was enlarged to include review of certain of the non-financial risks to which the Group is exposed which had previously been monitored by the Board itself. The objective of this change is to allow the Board to have more time to focus on strategic matters important to the Group. The Audit and Risk Committee comprises all the Independent Non-Executive Directors and its Chairman is Jock Lennox. 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 is the designated financial expert.

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 43 to 47.

Administration Committee

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

Annual General Meeting

The AGM is an opportunity for the Board to meet Shareholders. At its AGM, the Group complies with the provisions of the Governance Code relating to the disclosure of proxy votes, the separation of resolutions and the attendance of Committee Chairmen. The Group arranges for the Annual Reports and Financial Statements and related papers to be posted on its website and, where Shareholders have elected to receive paper copies, posted to Shareholders so as to allow at least 20 working days for consideration prior to the AGM. The next AGM will be held on 8 September 2015 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 43 to 47. This process has been in place for the year under review and up to the date of approval of the Annual Report and Financial Statements. It is regularly reviewed by the Board of Directors and accords with the Turnbull principles.

Details of all major risks identified and the mitigating actions in place are reported to and reviewed by the Board. The Principal Risks and Uncertainties section (pages 14 and 15) gives an overview of the major risks and uncertainties faced by the Group. A standard process is in place throughout the Group that requires the senior management of each business to identify significant business risks and to classify them both as to probability and potential impact. Once identified, mitigating action, where possible, is formulated and responsibility within the management team assigned. On a regular basis each business reviews and updates its risk summary which is then reported to the Chief Executive. If a material risk changes or arises, the Managing Director of the business reports this in writing to the Chief Executive at which time there is a discussion on the adequacy of the mitigating actions taken.

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

Internal audit and assurance

The Group's Internal Audit function has responsibility for independently assessing the adequacy and effectiveness of the management of significant risk areas and acts as a third line of defence behind operational management's front line and own assurance activities. Further details of this are set out in the Audit and Risk Committee Report on pages 43 to 47.

Internal control

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

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

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

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

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

- there is a formal schedule of matters reserved to the Board for decision; other than these matters, the Board delegates to the Chief Executive and reviews the delegation of authorities throughout the management structure;
- the Group's management structure is headed up by the Management Board. Its membership comprises the Executive Directors, senior managers with Group-wide functional responsibilities and the heads of the principal businesses of the Group's activities. Day-to-day responsibility for the management of the Group is delegated to the Management Board. The responsibility is based on the identification of separate businesses for each of the Group's activities for which there are clearly defined lines of management responsibilities at all levels up to and including the Group Board and the Group's accounting and reporting functions reflect this organisation;

Read more about principal risks and uncertainties
Turn to pages 14 and 15

Internal control continued

- 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 12 months against the original proposal is reviewed by the Board;
- each Group site, except for representative sales offices, is required to submit a self-assessment internal control questionnaire annually;
- internal audit is carried out through a system of regular reviews of the financial and non-financial internal controls at each site and this is further reported on in the Audit and Risk Committee Report on pages 43 to 47. These reviews are coordinated by the Group Audit and Risk Manager;
- 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 Audit and Risk Manager;
- all requests to quote for substantial fixed price contracts are reviewed by the Chief Executive and/or the Group Finance Director to assess both technical and financial risk and to fix an appropriate balance between risk and reward. However, no procedure can guarantee the avoidance of losses on fixed price contracts of a technical nature; and
- with respect to the UK pension scheme, the Group nominates half of the trustee directors of the corporate trustee to the pension scheme, involves 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
9 June 2015

Audit and Risk Committee Report

Jock Lennox, Audit and Risk Committee Chairman

Composition of the Audit and Risk Committee

Chairman	Members
Jock Lennox	Jennifer Allerton Richard Friend Thomas Geitner

Dear Shareholder,

During the year, as discussed further on page 38, Professor Colin Mayer undertook an external review of the workings of the Board and its Committees. One of his recommendations was to extend the brief of this Committee to include non-financial assurance thereby reducing the governance burden on the Board.

The recommendation has been adopted and accordingly this Committee has been renamed the Audit and Risk Committee. The scope of the Committee has also been extended to include, *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 these internal changes, the Committee has been mindful of the risk management and other governance changes which will impact our responsibilities going forward.

Based on these changes and the more significant events in the year, the Committee has given particular focus to:

- revising the terms of reference to embrace appropriately the new responsibilities; the updated terms of reference are on the website;
- reviewing the method of oversight of the risk management process with an eye on the prospective requirement of "monitoring";
- considering the implications of the reduced profit expectations announced in January 2015 on asset values, restructuring plans and compliance with debt covenants;
- receiving presentations from management on implementation progress on the new ERP system and IT and cyber security risks; particular attention being paid to risk mitigation plans; and
- visiting Andor Technology as part of the Board visit in the summer of 2014 where we received a presentation on the control environment, the progress on financial integration with Oxford Instruments and the plans of the financial management team.

I present our report, which describes the role of the Committee and the way in which our structured programme of activities enables us to discharge our responsibilities. The programme not only supports the key events in the Group's financial reporting cycle, but also enables us to monitor the effectiveness of the internal financial control and risk management systems and to monitor the activities and performance of both our internal and external auditors. Our report also highlights the significant matters that we dealt with in 2014/15 and how we satisfied ourselves that they had been dealt with appropriately.

As the size and complexity of Oxford Instruments continues to grow we will continue to direct our activities to ensure the Group's governance and control mechanisms keep step.

I look forward to seeing you at the AGM. In the meantime if you have any questions or comments I should be delighted to be of assistance.

Jock Lennox
Audit and Risk Committee Chairman
9 June 2015

Composition

The members of the Audit and Risk Committee are Jock Lennox (Chair), Jennifer Allerton, Richard Friend and Thomas Geitner. The composition of the Committee changed during the year with the appointment of Richard Friend to the Board and the Committee in September 2014. The Chairman of the Board, Chief Executive, Group Finance Director, Group Audit and Risk Manager 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.

Role

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 our financial results announcements and Financial Statements and monitoring compliance with relevant statutory and listing requirements.
- Advising the Board on whether the Annual 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 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 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.

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.

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 and Risk Committee in respect of the financial year ended 31 March 2015

The Committee has worked largely to a recurring and structured programme of activities developed from its terms of reference and agreed with the Committee Chair 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	April 2014	June 2014	July 2014	September 2014	November 2014	January 2015	March 2015
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 Annual Report		✓		✓	✓		
External audit tender process	✓						
Assess the effectiveness of the external audit process			✓				
Approve the external audit plan and fee proposal						✓	
Review and approve the non-audit services policy						✓	
Consider the independence and objectivity of external auditor						✓	
Review internal management representation letters		✓					
Agree the internal audit plan						✓	✓
Review the output of the internal audit work		✓			✓	✓	✓
Re-evaluate the effectiveness of the internal audit function						✓	
Review the internal control framework						✓	
Review the risk management process						✓	
Annual review of the whistle-blowing arrangements			✓				
Discuss the Audit Committee effectiveness survey and review the Committee composition and terms of reference				✓			

In addition to its usual business as described above the Committee met individual business managers in order to gain a deeper insight into areas relevant to the Committee's work and to provide an opportunity to discuss specific areas of interest. These included progress updates on the Group-wide Enterprise Resource Planning (ERP) project, Project Connect, and a presentation on IT security including an overview of the cyber security threat posed to the Group. In addition, as part of the Group's regular programme of visiting the businesses, in July 2014 the Committee received a presentation from the financial management at Andor on the status of the financial integration with Oxford Instruments and the control environment. These visits afford the opportunity for the Committee to meet the key members of the financial community beyond the Group team.

Following the publication of the revised version of the UK Corporate Governance Code, the Board requested that the Committee advise it on whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Significant matters related to the Financial Statements

The Committee reviews all significant issues concerning the Financial Statements. The principal matters considered concerning the 2015 Financial Statements were:

Impairment of intangible assets

The Group balance sheet contains acquired intangible assets amounting to £212.3m. These have arisen through the acquisitions made by the Group in pursuit of its strategy. The most significant element relates to Andor at £128.4m. As explained in Note 15 to the financial statements, the carrying amounts have been assessed for impairment and the sensitivity to change in the assumptions has been considered. The Committee received an analysis from management that considered the need for impairment and concluded that no impairment is required. The external auditors have agreed with this conclusion in their report to the Committee. The Committee is satisfied that the analysis has been rigorously prepared and that the conclusions are appropriately supported.

Provisions for product warranty and related matters

While the level of provision is relatively small, the Committee is conscious that as a growing technology company it is likely that the potential for product claims (for example, relating to product quality or intellectual property infringement) of various amounts can arise. Accordingly the Committee has received an analysis from management that considers this area and has received commentary from the auditor as part of its report. The Committee recognises that this area does require judgement and believes the conclusions presented by management are appropriate.

Revenue recognition

The nature of the commercial relationship with customers together with the capital nature of certain of the Group's sales 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. Whilst there is always an element of judgement required in determining revenue to be recognised around the year end, this year the auditor did not report any material audit differences that required adjustment.

Adjusted profit and EPS

As explained in Note 2 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 current year as a result of the first full year of the amortisation of the acquisition intangible assets connected with Andor and the impact of the restructuring announced in January at the time of the announced reduction in profit expectations, the adjustments are significant at £33.8m after tax.

The Committee has received a detailed analysis from management to demonstrate that the Group's definitions have been consistently applied and that the impact of the restructuring has been reported fairly. The auditor has commented on these aspects to the Committee. These items involve careful judgement and the Committee is satisfied that they have been rigorously considered by management and reasonably presented.

Misstatements

Management reported to the Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The auditor reported a schedule of unadjusted audit differences to the Committee. Following discussion with management and the auditor, the Committee were satisfied that the adjustments were not material to the financial statements and therefore remained unadjusted. The Committee concluded that it was satisfied that the 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. At the Committee meeting in January 2015 the external auditor, KPMG, provided the Committee with its plan for undertaking the external audit. This highlighted the proposed approach, scope and planned materiality of the audit for the coming year 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 these matters 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 and KPMG were 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 that means KPMG will be replaced as auditor not later than 31 March 2021. A tender process will be arranged to meet this requirement when appropriate.

Auditor independence

In its assessment of the independence of the 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 firm becoming compromised, the Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. No change to this policy has been made during the year. 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 88) to the Financial Statements. In the year ended 31 March 2015, audit fees paid to KPMG were £407,000 and non-audit fees were £60,000. This represents a non-audit to audit fee ratio of 15%.

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. During the year, the Group Audit and Risk Manager carried out internal audit visits at a number of the Group's sites including visits to the Group's federal offices in the US, China and India and to some of the operating sites at Plasma Technology, Nanoscience, NanoAnalysis and Industrial Analysis. 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 Audit and Risk Manager 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 Audit and Risk Manager has direct access and a reporting line to the Chairman of the Audit Committee and meets independently with him during the year. The Committee monitors the resources and scope of work of the Internal Audit function to ensure that its development is commensurate with the increasing scale and complexity of the business.

Internal control and risk management

As we continue to expand and increase our global footprint it is recognised that the management of risk continues to be ever more important to the Group achieving its key strategic plans and objectives. This year the Group has continued to develop its risk management process to ensure that the Group continues to effectively identify and respond to the risks it faces. The Group's risk management process is underpinned by business risk reports and a reporting framework that escalates risks to the appropriate stakeholders. Annually the business risk reports are consolidated into the Group Risk Register and reviewed by executive management before being reported to the Board. Towards the end of the year, the Committee and the Board have considered what reporting is best addressed by the Committee as part of its new extended remit of risk.

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.

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 2015 and up to the date of approval of this Annual Report. 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 internal audit and external audit on internal control findings, received in-depth reviews into the control environment and risk management process, and had regard for the other assurance activity performed by the Group functional heads over operations, health and safety, research and development, human resources and IT. The Committee noted the Group's move to more detailed policies, the implementation of minimum financial control standards and a related programme of self-assessment.

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. 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. No serious matters were reported during the year.

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. The Chairman of the Committee will be available at the AGM to answer any questions on the work of the Committee.

Read more about principal risks and uncertainties
Turn to pages 14 and 15

Thomas Geitner, Chairman of the Remuneration Committee

Composition of the Remuneration Committee

Chairman	Members
Thomas Geitner	Jennifer Allerton Richard Friend Nigel Keen Jock Lennox

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2014/15.

In accordance with the Directors' remuneration reporting regulations our Remuneration Report has been split into two parts. The Directors' Remuneration Policy, which was approved by Shareholders at last year's AGM, sets out our remuneration policy for 2014/15 and beyond and, for ease of reference, is included again in this year's report. The Annual Report on Remuneration, which sets out the remuneration paid to the Executive and Non-Executive Directors in respect of 2014/15 and how our policy will be implemented in 2015/16, will be put to an advisory Shareholder resolution.

Summary of main remuneration policy decisions during the year

The Remuneration Committee carried out a full remuneration review in 2013/14 prior to seeking shareholder approval for its remuneration policy at September 2014's AGM. Over 98% of votes cast supported the binding resolution approving the policy. During the year, the Committee considered whether the current policy remains appropriate for 2015/16. It concluded that the policy remains appropriate and provides a competitive level of pay whilst ensuring that variable pay remains aligned to shareholder returns. One of the Committee's objectives in designing the current policy was to arrive at a policy that would endure for the three year policy period and I am pleased to confirm that we are not proposing changes to the remuneration policy for 2015/16.

Corporate performance and remuneration for 2014/15

As explained in our Operations Review on pages 16 to 19 it has been a testing year for Oxford Instruments. In the first half we saw increases in orders and revenues. In the second half we encountered a combination of headwinds that unexpectedly put our short term performance projections off course. Three factors were primarily at play: the sudden tightening of trade sanctions for sales to Russia; a slower-than-expected recovery in Japanese markets; and weaker trading in our Industrial Analysis business. As a consequence, we reported in January that the outcome for the year would fall short of expectations.

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 not met and the part of the bonus determined by those targets has not paid out. In addition 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 strong but also noted the disappointing financial performance of the Group in determining the level of vesting of the strategic element of the bonus resulting in 50% out of the maximum 15% of salary available being paid in respect of Jonathan Flint and 45% of the maximum being paid in respect of Kevin Boyd. This results in a payout of 7.5% of salary as bonus for Jonathan Flint and 6.75% for Kevin Boyd.

The performance conditions for the share awards made to the Executive Directors under the Executive Share Option Scheme (ESOS) in December 2012 and Senior Executive Long Term Incentive Scheme (SELTIS) in December 2011 and for which the performance periods ended during the year were not met and these awards have now lapsed.

