

Press Release

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Oxford Instruments plc Announcement of Preliminary Results for the year to 31 March 2016

Oxford Instruments plc, a leading provider of high technology tools and systems for industry and research, today announces its Preliminary Results for the year to 31 March 2016.

	Year ended 31 March 2016	Year ended 31 March 2015	% change
Revenue	£361.6m	£380.1m	-4.9%
Adjusted* operating profit	£44.6m	£42.8m	+4.2%
Adjusted* profit before tax	£37.0m	£35.7m	+3.6%
Profit/(loss) before tax	£13.1m	(£9.6m)	
Adjusted* basic earnings per share - continuing	49.2p	48.4p	+1.7%
Dividend per share (full year)	13.0p	13.0p	
Operating cash flow	£49.6m	£38.9m	+27.5%
Net debt	£128.2m	£118.9m	

Financial Highlights:

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

Operating Highlights:

- Improved profit performance in NanoTechnology Tools and Service sectors; decline in Industrial Products due to market softness
- Reported revenue broadly flat in North America, assisted by acquisition of Medical Imaging Resources ('MIR'); declined in Europe due to sale of Omicron and marginal decline in Asia due to currency effects
- Early action on cost reduction delivered operational benefits of £9.4 million
- Active management of portfolio to deliver long-term shareholder value: acquisition of MIR; joint venture to combine Oxford Instruments' Omicron business with Scientia Scientific AB
- Appointment of Ian Barkshire as Chief Executive in line with succession plan and Gavin Hill as Group Finance Director. Alan Thomson to assume Chairman role in September

Outlook:

- Revenue for first two months of trading in line with last year; profits marginally ahead
- Our focus on product innovation, customer service and cost optimisation gives us confidence that we are on track to make progress in the year ahead

Ian Barkshire, Chief Executive of Oxford Instruments plc, said:

“I am excited about the opportunity to capture the long term structural growth in demand for high performance nanotechnology tools. Our focus on new product development, customer service and cost optimisation gives us confidence that we are on track to make progress in the year ahead.

“We will continue to invest in growing the business in our core markets of physical and material science, and exploiting convergence to expand into life sciences.”

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

Chairman's Statement

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

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

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

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

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

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

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

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

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

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

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

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

Chief Executive's Review

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

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

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

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

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

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

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

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

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

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

The Group spent £29.3 million on Research and Development in the period (2015: £35.2 million), reflecting improved efficiency brought about by the consolidation of sites and the fact that the ongoing R&D programme in our Omicron joint venture is no longer included in these figures. Some of our new and innovative products are outlined in the

Operations section. We monitor the fraction of our revenues which originate from products developed in the last three years (our Vitality Index). Our Vitality Index stands at 31% down from 44% in 2015, reflecting the continued success of the RRP Wire and the AZtec and X-Max platforms, whose introduction now falls outside the three year window. The Index remains in the range where we believe a high technology business should be. We continue to have a healthy pipeline of new products in development that will push the boundaries of technical performance and scientific understanding. These developments are aligned to our strategic roadmaps and plans for growth across the Group.

People

I would like to thank our 2,000 staff around the world for their excellent contributions this year. It is their hard work, diligence and understanding of many technological disciplines that make Oxford Instruments the unique business that it is.

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

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

Current Trading and Outlook

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

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

Operations Review

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

NanoTechnology Tools

	2016 £m	2015 £m	Growth	Organic Constant Currency Growth ¹
Revenue	187.4	211.2	-11.3%	-2.5%
Adjusted ² Operating Profit	21.3	20.7		
Adjusted ² Operating Margin	11.4%	9.8%		

¹Excludes foreign exchange and disposals

²Details of adjusting items can be found in Note 1 of these Financial Statements

The NanoTechnology Tools sector produces our highest technology products, primarily to research customers; 83% of its revenues come from research and academia with over a quarter of this coming from Biological Sciences. Our customers in this sector provide a unique insight into emerging trends in public and privately funded research, thus

informing our approach to innovation and product application. In the physical and life science research fields, our tools are used to advance the frontiers of science. We count many Nobel laureates amongst our customers.