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

Implementation of policy in 2015/16

- The Executive Directors will receive a base salary increase of 3% effective from 1 July 2015 which is in line with average workforce increases in the UK of 3%.
- The maximum annual bonus each Executive Director may earn is 100% of salary. This is at the same level as 2014/15. Targets for the 2015/16 annual bonus are considered by the Committee to be commercially sensitive and will be disclosed retrospectively in next year's Annual Report (to the extent they are not commercially sensitive at that time).
- PSP awards will be made to a value of 150% of salary for each Executive Director. Vesting of the awards occurs after three years. The criteria for vesting will be determined 50% by EPS performance and 50% by relative total shareholder return performance against the FTSE 250 Index (excluding financial companies).

Summary

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
9 June 2015

Governance

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 that 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.

Part A: Directors' Remuneration Policy 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 pages 56 and 57.

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; 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. • Facilitates 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 Annual Report 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.

Part A: Directors' Remuneration Policy 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 Annual Report on Remuneration to support any such change.

The metrics for awards granted under this policy are set out in the Annual Report 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 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;
- make 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 set targets for annual bonus plan and discretionary share plans from year to year.

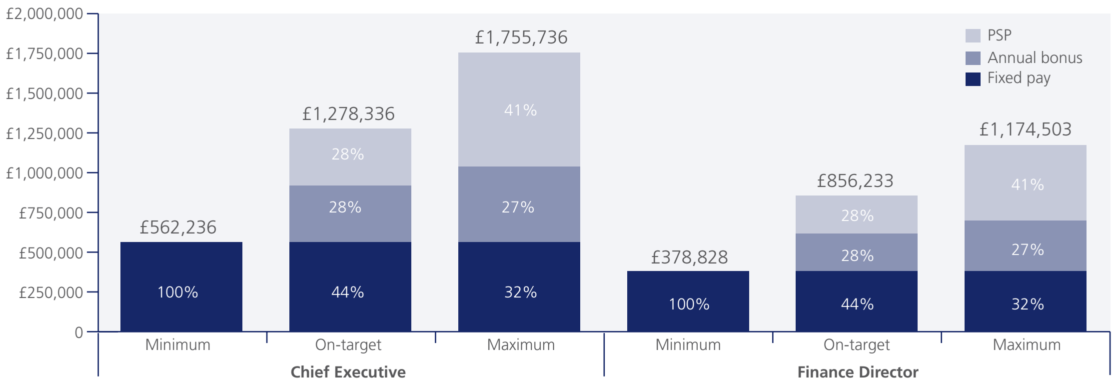
The Committee may adjust the targets and/or set different measures and alter weightings for the annual bonus plan and share-based awards only if an event occurs which causes the Committee to reasonably consider that the performance conditions would not without alteration achieve its original purpose 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 Annual Report on Remuneration in respect of the year in which they are made.

Legacy arrangements

In approving this Directors' 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 Annual Report 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 2015/16 (see notes for assumptions):



Assumptions for the charts above:

1. Fixed pay comprises salary levels as at 1 July 2015, pension contribution of 14% and the value of benefits received in 2014/15.
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 would take 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 would seek 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 would facilitate 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 would be 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 could 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.

Part A: Directors' Remuneration Policy continued

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	21 February 2005	Rolling contract
Kevin Boyd	9 May 2006	Rolling contract

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

Contractual provision	Detailed terms
Notice period	12 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 12 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 below).
Change of control	No Executive Director's contract contains additional provisions in respect of a change of control.

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 2015 and is for one year. This arrangement can be terminated by either party at any time by the giving of six months' notice.

	Date of last appointment	Notice period
Nigel Keen	25 February 2015	Six months
Jennifer Allerton	11 June 2013	None
Richard Friend	1 September 2014	None
Thomas Geitner	15 January 2013	None
Jock Lennox	1 April 2015	None

Mike Brady retired from the Board on 10 September 2014.

PART B: Annual Report 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 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 during the year comprised all the Independent Non-Executive Directors: Thomas Geitner, Jennifer Allerton, Jock Lennox, Richard Friend; and the Chairman of the Board, Nigel Keen. Thomas Geitner is the Chairman of the Committee. Richard Friend joined the Board and the Committee on 1 September 2014.

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.

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 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.

PART B: Annual Report on Remuneration continued

The Remuneration Committee (unaudited) continued

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 fee paid to NBS for the advice provided to the Committee during the year was £54,455.

During the year in question no other services were provided to the Company by the Aon plc group however a subsidiary of Aon plc was appointed to act as both Scheme Actuary and Scheme Administrator to the Company's UK defined benefit pension scheme. The Scheme Actuary also provided the Company with its IAS 19 pension calculations. 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:

£000		Salary and fees	Benefits[2]	Pension[3]	Annual bonus[4]	Long term incentive awards[5]	Other[6]	Total
Executive								
Jonathan Flint[1]	**2015**	**460**	**18**	**65**	**35**	**—**	**1**	**579**
	2014	423	18	59	68	605	1	1,174
Kevin Boyd	**2015**	**307**	**16**	**43**	**21**	**—**	**1**	**388**
	2014	284	16	40	45	418	1	804
Total	**2015**	**767**	**34**	**108**	**56**	**—**	**2**	**967**
	2014	707	34	99	113	1,023	2	1,978

1 In 2010 the Company and Jonathan Flint purchased a house in joint ownership with the Company contributing £300,000. Jonathan Flint bought a further proportion of the house owned by the Company and Jonathan Flint by paying £99,900 to the Company in each of the years to 31 March 2012, 31 March 2013 and 31 March 2014 and a further £300 in April 2014. These proportions were recalculated based on the original purchase price. Independent valuations have established that the price paid by Jonathan Flint was in excess of the market value of the house at the time of each payment. The Company is no longer a co-owner of the house. Jonathan Flint lives in the house and during the period where it was co-owned with the Company paid a full commercial rent amounting to £60 (2014: £757) for the month of April 2014 for use of the Company asset.

2 "Benefits" comprise provision of a car or car allowance, health insurance and life assurance.

3 Contractually, each Executive Director receives 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 in a cash allowance.

4 "Annual bonus" represents cash bonus payments.

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 option granted in December 2011 and the ESOS option granted in December 2012. Further details of how these sums are arrived at are set out below. The prior year has been restated using the share price on the date of vesting for the ESOS options being £11.42 per share rather than the three month average ending 31 March 2014 of £15.45 used last year.

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. The Executive Directors all participate in the SIP to the maximum extent permitted by HMRC. The Company offers a 1:5 match for partnership shares purchased by employees.

£000		Salary and fees	Benefits	Pension	Annual bonus	Long term incentive awards	Total
Non-Executive							
Nigel Keen[1]	**2015**	**183**	**—**	**—**	**—**	**—**	**183**
	2014	183	—	—	—	—	183
Jock Lennox	**2015**	**50**	**—**	**—**	**—**	**—**	**50**
	2014	45	—	—	—	—	45
Thomas Geitner	**2015**	**50**	**—**	**—**	**—**	**—**	**50**
	2014	43	—	—	—	—	43
Jennifer Allerton	**2015**	**43**	**—**	**—**	**—**	**—**	**43**
	2014	32	—	—	—	—	32
Richard Friend[2]	**2015**	**26**	**—**	**—**	**—**	**—**	**26**
	2014	—	—	—	—	—	—
Mike Brady[3]	**2015**	**23**	**—**	**—**	**—**	**—**	**23**
	2014	45	—	—	—	—	45
Total	**2015**	**375**	**—**	**—**	**—**	**—**	**375**
	2014	348	—	—	—	—	348

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 2015, Nigel Keen's fees as Chairman were £161,000 (2014: £161,000) and as Chairman to the Trustee were £25,000 (2014: £25,000) for his services for which he must account to Imperialise Limited. In addition, Imperialise Limited has been paid a sum equivalent to the national insurance on both these fees of £25,668.

2 Richard Friend was appointed as a Non-Executive Director on 1 September 2014.

3 Mike Brady retired from the Board on 9 September 2014.

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. He also received fees of £510 from the Science and Technology Funding Council.

Kevin Boyd was a Non-Executive Director of Guidance Limited until 26 March 2014 and in the year to 31 March 2015 received deferred fees in the form of 26,660 shares in the company with value at date of transfer of £11,197. He is a member of the London Stock Exchange's Primary Markets Group and was appointed a Non-Executive Director of EMIS Group plc on 9 May 2014 for which he received fees of £32,083 during the year.

External appointments

Jonathan Flint

Cobham plc

Kevin Boyd

Emis Group plc

London Stock Exchange Primary Markets Group

PART B: Annual Report on Remuneration continued

Details of variable pay earned in year (audited)

Bonus

As explained in our Operations Review on pages 16 to 19, it has been a testing year for Oxford Instruments.

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 not met and the part of the bonus determined by those targets has not paid out. 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 strong but also noted the disappointing financial performance of the Group in determining the level of vesting of the strategic element of the bonus.

	% of salary			Performance required				
	Threshold	On-target	Maximum					
Measure	CEO/GFD	CEO/GFD	CEO/GFD	Threshold £m	On-target £m	Maximum £m	Actual £m	Payout % of maximum
Adjusted PBT	12%	20%	45%	50.0	52.9	55.5	35.6	0%
Organic sales	12%	20%	20%	420.0	438.1	—	385.5	0%
Cash generation	0%	20%	20%	34.0	—	—	13.3	0%
Strategic objectives	0%	15%	15%				See below	See below

The strategic objectives set by the Committee for each of the Executive Directors at the beginning of the year included objectives in the areas of succession planning, integration of acquisitions and the development of the Company's strategic plan.

The on-target and maximum bonus potentials for the Executive Directors as well as the amount actually payable for the year ended 31 March 2015 are set out below.

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2014/15 (% of salary[1])	Actual bonus payable for 2014/15 (£000)
Jonathan Flint	75%	100%	7.50%	£34,762
Kevin Boyd	75%	100%	6.75%	£20,857

1 Bonus is calculated on salary as at 31 March 2015.

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 19 December 2012 award (vesting date 19 December 2015), for the performance period which came to end in the year under review (ending 31 March 2015) 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	60,500	0%	—	£13.88	Nil
Kevin Boyd	40,750	0%	—	£13.88	Nil

Senior Executive Long Term Incentive Scheme (SELTIS)

The performance conditions which applied to the 14 December 2011 award (vesting date 14 December 2014), 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	**Upper quartile TSR = 66.5%** **Oxford Instruments' TSR = 23.5%**	**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 and services sectors).

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

	Total number shares granted	Percentage of award vesting	Number of shares vesting	Value of shares vesting (£000)
Jonathan Flint	17,600	0%	—	Nil
Kevin Boyd	12,100	0%	—	Nil

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

Annual awards under the ESOS and SELTIS were in the past made around early December following the Company's half yearly announcement. The 2013/14 awards were not made at the usual time because the Company was in a close period due to the acquisition of Andor Technology. No awards were therefore made within the year 2013/14. The Board determined that these awards should therefore be made in the next 42 day grant window following the announcement of preliminary results in June 2014.

PART B: Annual Report on Remuneration continued

Long Term Incentive Plans (audited) continued

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

Executive Share Option Scheme (ESOS)

Awards made under the ESOS on 13 June 2014 were as follows:

	Total number shares subject to option	Percentage of salary[1]	Exercise price	Initial vesting date
Jonathan Flint	51,250	200%	£14.15	13/06/2017
Kevin Boyd	34,500	200%	£14.15	13/06/2017

1 Value determined using the annual basic salaries of Jonathan Flint and Kevin Boyd in December 2013 and the average share price for the month of December 2013, this being the time at which the awards would have been made. As at December 2013, the basic salaries of Jonathan Flint and Kevin Boyd were £420,000 and £283,000 respectively and the average share price of Oxford Instruments shares during December 2013 was £16.39.

These awards are subject to an earnings per share (EPS) growth target over three financial years commencing 1 April 2013 as set out below.

Performance level	EPS annualised compound 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%

1 The performance period for these awards is measured over the three years commencing 1 April 2013 being the performance period which would have applied had the awards been made in December 2013.

Senior Executive Long Term Incentive Scheme (SELTIS)

Awards made under the SELTIS on 13 June 2014 were as follows:

	Total number shares granted	Percentage of salary[1]	Initial vesting date
Jonathan Flint	12,800	50%	13/06/2017
Kevin Boyd	8,600	50%	13/06/2017

1 Value determined using the annual basic salaries of Jonathan Flint and Kevin Boyd in December 2013 and the average share price for the month of December 2013, this being the time at which the awards would have been made. As at December 2013, the basic salaries of Jonathan Flint and Kevin Boyd were £420,000 and £283,000 respectively and the average share price of Oxford Instruments shares during December 2013 was £16.39.

These awards are subject to a total shareholder return (TSR) performance condition measured over a three year performance period commencing 1 April 2013 as set out below.

	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%

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 and services sectors).

2 The performance period for these awards is measured over the three years commencing 1 April 2013 as this is the performance period which would have been measured had it been possible to grant the award in December 2013.

In line with the resolution passed by Shareholders at the 2014 AGM, awards were made to the Executive Directors for the 2014/15 year under the 2014 Performance Share Plan.

2014 Performance Share Plan (PSP)

Awards made under the PSP on 8 October 2014 were as follows:

	Total number of shares granted	Percentage of salary[1]	Share price on day before award date	Initial vesting date
Jonathan Flint	72,195	150%	£9.63	08/10/2017
Kevin Boyd	48,130	150%	£9.63	08/10/2017

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.

50% of the award will vest as follows provided EPS measured over a three year performance period starting 1 April 2014 is at least:

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 2014:

	TSR relative to FTSE 250 (excluding certain sectors)[1]	
Performance level	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 and services sectors).

Governance

PART B: Annual Report on Remuneration continued

Long Term Incentive Plans (audited) continued

Adjustment to EPS performance targets for change in accounting rules for pensions

During the year the Committee reviewed the potential impact on the earnings per share (EPS) performance targets set for the Group's long term incentive awards caused by changes to the accounting rules for pensions. The Committee agreed that management should not be advantaged or disadvantaged by the changes in pensions accounting rules which are not reflective of business performance and therefore agreed that the EPS performance measure will be adjusted as disclosed in the Company's Reports and Financial Statements for all relevant awards.

As at the 31 March 2015, the outstanding options for Jonathan Flint and Kevin Boyd under the ESOS and SELTIS schemes and the 2014 PSP were as follows:

Name	Scheme	**March 2015**	Movements during the year: Granted	Exercised[1]	Lapsed	March 2014	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
	SELTIS	**—**	—	—	17,600	17,600	Nil	£9.87	14/12/11	14/12/14	13/12/18
	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	13/06/14	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
	ESOS	**—**	—	2,127	—	2,127	£7.05	£7.02	07/01/11	07/01/14	06/01/21
	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
	SELTIS	**—**	—	—	12,100	12,100	Nil	£9.87	14/12/11	14/12/14	13/12/18
	PSP	**48,130**	48,130	—	—	—	Nil	£10.27	08/10/14	08/10/17	07/10/24

1 During the year Kevin Boyd exercised ESOS options on 1 July 2014 when the mid-market closing price on the date of exercise was £13.08. The gain yielded on the exercise of options during the year for Jonathan Flint and Kevin Boyd was Nil and £12,825 respectively.

2 Jonathan Flint's wife, an employee of the Company, holds as at 31 March 2015 ESOS options over 47,500 shares with exercise prices ranging from £9.90 to £14.55.

The market price of the shares at 31 March 2015 was £8.36 (2014: £12.67) and the range during the year was £6.87–£14.41 (2014: £12.09–£18.14).

Performance conditions outstanding for awards are described below:

Date of award	ESOS	SELTIS
14 December 2011	EPS growth – CPI + 5% p.a. (33.3% vesting) to 10% p.a. (100% vesting)[1]	TSR v FTSE Small Cap Index (excluding certain sectors[2]) – median (33.3% vesting) to upper quartile (100% vesting)
19 December 2012	EPS growth – CPI + 5% p.a. (33.3% vesting to 10% p.a. (100% vesting)[1]	TSR v FTSE 250 Index (excluding financial companies[2]) – median (33.3% vesting) to upper quartile (100% vesting)
13 June 2014	EPS growth – CPI + 5% p.a. (33.3% vesting to 10% p.a. (100% vesting)[1]	TSR v FTSE 250 Index (excluding financial companies[2]) – median (33.3% vesting) to upper quartile (100% vesting)

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)

1 For employees who are not Executive Directors, 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.

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 or SELTIS options are exercised Executive Directors are expected to retain or purchase shares equivalent to the value of 50% of the net amount realised from exercise of the options after allowing for tax payable.

Executive Directors' shareholdings as at 31 March 2015 are shown in the table below.

	Legally owned	Percentage of salary held in shares under share holding guideline[1]	Guideline met as at 31 March 2015	LTIP options vested but unexercised	Subject to performance conditions under the LTIP unvested
Jonathan Flint[2]	201,337	363%	Yes	70,700	211,845
Kevin Boyd	93,975	254%	Yes	48,700	142,130

1 Shares valued using the market price of the shares on 31 March 2015: £8.36.

2 In addition, Jonathan Flint's wife holds 4,831 Oxford Instruments shares.

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 £40,000 (2014: £39,999) into a personal defined contribution pension plan in respect of Jonathan Flint and £40,000 (2014: £39,818) into a personal defined contribution plan in respect of Kevin Boyd. Balancing payments to 14% of base salary were paid as cash.

Payments for loss of office (audited)

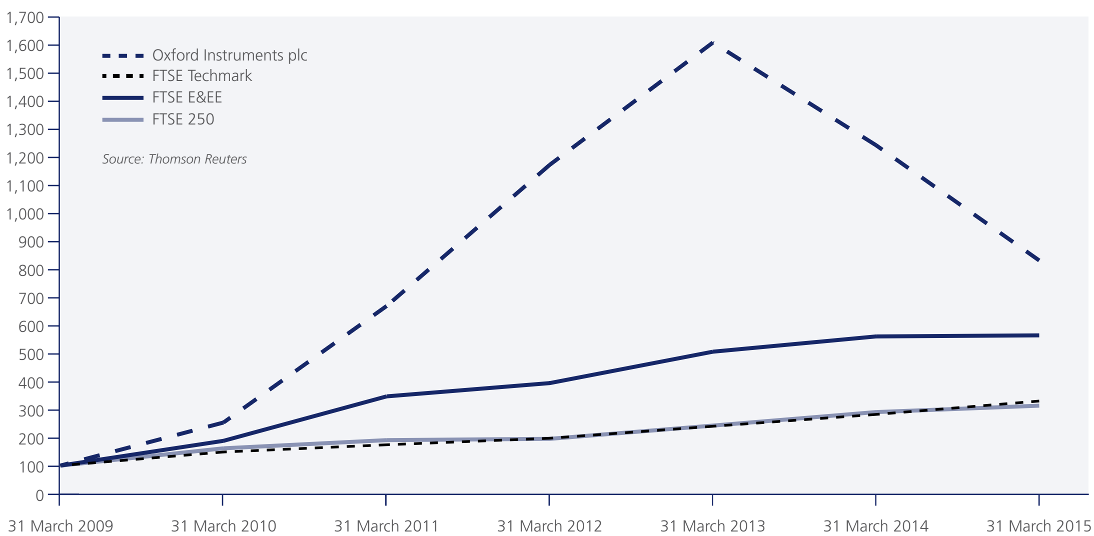
On 9 September 2014, having served 19 years on the Board, Professor Mike Brady stepped down from the Board. Professor Brady received fees to 9 September 2014 and no payment was made for loss of office.

PART B: Annual Report on Remuneration continued

Performance graph and CEO's remuneration (unaudited)

The graph below shows for the six years ended 31 March 2015 the Total Shareholder Return (TSR) on a holding of the Company's ordinary shares compared with a hypothetical holding of shares made up of shares of the same kind and number as those by reference to which the FTSE 250, FTSE Techmark and FTSE Electronic and Electrical Equipment indices are calculated. These indices have been chosen as they are considered to be the most appropriate comparator groups for the Company. TSR has been calculated by reference to the relevant share price for each constituent company assuming dividends are reinvested.

This graph shows the value, by 31 March 2015, of £100 invested in Oxford Instruments plc on 31 March 2009 compared with the value of £100 invested in the FTSE 250, FTSE Techmark and FTSE Electronic and Electrical Equipment indices. The other points plotted are the values at intervening financial year ends.



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

	Year ending 31 March					
	2010	2011	2012	2013	2014	**2015**
Total remuneration (£000)	939	2,596	3,464	2,348	1,179	**579**
Annual bonus outcome (%)	100%	100%	100%	69.1%	15%	**7.5%**
ESOS vesting (%)	100%	100%	100%	100%	100%	**0%**
SELTIS vesting (%)	50%	50%	100%	100%	100%	**0%**

Percentage change in the remuneration of the Chief Executive Officer (unaudited)

The table below shows the percentage change in each of the CEO's salary, taxable benefits and annual bonus earned between 2013/14 and 2014/15, compared to that for the average UK based employee of the Group (on a per capita basis).

	Jonathan Flint, CEO			Average employee[1]		
£000	**2014/15**	2013/14	% change	**2014/15**	2013/14	% change
Salary[3]	**460.0**	422.5	8.9%	**39.0**	37.8	3.2%
Benefits	**18.3**	18.3	0%	**1.6**	1.7	(5.9)%
Bonus[2]	**34.8**	67.5	(48.4)%	**0.7**	1.0	(30)%

1 Average employee includes all UK employees in service on 1 April 2013 and 31 March 2015 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 2015 (to be paid at the end of June 2015) was not known at the time the Report and Financial Statements were approved and has been subsequently included.

3 In 2012 investors agreed a two stage salary increase for the Executive Directors, the second part of which was to have been made on 1 July 2013. In 2013 the Executive Directors asked for this increase to be deferred until 1 March 2014. This deferred increase is included in 8.9% change in salary disclosed above. The actual annual increase awarded and made on 1 July 2014 for the CEO was 3%.

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 2015	Year ended 31 March 2014	% change
Employee costs (£m)	**117.5**	98.5	19.3%
Dividends (£m)	**7.1**	6.4	10.9%
Share buybacks (£m)	**—**	—	—

Statement of Shareholder voting (unaudited)

At last year's AGM, the Directors' Remuneration Policy Report and Annual Report 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' Remuneration Policy	37,933,491	3,201,930	493,802	98.8	1.2	861,498
To approve the Annual Report on Remuneration	38,328,863	3,201,930	153,805	99.6	0.4	866,123

How the policy will be applied in 2015/16 (unaudited)

Base salaries

In line with the general workforce, the Executive Directors will receive salary increases of 3% for 2015/16 effective from 1 July 2015. The Chief Executive Officer's salary as a result of the increase will be £477,400 and the Group Finance Director's will be £318,270.

Benefits and pension

These will be made in accordance with the approved policy.

Annual bonus

The maximum opportunity under the annual bonus plan for 2015/16 will be 100% of base salary for both the Chief Executive Officer and Group Finance Director.

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 (£m)	20%	20%
Profit (£m)	45%	45%
Cash generation (£m)	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 items which the Committee considers commercially sensitive. Retrospective disclosure of the performance against them will be made in next year's Annual Report on Remuneration to the extent the targets are not commercially sensitive at that time.

PART B: Annual Report on Remuneration continued

How the policy will be applied in 2015/16 (unaudited) continued

Long term incentives in respect of the 2015/16 financial year

The 2015/16 PSP awards will be over shares with a market value at grant of 150% of salary for the Chief Executive Officer and Group Finance Director. Vesting will be subject to the performance condition as set out below, to be achieved over three financial years commencing with the 2015/16 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[1]

	2015/16	2014/15	% increase[2]
Board Chairman	£161,000	£161,000	0%
Additional fee for Deputy Chairman[3]	£5,000	£5,000	0%
Basic fee	£44,000	£44,000	0%
Additional fee for Senior Independent Director[3]	£5,000	£5,000	0%
Additional fee for Committee Chairman[3]	£7,500	£7,500	0%

1 The fees shown for 2014/15 and 2015/16 are the annualised rates as at 1 July 2014 and 1 July 2015 respectively.

2 Fees for Non-Executive Directors were last increased on 1 July 2014.

3 Only one additional fee is paid to any Non-Executive Director.

Approval

This report was adopted by the Committee on 9 June 2015 and has been approved subsequently by the Board for submission to Shareholders at the Annual General Meeting to be held on 8 September 2015.

Thomas Geitner
Chairman of the Remuneration Committee
9 June 2015

Directors' Responsibilities

in relation to the Report and Financial Statements

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

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with 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.

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a 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 annual financial report

We confirm that to the best of our knowledge:

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

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

Signed on behalf of the Board

Jonathan Flint
Chief Executive
9 June 2015

Kevin Boyd
Group Finance Director

Independent Auditor's Report

to the Members of Oxford Instruments plc only

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 2015 set out on pages 71 to 117. 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 2015 and of the Group's loss 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; 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 were as follows:

Revenue recognition in the Nanotechnology Tools segment (Revenue: £210.9 million, Adjusted operating profit: £20.7 million)

Refer to page 43 (Audit committee report), page 71 (accounting policy) and pages 85 to 111 (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, they 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. Consequently this is one of the key areas our audit is focused on.

Our response – Our procedures in this area 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 management bias by forming an expectation of the current year revenue profile, with reference to historical trends, and comparing to actual. We also considered the adequacy of the Group's disclosures in respect of revenue and the related estimates and judgements in the financial statements (see section (r) of Accounting Policies).

Recoverability of acquired intangible assets (£213.3 million)

Refer to page 43 (Audit committee report), page 71 (accounting policy) and pages 85 to 111 (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 is particularly the case this year as the Group's operating profit has significantly reduced. 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 – In this area our audit procedures included performing our own assessments 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.

Opinions and conclusions arising from our audit continued

2 Our assessment of risks of material misstatement continued

Completeness of provisions in respect of product related claims

Refer to page 43 (Audit committee report), page 71 (accounting policy) and pages 85 to 111 (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 in this area 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 advisors, 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.

In our audit report for the year ended 31 March 2014 we included Valuation of acquired intangible assets as one of the risks of material misstatement that had the greatest effect on our audit. We considered this risk to be less significant in the current year as there have been no acquisitions during the year.

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 £1.3 million (2014: £2.1 million). This has been determined with reference to a benchmark of 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, of £25.7 million, of which it represents 5.0% (2014: group profit before tax, adjusted for the items in Note 1, excluding amortisation and impairment of acquired intangibles, 6.5%). Materiality represents 6.2% of the group loss before tax, normalised over the same period (2014: group profit before tax, 8.8%).

We report to the audit committee any corrected or uncorrected misstatements exceeding £50,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 39 reporting components, we subjected 21 to audits for Group reporting purposes and 18 to reviews to component materiality. These procedures covered 95% of Group revenue, 88% of Group loss before taxation and 96% of Group total assets. 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 the component materialities, which ranged from £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 24 component locations in the UK, United States and China. Telephone conference meetings were also held with the component auditors in 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.

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

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the 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 35 to 42 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Independent Auditor's Report *continued*

to the Members of Oxford Instruments plc only

Opinions and conclusions arising from our audit continued

5 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 annual report 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 annual 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 performance, business model and strategy; or
- the Audit and Risk Committee report does not appropriately address matters communicated by us to the audit 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 Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 23, in relation to going concern;
- the part of the Corporate Governance Statement on pages 35 to 42 relating to the company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review; and
- certain elements of the report to Shareholders by the Board on Directors' remuneration.

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

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 67, 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 Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
9 June 2015

Accounting Policies

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

The Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its Parent Company Financial Statements in accordance with UK GAAP; these are presented on pages 112 to 117.

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Performance and Strategy section on pages 1 to 19. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 20 to 23.

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.

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

The Financial Statements were authorised for issuance on 9 June 2015.

(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 2015.

IFRS 10 Consolidated Financial Statements: This new standard provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. The adoption of this standard has had no impact on the Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities: This new standard contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities.

Amendments to IAS 36 Impairment of Assets and Recoverable Amount Disclosures for Non-financial Assets: The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. The adoption of this standard has had no significant impact.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities: The amendments clarify the offsetting criteria, specifically when an entity currently has a legal right of set off and when gross settlement is equivalent to net settlement. 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 ending 31 March 2015.

(b) Basis of preparation

The Financial Statements are presented in Pounds Sterling, rounded to the nearest £0.1m and are prepared on the historical cost basis except as described on page 73 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 15).

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 15).

(b) Basis of preparation 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.

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 Employee Benefits. In applying IAS 19 the costs are assessed in accordance with the advice of independent qualified actuaries. This requires the exercise of judgement in relation to the estimation of future changes in salaries and inflation, as well as mortality rates, expected returns on plan assets and the selection of suitable discount rates. Further detail is provided in Note 23.

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

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

(d) Foreign currency

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

(e) Financial instruments

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

(i) 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 Consolidated Statement of Income.

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

(f) Property, plant and equipment

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

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

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

(g) Intangible assets

(i) Goodwill

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

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

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

(g) Intangible assets continued

(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
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 Consolidated 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 Consolidated Statement of Cash Flows.

(k) Non-current assets held for sale

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

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

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

(l) Impairment of non-current assets

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

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

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

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

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

(m) Employee benefits

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

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

The charge to the Consolidated Statement of Income reflects the current service cost. The 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.