The NanoTechnology Tools sector comprises two divisions: NanoCharacterisation, which includes NanoAnalysis, Andor Technology and Asylum Research; and NanoSolutions, which includes NanoScience and Plasma Technology.

Omicron was previously reported in this division but its revenues and profits are now excluded as it is now part of a minority owned investment in Scientia Scientific Ab. Our organic performance reflects the effect of the change in treatment. Our increase in margins reflects the strong performance in our NanoAnalysis, Andor and Asylum businesses, an improvement in Plasma Technology and the transition of Omicron into the joint venture.

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

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

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

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

NanoScience designs, manufactures and supports market-leading research tools that enable quantum technologies, new materials and device development in the physical sciences. We continue to see strong demand for our Ultra Low Temperature systems in line with the growing interest in understanding the fundamentals of quantum science and the associated industrial applications. Our next generation Triton refrigeration system launched this year has been well

received, providing customers with improved throughput and access for larger samples and experiments. Quantum sensors are receiving increased amounts of funding and have the potential to offer unparalleled speed and sensitivity to the measurement of electrical current, magnetic field, and even time. This can enable the development of platforms that can be applied in a wide range of situations from environmental sensing to medical imaging, such as sensitive brain scanning. Our cryomagnetic system is at the heart of the GE SPINlab product, which is used to significantly enhance the sensitivity of a clinical MRI scan and revolutionise applications such as monitoring the effectiveness of

cancer treatment. This can identify the effectiveness of a treatment for individual patients within days rather than months. While this is still in the research phase, early results are proving extremely positive.

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

Industrial Products

	2016 £m	2015 £m	Growth	Organic Constant Currency Growth ¹
Revenue	96.6	104.1	-7.2%	-11.4%
Adjusted ² Operating Profit	4.5	6.4		
Adjusted ² Operating Margin	4.7%	6.1%		

¹Excludes foreign exchange and disposals

²Details of adjusting items can be found in Note 1 of these Financial Statements

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

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

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

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

has been impacted by softening in our industrial customers' end markets, however we continue to see a good level of interest in our latest integrated x-ray source, especially from electronic equipment OEM customers.

Service Sector

	2016 £m	2015 £m	Growth	Organic Constant Currency Growth ¹
Revenue	78.4	66.2	18.4%	-6.5%
Adjusted ² Operating Profit	18.8	15.7		
Adjusted ² Operating Margin	24.0%	23.7%		

¹Excludes foreign exchange and acquisitions and disposals

²Details of adjusting items can be found in Note 1 of these Financial Statements

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

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

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

Finance Review

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

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

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

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

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

Cash generated from operations increased by 27.5% to £49.6 million, primarily due to strong working capital inflow. This reflected a conversion of adjusted operating profit into operating cash (defined as adjusted EBITDA, less, working capital, research and development and capital expenditure) of 115.2% (2015: 80.6%). The acquisition of Medical

Imaging Resources, Inc ('MIR') and deferred consideration paid for Platinum Medical Imaging, Inc ('PMI') and Asylum Research Corporation ('Asylum') contributed to an increase in net debt to £128.2 million from £118.9 million at the year end, representing a net debt to EBITDA ratio (for banking covenant purposes) of 2.3 times, comfortably within our banking covenant of 3.5 times.

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

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

1. Income statement

The Group's income statement is summarised below.

Table 1: Income statement

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

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

1.1 Revenue

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

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

1.2 Gross profit

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

1.3 Operating profit

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

30 basis points to 24.0% for the Service sector. Continuing challenging market conditions for Industrial Products led to a fall in margin of 140 basis points to 4.7%.

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

1.4 Non-recurring and acquisition related items

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

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

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

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

1.5 Net finance costs

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

1.6 Profit before tax

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

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

1.7 Amortisation of acquired intangibles

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

1.8 Tax

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

1.9 Earnings per share (EPS)

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

Undiluted weighted average shares have stayed flat at 57.1 million.

2. Dividend

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

3. Cash flow

The Group cash flow is summarised below.

Table 2: Cash flow

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

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

3.1 Cash generated from operations

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

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

3.2 Interest

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

3.3 Tax

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

3.4 Investment in research and development (R&D)

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

Table 3: Investment in research and development (R&D)

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

4 Acquisitions

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

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

5 Net debt and funding

5.1 Net debt

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

Table 4: Movement in net debt

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

5.2 Funding

The Group has in place an unsecured multi-currency revolving facility agreement which is committed until February 2020. The facility has been entered into with a group of 3 banks and comprises a Sterling denominated multi-currency facility of £100 million and a US Dollar denominated multi-currency facility of \$37.0 million.

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

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

6 Pensions

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

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

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

7 Employees

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

8 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 the Financial Review.

The diverse nature of the Group, combined with its financial strength, provides a solid foundation for a sustainable business. The Directors have reviewed the Group's forecasts and flexed them to incorporate a number of potential scenarios relating to changes in trading performance. The Directors believe that the Group will be able to operate

within its existing debt facilities. This review also considered hedging arrangements in place. The Directors believe that the Group is well placed to manage its business risks successfully.

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

9 Viability

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

10 Forward-Looking Statements

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

Gavin Hill
Group Finance Director
15 June 2016

Consolidated Statement of Income

year ended 31 March 2016

	Notes	Adjusted* £m	Adjusting items* £m	Total £m
Revenue	[3]	361.6	—	361.6
Cost of sales		(199.7)	(1.0)	(200.7)
Gross profit		161.9	(1.0)	160.9
Research and development	[4]	(24.6)	—	(24.6)
Selling and marketing		(59.8)	—	(59.8)
Administration and shared services		(33.4)	(23.0)	(56.4)
Share of loss of associate, net of tax	[6]	(0.2)	(1.3)	(1.5)
Other operating income		—	4.9	4.9
Foreign exchange		0.7	—	0.7
Operating profit/(loss)		44.6	(20.4)	24.2
Other financial income		—	—	—
Financial income		—	—	—
Interest charge on pension scheme net liabilities		(1.7)	—	(1.7)
Other financial expenditure		(5.9)	(3.5)	(9.4)
Financial expenditure		(7.6)	(3.5)	(11.1)
Profit/(loss) before income tax		37.0	(23.9)	13.1
Income tax (expense)/credit	[8]	(8.9)	5.0	(3.9)
Profit/(loss) for the year from continuing operations		28.1	(18.9)	9.2
Loss from discontinued operations after tax	[7]	(0.3)	(1.9)	(2.2)
Profit/(loss) for the year attributable to equity Shareholders of the parent		27.8	(20.8)	7.0

		pence	pence
Earnings per share			
Basic earnings per share	[2]		
From continuing operations		49.2	16.1
From discontinued operations		(0.5)	(3.9)
From profit for the year		48.7	12.2
Diluted earnings per share	[2]		
From continuing operations		49.1	16.1
From discontinued operations		(0.5)	(3.8)
From profit for the year		48.6	12.3
Dividends per share			
Dividends paid	[9]		13.0
Dividends proposed	[9]		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 this Preliminary Statement.

The attached notes form part of the Financial Statements.