Accounting Policies *continued*

(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 Consolidated Statement of Income 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 Consolidated Statement of Income 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 Consolidated Statement of Income 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 excludes value added tax and similar sales-based taxes and is stated before commissions 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 Consolidated 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 Consolidated Statement of Income 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 2015. They have not been applied in preparing these consolidated Financial Statements. Those which may be relevant to the Group are set out below:

- Amendments to 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. It is not expected to have a material impact.

A number of other new standards, amendments to standards and interpretations have been issued by the IASB, although they are not yet endorsed by the EU, and are effective for annual periods beginning after 1 April 2015. They have not been applied in preparing these consolidated Financial Statements. The two standards that 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 2015 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 2017. The potential impact on the Group of the new standard is still being assessed.

Consolidated Statement of Income

year ended 31 March 2015

	Notes	Adjusted* £m	Adjusting items* £m	Total £m
Revenue	3	**385.5**	**—**	**385.5**
Cost of sales		**(214.3)**	**(0.2)**	**(214.5)**
Gross profit		**171.2**	**(0.2)**	**171.0**
Research and development	5	**(30.8)**	**—**	**(30.8)**
Selling and marketing		**(65.6)**	**—**	**(65.6)**
Administration and shared services		**(34.8)**	**(39.2)**	**(74.0)**
Foreign exchange		**2.7**	**—**	**2.7**
Operating profit		**42.7**	**(39.4)**	**3.3**
Other financial income	7	**0.1**	**—**	**0.1**
Financial income		**0.1**	**—**	**0.1**
Interest charge on pension scheme net liabilities	23	**(1.9)**	**—**	**(1.9)**
Other financial expenditure	8	**(5.3)**	**(5.9)**	**(11.2)**
Financial expenditure		**(7.2)**	**(5.9)**	**(13.1)**
Profit/(loss) before income tax		**35.6**	**(45.3)**	**(9.7)**
Income tax (expense)/credit	12	**(8.1)**	**11.5**	**3.4**
Profit/(loss) for the year attributable to equity Shareholders of the parent		**27.5**	**(33.8)**	**(6.3)**

		pence		pence
Earnings per share				
Basic earnings per share	2	**48.2**		**(11.1)**
Diluted earnings per share	2	**48.0**		**(11.1)**
Dividends per share				
Dividends paid	13			**12.4**
Dividends proposed	13			**13.0**

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

The attached notes form part of the Financial Statements.

Consolidated Statement of Income

year ended 31 March 2014

	Notes	Adjusted* £m	Adjusting items* £m	Total £m
Revenue	3	360.1	—	360.1
Cost of sales		(196.6)	(3.7)	(200.3)
Gross profit		163.5	(3.7)	159.8
Research and development	5	(25.1)	—	(25.1)
Selling and marketing		(56.7)	—	(56.7)
Administration and shared services		(33.1)	(22.6)	(55.7)
Foreign exchange		1.7	—	1.7
Operating profit		50.3	(26.3)	24.0
Other financial income	7	0.3	4.1	4.4
Financial income		0.3	4.1	4.4
Interest charge on pension scheme net liabilities	23	(2.0)	—	(2.0)
Other financial expenditure	8	(1.5)	(0.9)	(2.4)
Financial expenditure		(3.5)	(0.9)	(4.4)
Profit/(loss) before income tax		47.1	(23.1)	24.0
Income tax (expense)/credit	12	(8.7)	2.9	(5.8)
Profit/(loss) for the year attributable to equity Shareholders of the parent		38.4	(20.2)	18.2

		pence		pence
Earnings per share				
Basic earnings per share	2	67.7		32.1
Diluted earnings per share	2	67.3		31.9
Dividends per share				
Dividends paid	13			11.2
Dividends proposed	13			12.4

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

Consolidated Statement of Comprehensive Income

year ended 31 March 2015

	Notes	2015 £m	2014 £m
(Loss)/profit for the year		**(6.3)**	18.2
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss			
Gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled		**0.1**	—
Foreign exchange translation differences		**7.3**	(8.4)
Tax on items that may be reclassified to profit or loss		**—**	—
Items that will not be reclassified subsequently to profit or loss			
Remeasurement loss in respect of post-retirement benefits	23	**(10.8)**	(1.9)
Tax on items that will not be reclassified to profit or loss	12	**2.3**	(1.0)
Total other comprehensive expense		**(1.1)**	(11.3)
Total comprehensive (expense)/income for the year attributable to equity Shareholders of the parent		**(7.4)**	6.9

Consolidated Statement of Financial Position

as at 31 March 2015

	Notes	2015 £m	2014 £m
Assets			
Non-current assets			
Property, plant and equipment	14	**33.1**	34.4
Intangible assets	15	**231.3**	247.9
Deferred tax assets	16	**20.1**	11.2
		284.5	293.5
Current assets			
Inventories	17	**70.8**	68.3
Trade and other receivables	18	**87.3**	80.9
Current income tax recoverable		**3.3**	1.0
Derivative financial instruments	20	**3.4**	5.3
Cash and cash equivalents		**25.1**	32.6
		189.9	188.1
Total assets		**474.4**	481.6
Equity			
Capital and reserves attributable to the Company's equity Shareholders			
Share capital	21	**2.9**	2.9
Share premium		**61.5**	61.3
Other reserves		**0.2**	0.1
Translation reserve		**2.9**	(4.4)
Retained earnings		**58.0**	80.3
		125.5	140.2
Liabilities			
Non-current liabilities			
Bank loans	22	**144.0**	141.4
Other payables	24	**0.8**	13.1
Retirement benefit obligations	23	**53.5**	46.3
Deferred tax liabilities	16	**6.2**	12.0
		204.5	212.8
Current liabilities			
Bank loans	22	**—**	15.5
Trade and other payables	24	**121.6**	99.2
Current income tax payables		**2.6**	3.7
Derivative financial instruments	20	**4.1**	0.5
Provisions	25	**16.1**	9.7
		144.4	128.6
Total liabilities		**348.9**	341.4
Total liabilities and equity		**474.4**	481.6

The Financial Statements were approved by the Board of Directors on 9 June 2015 and signed on its behalf by:

Jonathan Flint
Director
Company Number: 775598

Kevin Boyd
Director

Financial statements

Consolidated Statement of Changes in Equity

year ended 31 March 2015

	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:						
– Charge/(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 (2014: 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 Changes in Equity

year ended 31 March 2014

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2013	2.8	60.6	0.1	4.0	70.2	137.7
Total comprehensive income:						
Profit for the year	—	—	—	—	18.2	18.2
Other comprehensive income:						
– Foreign exchange translation differences	—	—	—	(8.4)	—	(8.4)
– Gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	—	—	—	—	—	—
– Remeasurement loss in respect of post-retirement benefits	—	—	—	—	(1.9)	(1.9)
– Tax on items recognised directly in other comprehensive income	—	—	—	—	(1.0)	(1.0)
Total comprehensive income/(expense) attributable to equity Shareholders of the parent	—	—	—	(8.4)	15.3	6.9
Transactions with owners recorded directly in equity:						
– Charge/(credit) in respect of employee service costs settled by award of share options	—	—	—	—	1.6	1.6
– Tax charge in respect of share options	—	—	—	—	(0.4)	(0.4)
– Proceeds from shares issued	0.1	0.7	—	—	—	0.8
– Dividends paid	—	—	—	—	(6.4)	(6.4)
Total transactions with owners recorded directly in equity	0.1	0.7	—	—	(5.2)	(4.4)
Balance at 31 March 2014	2.9	61.3	0.1	(4.4)	80.3	140.2

Consolidated Statement of Cash Flows

year ended 31 March 2015

	2015 £m	2014 £m
(Loss)/profit for the year	**(6.3)**	18.2
Adjustments for:		
Income tax expense	**(3.4)**	5.8
Net financial expense	**13.0**	—
Acquisition related fair value adjustments to inventory	**0.2**	3.7
Acquisition related costs	**2.2**	7.8
Restructuring costs	**9.9**	—
Contingent consideration – further amount deemed payable	**6.8**	—
Contingent consideration deemed no longer payable	**(1.4)**	—
Settlement loss on US pension scheme	**—**	0.1
Amortisation and impairment of acquired intangibles	**21.7**	14.7
Depreciation of property, plant and equipment	**5.6**	5.0
Amortisation and impairment of capitalised development costs	**4.7**	3.9
Adjusted earnings before interest, tax, depreciation and amortisation	**53.0**	59.2
Loss on disposal of property, plant and equipment	**0.2**	0.3
Cost of equity settled employee share schemes	**(0.2)**	1.6
Acquisition related costs paid	**(1.9)**	(6.4)
Restructuring costs paid	**(1.2)**	—
Cash payments to the pension scheme more than the charge to operating profit	**(5.9)**	(5.4)
Operating cash flows before movements in working capital	**44.0**	49.3
Increase in inventories	**(3.0)**	(2.9)
Increase in receivables	**(4.4)**	(3.8)
Decrease/(increase) in payables and provisions	**0.5**	(3.3)
Increase/(decrease) in customer deposits	**1.8**	(10.9)
Cash generated from operations	**38.9**	28.4
Interest paid	**(5.0)**	(1.0)
Income taxes paid	**(9.1)**	(6.2)
Net cash from operating activities	**24.8**	21.2
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	**(0.8)**	(165.7)
Acquisition of property, plant and equipment	**(4.4)**	(6.8)
Acquisition of intangible assets	**(1.0)**	—
Capitalised development expenditure	**(8.0)**	(5.4)
Net cash used in investing activities	**(14.2)**	(177.9)
Cash flows from financing activities		
Proceeds from issue of share capital	**0.2**	0.8
(Decrease)/increase in borrowings	**(12.9)**	156.9
Dividends paid	**(7.1)**	(6.4)
Net cash from financing activities	**(19.8)**	151.3
Net decrease in cash and cash equivalents	**(9.2)**	(5.4)
Cash and cash equivalents at beginning of the year	**32.6**	39.2
Effect of exchange rate fluctuations on cash held	**1.7**	(1.2)
Cash and cash equivalents at end of the year	**25.1**	32.6

Reconciliation of changes in cash and cash equivalents to movement in net debt		
Decrease in cash and cash equivalents	**(9.2)**	(5.4)
Effect of foreign exchange rate changes on cash and cash equivalents	**1.7**	(1.2)
	(7.5)	(6.6)
Cash outflow/(inflow) from decrease/increase in debt	**12.9**	(156.9)
Movement in net cash in the year	**5.4**	(163.5)
Net (debt)/cash at start of the year	**(124.3)**	39.2
Net debt at the end of the year	**(118.9)**	(124.3)

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

	2015 £m	2014 £m
(Loss)/profit before income tax	**(9.7)**	24.0
Reversal of acquisition related fair value adjustments to inventory	**0.2**	3.7
Acquisition related costs	**2.2**	7.8
Restructuring costs	**9.9**	—
Amortisation and impairment of acquired intangibles	**21.7**	14.7
Contingent consideration – further amount deemed payable	**6.8**	—
Contingent consideration deemed no longer payable	**(1.4)**	—
Unwind of discount in respect of contingent consideration	**1.1**	0.9
Mark to market loss/(gain) in respect of derivative financial instruments	**4.8**	(4.1)
Settlement loss on US pension scheme	**—**	0.1
Adjusted profit before income tax	**35.6**	47.1
Share of taxation	**(8.1)**	(8.7)
Adjusted profit for the year	**27.5**	38.4

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

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

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

In the current period, a further £6.8m has been 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 period, £1.4m relating to contingent consideration on the acquisition of RMG Technology Limited, which the Directors no longer consider will be payable has been released.

Restructuring costs comprise the one-off costs in respect of the cost reduction programme referred to in the Review of the Year and the refocusing of the Plasma Technology business as also described in the Review of the Year.

During the prior year the Group purchased annuities for 27 members of the US defined benefit pension scheme. A settlement loss of £0.1m crystallised on purchase.

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

In calculating the share of tax attributable to adjusted profit before tax in 2011 a one-off recognition of deferred tax assets relating to the Group's UK businesses of £11.3m was excluded. At that time the Group announced its intention to exclude the reversal of this deferred tax from the calculation of the share of tax attributable to adjusted profit before tax in the years in which it reverses. In the current period tax losses arose in the UK and consequently no deferred tax reversed. In the prior period £2.2m reversed and was excluded from the tax attributable to adjusted profit before tax.

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.

	2015 £m	2014 £m
Basic earnings	**(6.3)**	18.2
Adjusted earnings (Note 1)	**27.5**	38.4
Weighted average number of shares	**57.1**	56.8
	pence	pence
Basic earnings per share	**(11.1)**	32.1
Adjusted earnings per share	**48.2**	67.7

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

	2015 Shares million	2014 Shares million
Weighted average number of shares outstanding	**57.3**	57.0
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**	56.8

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

	2015 Shares million	2014 Shares million
Weighted average number of ordinary shares per basic earnings per share calculations	**57.1**	56.8
Effect of shares under option	**0.2**	0.4
Weighted average number of ordinary shares per diluted earnings per share calculations	**57.3**	57.2

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

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

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

Reportable segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. The operating results of each are regularly reviewed by the Chief Operating Decision Maker, which is deemed to be the Board of Directors. Discrete financial information is available for each segment and used by the Board of Directors for decisions on resource allocation and to assess performance. No asset information is presented below as this information is not presented in reporting to the Group's Board of Directors.

3 Segment information continued

a) Analysis by business

Year to 31 March 2015	Nanotechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	**210.9**	**106.0**	**68.6**	**385.5**
Inter-segment revenue	**0.3**	**1.1**	**—**	
Total segment revenue	**211.2**	**107.1**	**68.6**	
Segment adjusted operating profit	**20.7**	**6.3**	**15.7**	**42.7**

Year to 31 March 2014	Nanotechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	180.5	113.3	66.3	360.1
Inter-segment revenue	0.1	1.4	0.1	
Total segment revenue	180.6	114.7	66.4	
Segment adjusted operating profit	21.2	15.6	13.5	50.3

Reconciliation of reportable segment profit

	2015 £m	2014 £m
Adjusted profit for reportable segments	**42.7**	50.3
Acquisition related costs	**(2.2)**	(7.8)
Restructuring costs	**(9.9)**	—
Settlement loss on US pension scheme	**—**	(0.1)
Reversal of acquisition related fair value adjustments to inventory	**(0.2)**	(3.7)
Contingent consideration – further amount deemed payable	**(6.8)**	—
Contingent consideration deemed no longer payable	**1.4**	—
Amortisation and impairment of acquired intangibles	**(21.7)**	(14.7)
Financial income	**0.1**	4.4
Financial expenditure	**(13.1)**	(4.4)
(Loss)/profit before income tax	**(9.7)**	24.0

Depreciation, capital expenditure, amortisation and impairment of intangibles and capitalised development costs arose in the following segments:

	2015		2014	
	Depreciation £m	Capital expenditure £m	Depreciation £m	Capital expenditure £m
Nanotechnology Tools	**3.0**	**2.6**	2.6	3.0
Industrial Products	**1.9**	**1.4**	1.8	1.6
Service	**0.3**	**0.1**	0.2	0.7
Unallocated Group items	**0.4**	**1.3**	0.4	1.5
Total	**5.6**	**5.4**	5.0	6.8

3 Segment information continued

a) Analysis by business continued

Reconciliation of reportable segment profit continued

	2015		2014	
	Amortisation and impairment £m	**Capitalised development costs £m**	Amortisation and impairment £m	Capitalised development costs £m
Nanotechnology Tools	**3.8**	**6.1**	3.0	3.8
Industrial Products	**1.6**	**1.9**	0.9	1.6
Service	**—**	**—**	—	—
Unallocated Group items	**21.7**	**—**	14.7	—
Total	**27.1**	**8.0**	18.6	5.4

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

b) Geographical analysis

The Group's reportable segments are located across 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 external customers by destination

	2015 £m	2014 £m
UK	**37.0**	33.6
China	**55.4**	50.4
Japan	**31.8**	37.4
USA	**126.6**	95.9
Germany	**25.8**	30.3
Rest of Europe	**51.4**	59.7
Rest of Asia	**44.2**	34.9
Rest of World	**13.3**	17.9
Total	**385.5**	360.1

Non-current assets (excluding deferred tax)

	2015 £m	2014 £m
UK	**206.6**	212.4
China	**0.7**	0.4
Japan	**0.5**	0.7
USA	**29.0**	30.0
Germany	**17.7**	27.3
Rest of World	**9.9**	11.5
Total	**264.4**	282.3

4 Auditor's remuneration

	2015 £000	2014 £000
Audit of these Financial Statements	**125**	136
Amounts received by the auditor and its associates in respect of:		
– Audit of Financial Statements of subsidiaries pursuant to legislation	**282**	283
– Taxation compliance services	**31**	21
– Audit related services	**29**	1
Total fees paid to the auditor and its associates	**467**	441

5 Research and development (R&D)

The total R&D spend by the Group is as follows:

	2015			2014		
	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	**22.5**	**8.3**	**30.8**	17.6	7.5	25.1
Less: depreciation of R&D related fixed assets	**(0.2)**	**(0.7)**	**(0.9)**	(0.2)	(0.6)	(0.8)
Add: amounts capitalised as fixed assets	**0.9**	**1.1**	**2.0**	0.6	1.5	2.1
Less: amortisation of R&D costs previously capitalised as intangibles	**(3.2)**	**(1.5)**	**(4.7)**	(3.0)	(0.9)	(3.9)
Add: amounts capitalised as intangible assets	**6.1**	**1.9**	**8.0**	3.8	1.6	5.4
Total cash spent on R&D during the year	**26.1**	**9.1**	**35.2**	18.8	9.1	27.9

An additional £0.7m impairment of capitalised development is included within administration and shared services in the Consolidated Statement of Income relating to the refocusing of the Plasma Technology business.

6 Acquisitions

Andor Technology plc

On 21 January 2014 the Group acquired 100% of the issued listed share capital of Andor Technology plc for a net cash consideration of £158.1m. Andor is a market leading supplier of high performance optical cameras, microscope systems and software.

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 Nanotechnology Tools segment where it is believed that synergies can be obtained particularly in respect of routes to market.

	Book value £m	Adjustments £m	Fair value £m
Intangible fixed assets	9.4	70.2	79.6
Tangible fixed assets	6.0	(4.0)	2.0
Inventories	11.1	2.5	13.6
Trade and other receivables	10.3	0.5	10.8
Trade and other payables	(13.5)	(2.0)	(15.5)
Deferred tax	(0.5)	(14.2)	(14.7)
Cash	17.2	—	17.2
Net assets acquired	40.0	53.0	93.0
Goodwill			82.3
Total consideration			175.3
Cash acquired			(17.2)
Net cash outflow relating to the acquisition			158.1

During the year ended 31 March 2015, as a result of access to further information, management made some amendments to the provisional fair value adjustments presented in the prior year. As this was within the hindsight period, as allowed by IFRS 3, the difference has been included within goodwill. As the difference is not material, the prior year balance sheet has not been restated.

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.

6 Acquisitions continued

Roentgenanalytik Systeme GmbH

On 31 December 2013 the Group acquired 100% of the issued share capital of Roentgenanalytik Systeme GmbH for a net cash consideration of £1.6m. The company specialises in designing and supplying instruments for coating thickness measurement and material analysis, using X-ray fluorescence (XRF).

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 to strengthen Oxford Instruments' range of XRF materials and coating thickness analysers.

	Book value £m	Adjustments £m	Fair value £m
Intangible fixed assets	—	1.2	1.2
Inventories	0.2	—	0.2
Trade and other receivables	0.1	—	0.1
Trade and other payables	(0.3)	0.2	(0.1)
Cash	0.1	—	0.1
Net assets acquired	0.1	1.4	1.5
Goodwill			0.2
Total consideration			1.7
Cash acquired			(0.1)
Net cash outflow relating to the acquisition			1.6

The goodwill arising is tax deductible in full and is considered to represent the value of the acquired workforce and synergistic benefits expected to arise from the acquisition.

RMG Technology Ltd

On 8 November 2013 the Group acquired 100% of the issued share capital of RMG Technology Limited for an initial net cash consideration of £5.7m. RMG is a UK business specialising in Laser Induced Breakdown Spectrography.

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. The business has been acquired for the purpose of integrating into the Industrial Analysis segment where it will add a unique hand-held analyser to the Group's product portfolio.

	Book value £m	Adjustments £m	Fair value £m
Intangible fixed assets	—	8.2	8.2
Inventories	0.1	—	0.1
Trade and other receivables	0.2	—	0.2
Trade and other payables	(0.3)	—	(0.3)
Deferred tax	—	(1.6)	(1.6)
Cash	0.4	—	0.4
Net assets acquired	0.4	6.6	7.0
Goodwill			0.5
Total consideration			7.5
Cash acquired			(0.4)
Contingent consideration at acquisition			(1.4)
Net cash outflow relating to the acquisition			5.7

In the current period, it is no longer considered that the £1.4m relating to contingent consideration on the acquisition of RMG Technology Limited will be payable, and it has been released to other operating income (see Note 1).

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.

7 Financial income

	2015 £m	2014 £m
Interest receivable	**0.1**	0.3
Fair value movement on derivative financial instruments	**—**	4.1
	0.1	4.4

8 Financial expenditure

	2015 £m	2014 £m
Interest payable	**5.3**	1.5
Interest charge on pension scheme net liabilities	**1.9**	2.0
Unwind of discount on contingent consideration	**1.1**	0.9
Fair value movement on derivative financial instruments	**4.8**	—
	13.1	4.4

9 Personnel costs

	2015 £m	2014 £m
Wages and salaries	**101.6**	83.8
Social security costs	**11.7**	9.4
Contributions to defined contribution pension plans	**4.4**	3.7
(Credit)/charge in respect of employee share options	**(0.2)**	1.6
	117.5	98.5

Directors' emoluments are disclosed in the Directors' Remuneration Report on pages 48 to 66 of this Annual Report.

10 Employees

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

	2015 Number	2014 Number
Production	**1,047**	958
Sales and marketing	**581**	478
Research and development	**462**	337
Administration and shared services	**330**	277
Total average number of employees	**2,420**	2,050

11 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 Directors' Remuneration Report on pages 48 to 66.

Performance Share Plan Scheme (PSP)

Under the 2014 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 credit of £0.2m (2014: charge of £1.6m) in respect of the cost of providing share options. The credit in the current 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 2015 and 2014, the fair value per option granted and the assumptions used in the calculation are as follows:

	Senior Executive Long Term Incentive Scheme	Performance Share Plan Scheme	Executive Share Option Scheme		Executive Share Option Scheme	
	June 2014	October 2014	June 2014	July 2014	June 2013	March 2014
Fair value at measurement date	£9.62	£6.58	£5.50	£4.77	£5.49	£4.99
Share price at grant date	£13.95	£9.72	£13.95	£12.37	£14.55	£12.72
Exercise price	£nil	£nil	£14.15	£12.61	£14.55	£12.89
Expected volatility	35.8%	34.6%	41.9%	41.6%	40.7%	41.8%
Expected option life (expressed as weighted average life used in the modelling)	3 years	3 years	6 years	6 years	6 years	6 years
Expected dividend yield	0.9%	1.3%	0.9%	1.0%	0.8%	0.9%
Risk free interest rate	1.3%	1.0%	2.2%	2.1%	1.5%	2.1%

11 Share option schemes continued

Performance Share Plan Scheme (PSP) continued

The options existing at the year end were as follows:

	2015 Number of shares	Exercise price	Period when exercisable	2014 Number of shares
Options subsisting at the year end on unissued ordinary shares				
Executive Share Option Schemes				
July 2004	—	£2.18	15/07/07–14/07/14	1,500
July 2005	980	£2.19	15/07/08–14/07/15	1,715
July 2006	9,500	£2.10	15/07/09–14/07/16	10,250
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	14,839
December 2009	24,646	£2.04	17/12/12–16/12/19	35,051
January 2011	111,075	£7.05	07/01/14–06/01/21	136,987
December 2011	369,470	£9.90	14/12/14–13/12/21	433,050
December 2012	320,750	£13.88	19/12/15–18/12/22	373,775
June 2013	10,670	£14.55	12/06/16–11/06/23	10,670
March 2014	94,000	£12.89	20/03/17–19/03/24	110,000
June 2014	388,600	£14.15	13/06/17–12/06/24	—
July 2014	19,813	£12.61	08/07/17–07/07/24	—
Total options subsisting on existing ordinary shares	1,368,343			1,133,837
Percentage of issued share capital	2.4%			2.0%
Performance Share Plan				
October 2014	120,325	nil	10/10/17–09/10/21	—
Total options subsisting on existing ordinary shares	120,325			—
Percentage of issued share capital	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 2011	—	nil	14/12/14–13/12/18	39,800
December 2012	32,800	nil	19/12/15–18/12/19	32,800
June 2014	21,400	nil	19/12/15–18/12/19	—
Total options subsisting on existing ordinary shares held in trust	69,700			88,100
Percentage of issued share capital	0.1%			0.2%

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

	Weighted average exercise price 2015	Number of options 2015	Weighted average exercise price 2014	Number of options 2014
Outstanding at the beginning of the period	£9.94	1,221,937	£8.47	1,561,215
Granted during the year	£10.58	570,238	£13.04	120,670
Forfeited during the year	£12.42	(137,945)	£10.37	(42,270)
Exercised during the year	£5.68	(40,501)	£4.85	(334,005)
Lapsed during the year	£9.74	(55,361)	£7.10	(83,673)
Outstanding at the year end	£10.46	1,558,368	£9.94	1,221,937
Exercisable at the year end	£8.26	550,010	£4.96	221,842

The weighted average share price at the time of exercise of the options was £12.06 (2014: £16.98).

12 Income tax expense

Recognised in the Consolidated Statement of Income

	2015 £m	2014 £m
Current tax expense		
Current year	**6.5**	6.5
Adjustment in respect of prior years	**(0.3)**	(0.1)
	6.2	6.4
Deferred tax expense		
Origination and reversal of temporary differences	**(9.0)**	0.2
Recognition of deferred tax not previously recognised	**—**	—
Adjustment in respect of prior years	**(0.6)**	(0.8)
	(9.6)	(0.6)
Total tax (credit)/expense	**(3.4)**	5.8
Reconciliation of effective tax rate		
(Loss)/profit before income tax	**(9.7)**	24.0
Income tax using the UK corporation tax rate of 21% (2014: 23%)	**(2.0)**	5.5
Effect of:		
Tax rates other than the UK standard rate	**1.2**	1.7
Change in rate at which deferred tax recognised	**—**	(0.2)
Non-taxable income and expenses	**(1.5)**	(0.1)
Tax incentives not recognised in the Consolidated Statement of Income	**—**	(0.4)
Recognition of deferred tax not previously recognised	**—**	—
Movement in unrecognised deferred tax	**(0.2)**	0.2
Adjustment in respect of prior years	**(0.9)**	(0.9)
Total tax (credit)/expense	**(3.4)**	5.8
Taxation (credit)/charge recognised in other comprehensive income		
Deferred tax – relating to employee benefits	**(2.3)**	1.0
	(2.3)	1.0
Taxation charge recognised directly in equity		
Deferred tax – relating to share options	**0.2**	0.4

On 20 March 2013 the Chancellor announced that the UK corporation tax rate will reduce to 20% by 1 April 2015.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. The UK deferred tax balances at 31 March 2015 have been calculated based on the rate of 20% which was substantively enacted at the balance sheet date.

13 Dividends per share

The following dividends per share were paid by the Group:

	2015 pence	2014 pence
Previous year interim dividend	**3.36**	3.05
Previous year final dividend	**9.04**	8.15
	12.40	11.20

13 Dividends per share continued

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

	2015 pence	2014 pence
Interim dividend	**3.70**	3.36
Final dividend	**9.30**	9.04
	13.00	12.40

The interim dividend was not provided for at the year end and was paid on 9 April 2015. The payment of the interim dividend remains discretionary until it is paid. The final proposed dividend of 9.30p per share (2014: 9.04p) was not provided at the year end and will be paid on 22 October 2015 subject to authorisation by the Shareholders at the forthcoming AGM.

14 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
Balance at 1 April 2013	23.8	47.3	9.4	80.5
Additions – business combinations	0.9	0.9	0.2	2.0
Additions – other	1.2	5.0	0.6	6.8
Disposals	(0.8)	(3.5)	(0.1)	(4.4)
Transfer to intangible assets	—	(0.9)	—	(0.9)
Effect of movements in foreign exchange rates	(0.8)	(1.4)	(0.2)	(2.4)
Balance at 31 March 2014	24.3	47.4	9.9	81.6
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**
Depreciation and impairment losses				
Balance at 1 April 2013	6.3	34.8	6.5	47.6
Depreciation charge for the year	0.9	3.3	0.8	5.0
Disposals	(0.7)	(3.2)	(0.1)	(4.0)
Effect of movements in foreign exchange rates	(0.3)	(1.0)	(0.1)	(1.4)
Balance at 31 March 2014	6.2	33.9	7.1	47.2
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**
Carrying amounts				
At 1 April 2013	17.5	12.5	2.9	32.9
At 31 March 2014 and 1 April 2014	18.1	13.5	2.8	34.4
At 31 March 2015	**17.1**	**13.1**	**2.9**	**33.1**

At 31 March 2015, the net book value of plant and equipment included £1.2m (2014: £1.0m) of assets under construction.

15 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 2013	25.8	28.8	60.4	4.9	38.2	—	158.1
Additions – business combinations	83.6	19.6	67.6	1.8	—	—	172.6
Additions – internally generated	—	—	—	—	5.4	—	5.4
Transfers from property, plant and equipment	—	—	—	—	—	0.9	0.9
Effect of movements in foreign exchange rates	(1.4)	(2.0)	(2.8)	(0.2)	(0.5)	—	(6.9)
Balance at 31 March 2014	108.0	46.4	125.2	6.5	43.1	0.9	330.1
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**
Amortisation and impairment losses							
Balance at 1 April 2013	1.3	17.3	19.7	2.0	25.9	—	66.2
Amortisation and impairment charge for the year	0.4	5.1	6.6	2.6	3.9	—	18.6
Effect of movements in foreign exchange rates	(0.1)	(1.2)	(0.4)	(0.1)	(0.8)	—	(2.6)
Balance at 31 March 2014	1.6	21.2	25.9	4.5	29.0	—	82.2
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**
Carrying amounts							
At 1 April 2013	24.5	11.5	40.7	2.9	12.3	—	91.9
At 31 March 2014 and 1 April 2014	106.4	25.2	99.3	2.0	14.1	0.9	247.9
At 31 March 2015	**106.2**	**19.0**	**86.3**	**1.8**	**16.1**	**1.9**	**231.3**

The transfers from property, plant and equipment in the prior year relate to identifiable software assets.

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:

	2015 £m	2014 £m
Nanotechnology Tools		
NanoScience	**6.3**	2.2
NanoAnalysis	**9.3**	3.9
Asylum	**20.8**	8.8
Andor	**61.4**	—
Unallocated	**—**	83.0
Industrial Products		
Industrial Analysis	**3.6**	4.0
Magnetic Resonance	**2.3**	2.3
Austin Scientific	**1.8**	1.6
Service		
OI Service	**0.7**	0.6
	106.2	106.4

15 Intangible assets continued

The unallocated goodwill in the prior year related to the acquisition of Andor Technology plc (see Note 6). In the current year this has been allocated to the Andor, Nanoscience, Nanoanalysis and Asylum CGUs.

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% (2014: 2.5%) per annum revenue growth and 1% growth in overheads for each CGU for the subsequent 20 years. These assumptions, combined with the operational leverage of the CGUs, result in cash flow growth for the subsequent 20 years ranging from 4.9% to 9.4%. These rates are considered to be at or below long term market trends for the Group's businesses.

Key assumptions

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

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

The pre-tax weighted average costs of capital used for Nanotechnology Tools, Industrial Products and Service in impairment testing are 13.6%–14.2% (2014: 13.2%–15.3%), 13.8%–14.3% (2014: 12.3%–14.1%) and 14.8% (2014: 14.7%) 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 is most sensitive to changes in the discount rate and forecast cash flows. Sensitivity analysis has been carried out by reference to both of these assumptions. This demonstrated that a 170 basis point increase in the discount rate would be required in order to result in an impairment in the Andor business, with no impairment arising in any other business. Similarly a 285 basis point reduction in the growth rate would be required in order to result in an impairment in the Andor business, with no impairment arising in any other business. The Andor business is recently acquired and consequently it is to be expected that its carrying value and fair value are very similar. Accordingly, it is not surprising that an adverse change in assumptions would lead to an impairment charge.

16 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 2013	1.4	2.5	15.0	(5.7)	3.4	2.2	18.8
Reclassification	—	—	(0.7)	0.7	—	—	—
Recognised in income	(1.4)	0.7	(1.5)	4.2	(2.3)	0.9	0.6
Recognised in other comprehensive income	—	—	(1.0)	—	—	—	(1.0)
Recognised directly in equity	—	—	(0.4)	—	—	—	(0.4)
Acquisitions	0.3	(0.7)	—	(18.6)	1.3	—	(17.7)
Foreign exchange	0.1	(0.3)	(0.3)	(0.3)	—	(0.3)	(1.1)
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**

16 Deferred tax continued

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

	Assets		Liabilities		Net	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Gross assets/(liabilities)	**38.9**	25.0	**(25.0)**	(25.8)	**13.9**	(0.8)
Offset	**(18.8)**	(13.8)	**18.8**	13.8	**—**	—
Net assets/(liabilities)	**20.1**	11.2	**(6.2)**	(12.0)	**13.9**	(0.8)

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

	2015 £m	2014 £m
Deductible temporary differences	**1.1**	1.2
Tax losses	**4.9**	10.7
	6.0	11.9

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 £56.4m (2014: £37.4m) 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.

17 Inventories

	2015 £m	2014 £m
Raw materials and consumables	**21.2**	23.0
Work in progress	**28.0**	26.2
Finished goods	**21.6**	19.1
	70.8	68.3

The amount of inventory recognised as an expense was £190.3m (2014: £172.0m). 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 £2.9m in the current period (2014: £0.5m). There were no credits reversing previous impairments in either the current or prior period. Impairments are included within gross profit.

Inventory carried at fair value less costs to sell is £nil (2014: £0.7m).

18 Trade and other receivables

	2015 £m	2014 £m
Trade receivables	**78.1**	75.3
Less provision for impairment of receivables	**(2.3)**	(1.6)
Net trade receivables	**75.8**	73.7
Prepayments and accrued income	**6.5**	4.4
Other receivables	**5.0**	2.8
	87.3	80.9

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:

	2015 £m	2014 £m
UK	**6.7**	5.7
China	**12.3**	12.3
Japan	**10.6**	11.5
USA	**26.7**	20.1
Germany	**4.2**	4.6
Rest of Europe	**10.1**	12.2
Rest of Asia	**8.0**	5.7
Rest of the World	**3.7**	4.4
Total	**82.3**	76.5

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

	2015 £m	2014 £m
Current (not overdue)	**50.7**	44.8
Less than 31 days overdue	**18.0**	18.6
More than 30 days but less than 91 days overdue	**8.5**	9.4
More than 90 days overdue	**5.1**	3.7
	82.3	76.5

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:

	2015 £m	2014 £m
Balance at start of year	**1.6**	1.5
Acquired on acquisition	**—**	0.3
Increase/(decrease) in allowance	**0.7**	(0.2)
Balance at end of year	**2.3**	1.6

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.

19 Financial risk management

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

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

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

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

Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of Sterling (translational exposures). The Group has operations around the world which record their results in a variety of different local functional currencies. In countries where the Group does not have operations, it invariably has some customers or suppliers that transact in a foreign currency. The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies but the Group's primary exposures relate to the US Dollar, the Euro and the Japanese Yen. To reduce uncertainty the Group maintains a rolling hedge equivalent to 80% of the exposure expected to arise over the following 12 months. The hedge comprises a mixture of fixed forward contracts and option based products. The remaining 20% is sold on the spot market as it arises. The fair value of outstanding currency contracts recognised as a liability as at 31 March 2015 amount to £4.1m (2014: £0.4m) and those recognised as an asset amount to £3.4m (2014: £5.3m).

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

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

Interest rate risk

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates. The Group's policy is to use a mixture of revolving short and medium term floating rate debt under pinned 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 2015 are set out in Note 22.

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 Consolidated Statement of Financial Position.

19 Financial risk management continued

Credit risk continued

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 March 2015 was £109.3m (2014: £114.4m).

	2015 £m	2014 £m
Trade receivables	**75.8**	73.7
Other receivables	**5.0**	2.8
Cash and cash equivalents	**25.1**	32.6
Forward exchange contracts	**3.4**	5.3
	109.3	114.4

The maximum exposure to credit risk for trade receivables is discussed in Note 18.

Other receivables include £0.9m (2014: £1.5m) 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 2015, the Group had outstanding commodity hedge contracts with a fair value asset of £0.1m (2014: £0.1m liability) that were designated and effective as cash flow hedges of committed and highly probable forecast transactions. Fair value movements of these contracts have been deferred in equity until the hedged transaction takes place. These contracts all mature within one year of the Consolidated Statement of Financial Position date.

A £0.2m gain net of tax (2014: £0.1m loss) has been deferred in equity as at 31 March 2015 in respect of these contracts. A loss of £0.1m (2014: £0.2m 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 2015.

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 £243.4m (2014: £264.5m).

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 assesses 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 11), 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.

20 Financial instruments

Fair values of financial assets and liabilities

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

	Fair value hierarchy	**Carrying amount 2015 £m**	**Fair value 2015 £m**	Carrying amount 2014 £m	Fair value 2014 £m
Assets carried at amortised cost					
Trade receivables		**75.8**	**75.8**	73.7	73.7
Other receivables		**5.0**	**5.0**	2.8	2.8
Cash and cash equivalents		**25.1**	**25.1**	32.6	32.6
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	**3.3**	**3.3**	5.3	5.3
		3.4	**3.4**	5.3	5.3
Liabilities carried at fair value					
Derivative financial instruments:					
– Foreign currency contracts	2	**(4.1)**	**(4.1)**	(0.4)	(0.4)
– Copper hedging contracts (designated as an IAS 39 hedge)	2	**—**	**—**	(0.1)	(0.1)
Contingent consideration	3	**(17.5)**	**(17.5)**	(10.7)	(10.7)
		(21.6)	**(21.6)**	(11.2)	(11.2)
Liabilities carried at amortised cost					
Trade and other payables		**(86.9)**	**(86.9)**	(84.9)	(84.9)
Borrowings		**(144.0)**	**(144.0)**	(156.9)	(156.9)

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

Derivative financial instruments

Derivative financial instruments are marked to market using 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.

20 Financial instruments continued

Maturity of financial liabilities

31 March 2015	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due 1–5 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**	**—**
Borrowings	**144.0**	**144.0**	**—**	**144.0**
	252.5	**253.8**	**109.0**	**144.8**

31 March 2014	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due 1–5 years £m
Trade and other payables	84.9	84.9	81.8	3.1
Contingent consideration	10.7	12.9	1.4	11.5
Foreign exchange contracts	0.4	0.4	0.4	—
Copper hedging contracts	0.1	0.1	0.1	—
Borrowings	156.9	156.9	15.5	141.4
	253.0	255.2	99.2	156.0

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

	Carrying amount 2015 £m	Carrying amount 2014 £m
Variable rate instruments		
Financial assets	**25.1**	32.6
Financial liabilities	**(74.8)**	(87.8)
Fixed rate instruments		
Financial liabilities	**(69.2)**	(69.1)

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.

20 Financial instruments continued

Sensitivity analysis continued

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 2015					
Impact on Consolidated Statement of Income	**—**	**5.5**	**(4.5)**	**—**	**—**
Impact on equity	**—**	**5.5**	**(4.5)**	**—**	**—**
At 31 March 2014					
Impact on Consolidated Statement of Income	—	4.5	(3.7)	—	—
Impact on equity	—	4.5	(3.7)	0.1	(0.1)

1 Of the effect on the Consolidated Statement of Income, £6.3m (2014: £6.7m) would have been recognised on the "mark to market" line (see Note 1).
2 Of the effect on the Consolidated Statement of Income, £(5.1)m (2014: £(5.5)m) would have been recognised on the "mark to market" line (see Note 1).

21 Called up share capital

Issued and fully paid ordinary shares:

	2015 Number of shares	2014 Number of shares
At the beginning of the year	**57,250,835**	56,916,830
Issued for cash	**40,501**	334,005
At the end of the year	**57,291,336**	57,250,835

	2015		2014	
	Number of shares	**£m**	Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of 5p each	**57,291,336**	**2.9**	57,250,835	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	31,410	£1,570	£nil–£9.90
Exercise of executive share options – share appreciation rights	9,091	£455	£0.05

The total consideration received from exercise of share options in the year was £0.2m (2014: £0.7m).

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.

22 Borrowings

Current	Effective interest rate	Earlier of re-pricing date or maturity date	**2015 £m**	2014 £m
Term loans – unsecured	N/A	N/A	**—**	15.5
			—	15.5

22 Borrowings continued

Non-current	Effective interest rate	Earlier of re-pricing date or maturity date	2015 £m	2014 £m
Revolving credit facility – unsecured	2.27%	April 2015	**74.8**	72.3
European Investment Bank loan – unsecured	3.30%	August 2020	**24.8**	24.8
Loan notes – unsecured	5.10%	March 2021	**44.4**	44.3
			144.0	141.4

The Group's undrawn committed facilities available at 31 March 2015 were £49.1m comprising the undrawn portion of the Group's £124.9m 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 2019.

23 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:

	UK 2015 £m	USA 2015 £m	Total 2015 £m	UK 2014 £m	USA 2014 £m	Total 2014 £m
Present value of funded obligations	**283.8**	**8.3**	**292.1**	235.7	7.2	242.9
Fair value of plan assets	**(233.9)**	**(4.7)**	**(238.6)**	(191.9)	(4.7)	(196.6)
Recognised liability for defined benefit obligations	**49.9**	**3.6**	**53.5**	43.8	2.5	46.3

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

	UK 2015 £m	USA 2015 £m	Total 2015 £m	UK 2014 £m	USA 2014 £m	Total 2014 £m
Benefit obligation at the beginning of the year	**235.7**	**7.2**	**242.9**	235.5	10.4	245.9
Interest on defined benefit obligation	**10.5**	**0.2**	**10.7**	10.5	0.4	10.9
Settlement loss	**—**	**—**	**—**	—	0.1	0.1
Benefits paid	**(4.8)**	**(1.0)**	**(5.8)**	(5.0)	(0.3)	(5.3)
Settlement payments	**—**	**—**	**—**	—	(2.8)	(2.8)
Remeasurement loss/(gain) on obligation	**42.4**	**0.8**	**43.2**	(5.3)	0.1	(5.2)
Exchange rate adjustment	**—**	**1.1**	**1.1**	—	(0.7)	(0.7)
Benefit obligation at the end of the year	**283.8**	**8.3**	**292.1**	235.7	7.2	242.9

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

	UK 2015 £m	USA 2015 £m	Total 2015 £m	UK 2014 £m	USA 2014 £m	Total 2014 £m
Fair value of plan assets at the beginning of the year	**191.9**	**4.7**	**196.6**	190.6	7.4	198.0
Interest on plan assets	**8.6**	**0.2**	**8.8**	8.6	0.3	8.9
Contributions by employers	**6.3**	**0.2**	**6.5**	5.6	0.3	5.9
Benefits paid	**(4.8)**	**(1.0)**	**(5.8)**	(5.0)	(0.3)	(5.3)
Settlement payments	**—**	**—**	**—**	—	(2.8)	(2.8)
Administrative expenses	**(0.4)**	**(0.1)**	**(0.5)**	(0.4)	—	(0.4)
Actual return on assets excluding interest income	**32.3**	**0.1**	**32.4**	(7.5)	0.4	(7.1)
Exchange rate adjustment	**—**	**0.6**	**0.6**	—	(0.6)	(0.6)
Fair value of plan assets at the end of the year	**233.9**	**4.7**	**238.6**	191.9	4.7	196.6

23 Retirement benefit obligations continued

Expense recognised in the Consolidated Statement of Income

	2015 £m	2014 £m
Total – defined benefit expense	**1.9**	2.0
Contributions to defined contribution schemes	**4.4**	3.7
	6.3	5.7

The Group expects to contribute approximately £7.0m to defined benefit plans in the next financial year.

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

	2015 £m	2014 £m
Cost of sales	**1.4**	1.1
Selling and marketing costs	**1.0**	0.7
Administration and shared services	**0.7**	1.3
Research and development	**1.3**	0.6
Financial expenditure	**1.9**	2.0
	6.3	5.7

Remeasurement gains and losses shown in the Consolidated Statement of Comprehensive Income

	2015 £m	2014 £m
Actual return on assets excluding interest income	**32.4**	(7.1)
Experience gain/(loss) on scheme obligations	**2.2**	(0.9)
Changes in assumptions underlying the present value of scheme obligations		
– Financial	**(45.9)**	2.2
– Demographic	**0.5**	3.9

Cumulative actuarial losses reported in the Consolidated Statement of Comprehensive Income since 1 April 2004, the transition date to IFRS, are £49.5m (2014: £39.6m).

History of experience gains and losses are as follows:

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Present value of benefit obligations	**292.1**	242.9	245.9	215.4	184.8
Fair value of plan assets	**(238.6)**	(196.6)	(198.0)	(180.2)	(173.1)
Recognised liability for defined benefit obligations	**53.5**	46.3	47.9	35.2	11.7
Difference between the expected and actual return:					
Amount £m	**32.4**	(7.1)	8.7	(3.0)	4.8
% of scheme assets	**13.6%**	(4%)	4%	(2%)	3%
Experience gains/(losses) on scheme liabilities:					
Amount £m	**2.2**	(0.9)	0.4	(4.7)	10.9
% of the present value of the scheme liabilities	**1%**	—%	—%	2%	(6%)

The table below shows the sensitivity of the Consolidated Statement of Financial Position to changes in the significant pension assumptions:

	Balance at 31 March 2015 £m	Discount rate (-0.1% p.a.) £m	Inflation rate (+0.1% p.a.) £m	Life expectancy (+1 year) £m
Value of funded obligations	292.1	297.9	297.4	300.3
Fair value of plan assets	(238.6)	(238.6)	(238.6)	(238.6)
Deficit	53.5	59.3	58.8	61.7

23 Retirement benefit obligations continued

Defined benefit scheme – United Kingdom

A full actuarial valuation of the UK plan was carried out as at 31 March 2012 and has been updated to 31 March 2015 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 2015 %	As at 31 March 2014 %
Discount rate	**3.4**	4.5
Rate of increase in pensions in payment (3LPI)	**2.4**	2.5
Rate of increase in pensions in payment (5LPI)	**2.9**	3.1
Rate of inflation (CPI)	**1.9**	2.3
Mortality – pre and post-retirement – males and females	**94% of S1PA tables (97% for females) future improvement in line with CMI 2013 with 1% 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:

	2015 years	2014 years
Pre-retirement – males	**22.4**	23.8
Pre-retirement – females	**24.5**	25.9
Post-retirement – males	**23.7**	22.4
Post-retirement – females	**26.0**	24.4

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 2015 £m	Value at 31 March 2014 £m
Equities	**97.8**	84.1
Corporate bonds	**55.6**	40.4
Gilts	**34.2**	36.6
Cash	**24.8**	13.8
Alternative	**21.5**	17.0
	233.9	191.9

Defined benefit scheme – United States

A full actuarial valuation of the USA plan was carried out as at 1 January 2012, which for reporting purposes has been updated to 31 March 2015 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 2015 %	As at 31 March 2014 %
Discount rate	**3.75**	4.50
Rate of increase to pensions in payment	**0.00**	0.00
Rate of inflation	**2.25**	2.25
Mortality – pre and post-retirement	**RP-2000CH with Projection Scale BB (fully generational), male and female**	RP-2000CH with Projection Scale BB (fully generational), male and female

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23 Retirement benefit obligations continued

Defined benefit scheme – United States continued

The assets in the plan were:

	Value at 31 March 2015 £m	Value at 31 March 2014 £m
Equities	**1.9**	3.0
Bonds	**2.8**	1.0
Property and other	**—**	0.7
	4.7	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 Directors' Remuneration Report.

24 Trade and other payables

	2015 £m	2014 £m
Trade payables	**36.4**	37.8
Customer deposits	**18.0**	16.7
Social security and other taxes	**3.1**	3.1
Accrued expenses and deferred income	**42.1**	37.2
Contingent consideration due within one year	**17.5**	0.7
Other creditors	**4.5**	3.7
Current trade and other payables	**121.6**	99.2
Amounts due after more than one year – contingent consideration	**—**	10.0
Amounts due after more than one year – accrued expenses	**0.8**	3.1
Total trade and other payables	**122.4**	112.3

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 2014	10.7
Fair value of contingent consideration on acquisitions in the year	—
Unwind of discount in respect of contingent consideration	1.1
Contingent consideration paid	(0.8)
Increase in contingent consideration	6.8
Contingent consideration released to the Consolidated Statement of Income	(1.4)
Effect of movement in foreign exchange	1.1
Balance at 31 March 2015	**17.5**

25 Provisions for other liabilities and charges

	Warranties £m	Restructuring £m	Other £m	Total £m
Balance at 1 April 2014	5.2	—	4.5	9.7
Provisions made during the year	4.7	5.8	0.2	10.7
Provisions used during the year	(2.1)	—	(0.1)	(2.2)
Provisions released during the year	(0.9)	—	(1.4)	(2.3)
Effect of movement in foreign exchange	0.2	—	—	0.2
Balance at 31 March 2015	**7.1**	**5.8**	**3.2**	**16.1**

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 12 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 during the year. The provision represents the Directors' best estimate of the liability arising. The Directors expect these amounts to be settled within the next 12 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 12 month period.

26 Operating leases

Leases

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

	2015 £m	2014 £m
Within one year	**3.6**	2.6
Between one and five years	**6.4**	7.1
Over five years	**2.0**	2.7
	12.0	12.4

During the year ended 31 March 2015 £2.4m was recognised as an expense in the Consolidated Statement of Income in respect of operating leases (2014: £2.6m).

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.

27 Capital commitments

During the year ended 31 March 2015, the Group entered into contracts to purchase property, plant and equipment which are expected to be settled in the following financial year for £nil (2014: £0.2m).

28 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.

29 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:

	2015 £m	2014 £m
Short term employee benefits	**1.2**	1.2
Post employment benefits	**0.1**	0.1
Share-based payment	**0.1**	0.6
Total	**1.4**	1.9

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 (2014: £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 (2014: £nil).

30 Principal Group entities

	Equity owned by the Company %	Country of incorporation	Principal activity
Oxford Instruments Overseas Marketing Ltd	*100	UK	Marketing
Oxford Instruments Industrial Products Ltd	*100	UK	Trading
Oxford Instruments Nanotechnology Tools Ltd	*100	UK	Trading
Omicron UHV Technik Ltd**	*100	UK	Trading
Oxford Instruments AFM Ltd	*100	UK	Trading
Andor Technology Ltd	*100	UK	Trading
Oxford Instruments America Inc.	*100	USA	Distribution
Oxford Instruments Service LLC	*100	USA	Trading
Oxford Instruments Superconductivity Wire LLC	*100	USA	Trading
Oxford Instruments Austin, Inc.	*100	USA	Trading
Oxford Instruments X-Ray Technology Inc.	*100	USA	Trading
Oxford Superconducting Technology LP	*100	USA	Trading
Omniprobe, Inc.	*100	USA	Trading
Oxford Instruments AFM Inc.	*100	USA	Trading
Bitplane Inc.	*100	USA	Trading
Spectral Applied Research Inc.	*100	Canada	Trading
Oxford Instruments KK	*100	Japan	Distribution
Oxford Instruments (Shanghai) Company Ltd**	*100	China	Trading
Oxford Instruments India Private Ltd	*100	India	Distribution
Oxford Instruments Analytical Oy	*100	Finland	Trading
Oxford Instruments SAS	*100	France	Distribution
Omicron Nanotechnology GmbH**	*100	Germany	Trading
Oxford Instruments GmbH	*100	Germany	Distribution
Oxford Instruments Analytical GmbH	*100	Germany	Trading
Roentgenanalytik Systeme GmbH	*100	Germany	Trading
Bitplane AG	*100	Switzerland	Trading
Oxford Instruments Pte Ltd	*100	Singapore	Marketing

** Year end is 31 December.

Equity owned by the Company represents issued ordinary share capital.

The information given above reflects only the undertakings whose results or financial position principally affect the figures in the Group consolidated financial statements. A full list of the Group companies as at 31 March 2015 is available for inspection at the Company's registered office and will be included in the company's next annual return.

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

31 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 £5.3m). The total amount of £7.4m has not been provided for and there are no income tax consequences.

On 30 April 2015 the Group acquired Medical Imaging Resources Inc (MIR) for an initial net cash consideration of $13.4m. Further consideration of up to $10.1m is payable based on revenue performance in the first year after acquisition. MIR is based in Ann Arbor, Michigan and specialises in the build, lease and service of mobile medical imaging labs and has been acquired for integration into OI Healthcare. Some of the disclosure required by IFRS 3 has been omitted since, due to the timing of the acquisition, the initial accounting is incomplete at the date of this publication.

On 27 May 2015 the Group entered into a strategic alliance 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 alliance will comprise Oxford Instruments' Omicron Nanotechnology GmbH ("Omicron") and associated subsidiaries and GDI's Scienta Scientific AB ("Scienta") and associated subsidiaries.

In consideration for new shares in Scienta, Oxford Instruments has transferred all of its shares in the capital of Omicron to Scienta. Oxford Instruments holds a 47% interest in the share capital of Scienta and GDI holds 53%.

32 Exchange rates

The principal exchange rates to Sterling used were:

Year end rates	2015	2014
US Dollar	**1.48**	1.67
Euro	**1.38**	1.21
Yen	**178**	172

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**

Average translation rates 2014	US Dollar	Euro	Yen
April	1.53	1.19	147
May	1.53	1.18	152
June	1.52	1.17	152
July	1.53	1.16	151
August	1.54	1.17	151
September	1.58	1.18	155
October	1.62	1.18	158
November	1.63	1.19	163
December	1.65	1.20	171
January	1.65	1.21	171
February	1.66	1.22	169
March	1.67	1.21	171

Parent Company Balance Sheet

as at 31 March 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Tangible assets	c	**3.4**	2.5
Investments in subsidiary undertakings	d	**320.0**	320.2
		323.4	322.7
Current assets			
Debtors (including £83.9m (2014: £84.5m) due after more than one year)	e	**99.0**	94.3
Cash at bank and in hand		**5.1**	1.5
		104.1	95.8
Creditors: amounts falling due within one year			
Bank loans and overdrafts		**(36.1)**	(31.7)
Other creditors	f	**(30.5)**	(13.1)
		(66.6)	(44.8)
Net current assets		**37.5**	51.0
Total assets less current liabilities		**360.9**	373.7
Long term loans		**(144.0)**	(141.4)
Provisions for liabilities	g	**(0.4)**	—
Net assets		**216.5**	232.3
Share capital	h	**2.9**	2.9
Share premium account	h	**61.5**	61.3
Capital redemption reserve	h	**0.1**	0.1
Other reserves	h	**7.6**	7.6
Profit and loss account	h	**144.4**	160.4
Equity Shareholders' funds		**216.5**	232.3

The Financial Statements were approved by the Board of Directors on 9 June 2015 and signed on its behalf by:

Jonathan Flint
Director
Company Number: 775598

Kevin Boyd
Director

Notes to the Parent Company Financial Statements

a) Accounting policies

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

Basis of preparation

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

Going concern

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

Taxation

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

Leases

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

Fixed assets and depreciation

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

Freehold buildings	50 years
Computer equipment	4 years
Motor vehicles	4 years
Computer software	10 years

Financial instruments

The Company's accounting policies for financial instruments under UK GAAP, namely FRS 25 Financial Instruments: Presentation, FRS 26 Financial Instruments: Measurement and FRS 29 Financial Instruments: Disclosures, are the same as the Group's accounting policies under IFRS, namely IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. These policies are set out in accounting policy "(e) Financial instruments" in the Group accounting policies. As consolidated financial information has been disclosed under IFRS 7 in Notes 18, 19 and 20 to the Group Financial Statements, the Parent Company is exempt from the disclosure requirements of FRS 29.

Post-retirement benefits

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

Foreign currencies

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

Own shares held by Employee Benefit Trust (EBT)

Transactions of the Group-sponsored EBT are included in the Group Financial Statements. In particular, the trust's purchase of shares in the Company are debited directly to equity.

Notes to the Parent Company Financial Statements *continued*

a) Accounting policies continued

Investments

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

Share-based payments

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

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

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 £8.7m (2014: profit of £27.2m).

The auditor's remuneration comprised £125,000 (2014: £136,000) for statutory audit.

The average number of people employed by the Company (including Directors) during the year was 62 (2014: 57). All of these individuals were involved in administration.

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

	2015 £m	2014 £m
Wages and salaries	**5.2**	4.0
Social security costs	**0.6**	0.6
Other pension costs	**0.2**	0.3
	6.0	4.9

The share-based payment income was £0.2m (2014: expense of £0.8m). Details of the Group's share option schemes are included in Note 11 of the Group Financial Statements.

Full details of the emoluments paid to Directors can be found in the Directors' Remuneration Report on pages 48 to 66.

c) Tangible fixed assets

	Software £m	Land and buildings £m	Motor vehicles £m	Computer equipment £m	Total £m
Cost					
Balance at 1 April 2014	0.9	—	0.1	5.2	6.2
Additions	0.9	—	—	0.3	1.2
Balance at 31 March 2015	**1.8**	**—**	**0.1**	**5.5**	**7.4**
Depreciation					
Balance at 1 April 2014	—	—	—	3.7	3.7
Charge for year	—	—	—	0.3	0.3
Balance at 31 March 2015	**—**	**—**	**—**	**4.0**	**4.0**
Net book value					
At 31 March 2014	0.9	—	0.1	1.5	2.5
At 31 March 2015	**1.8**	**—**	**0.1**	**1.5**	**3.4**

d) Investments

	Investments in subsidiary undertakings £m
Cost or valuation	
Balance at 1 April 2014	338.9
Credit in respect of share options transferred to subsidiary undertakings	(0.2)
Balance at 31 March 2015	**338.7**
Impairment	
Balance at 1 April 2014 and 31 March 2015	**18.7**
Net book value	
At 31 March 2014	320.2
At 31 March 2015	**320.0**

e) Debtors

	2015 £m	2014 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**91.3**	88.4
Other debtors	**6.6**	5.3
Prepayments and accrued income	**0.3**	0.1
Deferred tax asset	**0.8**	0.5
	99.0	94.3

Amounts owed by subsidiary undertakings include £83.9m (2014: £84.5m) due after more than one year.

f) Other creditors

	2015 £m	2014 £m
Trade creditors	**0.5**	0.8
Amounts owed to subsidiary undertakings	**23.3**	7.6
Tax, social security and sales related taxes	**0.9**	0.9
Other financial liabilities	**4.2**	1.4
Accruals and deferred income	**1.6**	2.4
	30.5	13.1

g) Provisions for liabilities

	Restructuring provision £m
Balance at 1 April 2014	—
Provisions made during the year	0.4
Balance at 31 March 2015	**0.4**

Deferred tax asset

	2015 £m	2014 £m
Balance at 1 April	**0.5**	0.5
Profit and loss credit	**0.3**	—
Balance at 31 March	**0.8**	0.5

The amounts of deferred tax assets are as follows:

	Recognised	
	2015 £m	2014 £m
Excess of depreciation over corresponding capital allowances	**0.3**	0.5
Tax losses	**0.5**	—
	0.8	0.5

The Company recognises deferred tax assets only to the extent that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

On 20 March 2013 the Chancellor announced that the UK corporation tax rate will reduce to 20% by 1 April 2015.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. The deferred tax balance at 31 March 2015 has been calculated based on the rate of 20% which was substantively enacted at the balance sheet date.

h) Reserves

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
Balance at 1 April 2014	2.9	61.3	0.1	7.6	160.4	232.3
Loss for the year	—	—	—	—	(8.7)	(8.7)
Proceeds from shares issued	—	0.2	—	—	—	0.2
Share options awarded to employees	—	—	—	—	—	—
Share options awarded to employees of subsidiaries	—	—	—	—	(0.2)	(0.2)
Dividends paid	—	—	—	—	(7.1)	(7.1)
Balance at 31 March 2015	**2.9**	**61.5**	**0.1**	**7.6**	**144.4**	**216.5**

Details of issued, authorised and allotted share capital are included in Note 21 of the Group Financial Statements.

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

Details of the Group's share option schemes are included in Note 11 of the Group Financial Statements.

Details of dividends paid are included in Note 13 of the Group Financial Statements.

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

i) Pension commitments

Defined benefit scheme

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

The Directors do not believe it is possible to allocate the assets and liabilities of the Scheme to individual Group members on a consistent and reasonable basis. Accordingly, under FRS 17 the Company is exempt from recognising its share of the net pension deficit and accounts for the scheme as though it were a defined contribution scheme. Details of the scheme and most recent actuarial valuation can be found in Note 23 of the Group Financial Statements. The contributions paid by the Company to the Oxford Instruments Pension Scheme were £0.4m (2014: £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 (2014: £0.3m). There were no outstanding contributions at the end of the financial year (2014: £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 (2014: £10.0m) in respect of overdraft facilities of which £nil (2014: £nil) was drawn at the year end.

k) Commitments

At 31 March 2015, capital commitments contracted were £nil (2014: £nil) and authorised were £nil (2014: £nil).

l) Subsequent events

See Note 31 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 Directors' Remuneration Report on pages 48 to 66. 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 (2014: £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 (2014: £nil).

Historical Financial Summary

	2011 (Restated)** £m	2012 (Restated)** £m	2013 (Restated)** £m	2014 £m	**2015 £m**
Consolidated Statement of Income					
Revenue	262.3	337.3	350.8	360.1	**385.5**
Adjusted operating profit	27.7	41.7	49.3	50.3	**42.7**
Other operating income	4.1	7.0	—	—	**—**
Contingent consideration deemed no longer payable	0.6	—	—	—	**1.4**
Reversal of acquisition related fair value adjustments	—	(1.7)	(0.5)	(3.7)	**(0.2)**
Acquisition related costs	—	(1.5)	(2.1)	(7.8)	**(2.2)**
Contingent consideration – further amount deemed payable	—	—	—	—	**(6.8)**
Restructuring costs	—	—	—	—	**(9.9)**
Settlement loss on US pension scheme	—	—	—	(0.1)	**—**
Reorganisation costs and impairment	(0.6)	—	—	—	**—**
Amortisation of acquired intangibles	(4.7)	(11.2)	(13.8)	(14.7)	**(21.7)**
Operating profit	27.1	34.3	32.9	24.0	**3.3**
Net financing costs	(2.1)	—	(4.5)	—	**(13.0)**
Profit/(loss) before taxation	25.0	34.3	28.4	24.0	**(9.7)**
Income tax credit/(expense)	5.9	(10.9)	(7.4)	(5.8)	**3.4**
Profit/(loss) for the year	30.9	23.4	21.0	18.2	**(6.3)**
Adjusted profit before tax*	24.5	40.2	47.0	47.1	**35.6**
Consolidated Statement of Financial Position					
Property, plant and equipment	23.6	28.2	32.9	34.4	**33.1**
Intangible assets	41.6	78.1	91.9	247.9	**231.3**
Deferred and current tax	11.2	7.6	14.9	(3.5)	**14.6**
Inventories	46.6	59.3	58.1	68.3	**70.8**
Trade and other receivables	52.5	61.0	71.8	86.2	**90.7**
Trade and other payables	(76.6)	(99.2)	(112.5)	(112.8)	**(126.5)**
Net assets excluding net cash	98.9	135.0	157.1	320.5	**314.0**
Cash and cash equivalents	23.7	35.1	39.2	32.6	**25.1**
Bank borrowings	(10.6)	—	—	(156.9)	**(144.0)**
Net cash	13.1	35.1	39.2	(124.3)	**(118.9)**
Provisions and other items	(6.8)	(7.8)	(10.7)	(9.7)	**(16.1)**
Retirement benefit obligations	(11.7)	(35.2)	(47.9)	(46.3)	**(53.5)**
Net assets employed/capital and reserves attributable to the Company's equity holders	93.5	127.1	137.7	140.2	**125.5**
Cash flow					
Net cash from operating activities	35.3	41.6	41.5	21.2	**24.8**
Net cash used in investing activities	(8.8)	(52.2)	(32.3)	(177.9)	**(14.2)**
Net cash from financing activities	(12.3)	22.6	(5.2)	151.3	**(19.8)**
Net increase/(decrease) in cash equivalents	14.2	12.0	4.0	(5.4)	**(9.2)**
	pence	pence	pence	pence	**pence**
Per ordinary share					
Earnings – continuing	62.7	43.5	37.4	32.1	**(11.1)**
Adjusted earnings*	38.9	59.1	66.5	67.7	**48.2**
Dividends	9.0	10.0	11.2	12.4	**13.0**
Employees					
Average number of employees	1,498	1,834	1,927	2,050	**2,420**

* 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.
** Years 2011 to 2013 were restated as a result of changes to IAS 19 (Revised) Employee Benefits.

Shareholder Information

Financial calendar

5 March 2015	Ordinary shares quoted ex-dividend
6 March 2015	Record date for interim dividend
15 March 2015	Dividend reinvestment (DRIP) last date for election
31 March 2015	Financial year end
9 April 2015	Payment of interim dividend
9 June 2015	Announcement of preliminary results
9 June 2015	Announcement of final dividend
Late July 2015	Publication of Annual Report
8 September 2015	Annual General Meeting
24 September 2015	Ordinary shares quoted ex-dividend
25 September 2015	Record date for final dividend
28 September 2015	DRIP date
23 October 2015	Payment of final dividend
10 November 2015	Announcement of interim results
March 2016	Ordinary shares quoted ex-dividend
March 2016	Dividend reinvestment (DRIP) last date for election
March 2016	Record date for interim dividend
31 March 2016	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: 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm, Monday to Friday)

Overseas callers: +44 20 8639 3399

Email: 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.

Shareholder Information *continued*

Dividend bank mandates

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

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

Tel: 0871 664 0385 (calls cost 10p per minute plus network extras; lines are open to 9.00am to 5.30pm, Monday to Friday)

Overseas callers: +44 20 8639 3405

Website: 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: info.oiplc@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.

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 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm, Monday–Friday). Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service, or to buy and sell shares, please contact www.capitadeal.com (online dealing) or 0871 664 0446 (telephone dealing – calls cost 10p per minute plus network extras; lines are open 8.00am to 4.30pm, Monday–Friday excluding public holidays). Full terms, conditions and risks apply and are available on request or by visiting www.capitadeal.com.

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

Analysis of Shareholders as at 31 March 2015

Size of shareholding	Number of holders	% of total	Total holding	% of total
Up to 5,000 shares	2,325	87.54	1,478,015	2.58
5,001 to 50,000 shares	191	7.19	3,355,052	5.86
50,001 to 200,000 shares	88	3.31	7,755	0.01
Over 200,000 shares	52	1.96	52,450,514	91.55
Total	**2,656**	**100**	**57,291,336**	**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 nano scale	UK	+44 (0)1494 442255	+44 (0)1494 524129	nanoanalysis@oxinst.com
Arenavägen 41, 10th floor, 121 77 Johanneshov, Sweden		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 nano scale	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 Technology/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 NanoScience Tubney Woods, Abingdon, Oxfordshire OX13 5QX, UK	Advanced tools for applied research	UK	+44 (0)1865 393200	+44 (0)1865 393333	omicron.nanoscience@oxinst.com
Le plan d’Aigues, RN 7, 13760 St.-Cannat, France		France	+33 442 50 68 64	+33 442 50 68 65	omicron.nanoscience@oxinst.com
14850 Scenic Heights Road, Suite 140, Eden Prairie, MN 55344, USA		USA	+1 (952) 345 5240	+1 (952) 294 8043	omicron.nanoscience@oxinst.com

Company/address	Descriptor	Country	Telephone	Fax	Email
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
Georg-Ohm-Str. 6, 65232 Taunusstein, Germany		Germany	+61 28 95 35 0	+61 28 73 601	industrial@oxinst.com
Wellesweg 31, 47589 Uedem, Germany		Germany	+49 2825 93830	+49 2825 9383100	industrial@oxinst.com
8403 Cross Park Drive, Suite 3F, Austin, TX 78754, USA		USA	+1 (512) 339 0640	+1 (512) 339 0620	industrial@oxinst.com
Industrial Components					
Oxford Instruments Austin 1340 Airport Commerce Dr Bldg 1, Suite 175, Austin, TX 78741, USA	Cryogenic pumps and compressors	USA	+1 (512) 441 6893	+1 (512) 441 6665	cryo-sales@oxinst.com
Oxford Superconducting Technology 600 Milik Street, PO Box 429, Carteret, NJ 07008, USA	Superconducting wire	USA	+1 (732) 541 1300	+1 (732) 541 7769	sales@ost.oxinst.com
Oxford X-Ray Technology 360 El Pueblo Road, Scotts Valley, CA 95066, USA	X-ray tubes and detectors	USA	+1 (831) 439 9729	+1 (831) 439 6051	industrial@oxinst.com

Company/address	Descriptor	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, MI, 48103, USA		USA	+1 (888) 323 1316	+1 (734) 822 1011	info@mobileleasing.com info@medimagingsales.com

Oxford Instruments Directory *continued*

Company/address	Country	Telephone	Fax	Email
Regional Sales and Service Offices				
Oxford Instruments/Canada/Latin America 300 Baker Avenue, Suite 150, Concord, MA 01742, USA	USA	+1 (978) 369 9933	+1 (978) 369 8287	info@ma.oxinst.com
Oxford Instruments China Unit 1, Building A, No. 66 Zhufang Road, Haidian District, Beijing, 100085, China	China	+86 (0)40 0621 5191	+86 (0)10 8271 9055	china.info@oxinst.com
Floor 1, Building 60, No.461, Hongcao Road, Shanghai, 200233, China	China	+86 21 6127 3858	+86 21 6127 3828	china.info@oxinst.com
No. 129, Lane 150, Pingbei Road, Xinzhuang Industrial Area, Minhang District, 201102 Shanghai, China	China	+86 (0)21 6490 8580	+86 (0)21 6490 4042	china.info@oxinst.com
Room 2112, Bai Hui Plaza, 193 Zhong Shan Wu Road, Guangzhou 510030, China	China	+86 (0)20 8364 9990	+86 (0)20 8364 9996	china.info@oxinst.com
Room 1909, Huamin Empire Plaza, No.1, Fu Xing Street, Chengdu, China	China	+86 (0)28 8670 3596	+86 (0)28 8670 3595	china.info@oxinst.com
Oxford Instruments Czech Republic Velvarska 13, CZ-160 00 Praha, Czech Republic	Czech Republic	+420 233 343 264	+420 234 311 724	office@oxinst.cz
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 Otto-von-Guericke-Ring 10, 65205 Wiesbaden, Germany	Germany	+49 6122 9370	+49 6122 937100	info-oiplc@oxinst.com
Oxford Instruments India 11, Marwah's Complex, Krishanlal Marwah Marg, Andheri East, Mumbai 400072, India	India	+91 224 4253 5100	+91 224 4253 5110	india@oxinst.com
Oxford Instruments Japan 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	info@oxford.de
Oxford Instruments Singapore 10 Ubi Crescent, #04-81 Ubi TechPark Lobby E, Singapore 408564, Republic of Singapore	Singapore	+65 6337 6848	+65 6337 6286	oi.admin@oxfordinstruments.com.sg
Oxford Instruments Taiwan 1F, No. 23, Jing-Shang 19th Street, Hsinchu, Taiwan 300, Taiwan, R.O.C.	Taiwan	+886 3 5788696	+886 3 5789993	oi.admin@oxfordinstruments.com.tw

Advisers

Honorary President
Sir Martin Wood OBE FRS Hon FREng DL

Company Secretary
Susan Johnson-Brett ACIS

Board Committees
Audit
JF Lennox, Chairman; J Allerton; RH Friend*; TO Geitner

Nomination
NJ Keen, Chairman; J Allerton; JM Brady*; RH Friend*; TO Geitner; JF Lennox

Remuneration
TO Geitner, Chairman; J Allerton; RH Friend*; NJ Keen; JF Lennox

Administration
Any two Directors

Advisers
Auditors
KPMG LLP

Principal Bankers
HSBC Bank plc; Santander plc; and The Royal Bank of Scotland plc

Stockbrokers
JPMorgan Cazenove

UK Solicitors
Laytons Solicitors LLP, Ashurst LLP

US Counsel
Wilmer Hale LLP

* Professor Sir Richard Friend's term commenced on 1 September 2014 and Mike Brady served until 9 September 2014.

Company information

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OXFORD INSTRUMENTS

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