Consolidated Statement of Income

year ended 31 March 2015

	Notes	Adjusted* £m	Adjusting items* £m	Total £m
Revenue	[3]	380.1	—	380.1
Cost of sales		(210.3)	(0.2)	(210.5)
Gross profit		169.8	(0.2)	169.6
Research and development	[4]	(30.5)	—	(30.5)
Selling and marketing		(64.9)	—	(64.9)
Administration and shared services		(34.3)	(40.6)	(74.9)
Share of loss of associate, net of tax	[6]	—	—	—
Other operating income		—	1.4	1.4
Foreign exchange		2.7	—	2.7
Operating profit/(loss)		42.8	(39.4)	3.4
Other financial income		0.1	—	0.1
Financial income		0.1	—	0.1
Interest charge on pension scheme net liabilities		(1.9)	—	(1.9)
Other financial expenditure		(5.3)	(5.9)	(11.2)
Financial expenditure		(7.2)	(5.9)	(13.1)
Profit/(loss) before income tax		35.7	(45.3)	(9.6)
Income tax (expense)/credit	[8]	(8.1)	11.5	3.4
Profit/(loss) for the year from continuing operations		27.6	(33.8)	(6.2)
Loss from discontinued operations after tax	[7]	(0.1)	—	(0.1)
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]		
From continuing operations		48.4	(10.9)
From discontinued operations		(0.2)	(0.2)
From profit/(loss) for the year		48.2	(11.1)
Diluted earnings per share	[2]		
From continuing operations		48.2	(10.9)
From discontinued operations		(0.2)	(0.2)
From profit/(loss) for the year		48.0	(11.1)
Dividends per share			
Dividends paid	[9]		12.4
Dividends proposed	[9]		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 this Preliminary Statement.

Consolidated Statement of Comprehensive Income

year ended 31 March 2016

	Notes	2016 £m	2015 £m
Profit/(loss) for the year		7.0	(6.3)
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss			
(Loss)/ gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled		(0.1)	0.1
Foreign exchange translation differences		5.6	7.3
Net foreign exchange loss on disposal of subsidiaries taken to the income statement		1.2	—
Tax on items that may be reclassified to profit or loss		—	—
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain/(loss) in respect of post-retirement benefits		13.6	(10.8)
Tax on items that will not be reclassified to profit or loss	[8]	(2.6)	2.3
Total other comprehensive income/(expense)		17.7	(1.1)
Total comprehensive income/(expense) for the year attributable to equity Shareholders of the parent		24.7	(7.4)

Consolidated Statement of Financial Position

as at 31 March 2016

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

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

Ian Barkshire
Director

Gavin Hill
Director

Company Number: 775598

Consolidated Statement of Changes in Equity

year ended 31 March 2016

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

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

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

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

Consolidated Statement of Changes in Equity

year ended 31 March 2016

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

Consolidated Statement of Cash Flows

year ended 31 March 2016

	2016 £m	2015 £m
Profit/(loss) for the year from continuing operations	9.2	(6.2)
Adjustments for:		
Income tax expense	3.9	(3.4)
Net financial expense	11.1	13.0
Acquisition related fair value adjustments to inventory	0.2	0.2
Acquisition related fair value adjustments to property, plant and equipment	0.8	—
Acquisition related costs	2.5	2.2
Restructuring costs	2.9	9.9
Restructuring costs – relating to associate	1.3	—
Loss on disposal of subsidiary	0.9	—
Contingent consideration - further amount deemed payable	—	6.8
Contingent consideration deemed no longer payable	(4.9)	(1.4)
Share of loss from associate	0.2	—
Amortisation and impairment of acquired intangibles	16.7	21.7
Depreciation of property, plant and equipment	6.3	5.5
Amortisation and impairment of capitalised development costs	3.9	4.7
Adjusted earnings before interest, tax, depreciation and amortisation	55.0	53.0
Loss on disposal of property, plant and equipment	0.1	0.2
Cost of equity settled employee share schemes	0.4	(0.2)
Acquisition related costs paid	(1.8)	(1.9)
Restructuring costs paid	(4.7)	(1.2)
Cash payments to the pension scheme more than the charge to operating profit	(6.7)	(5.9)
Operating cash flows before movements in working capital	42.3	44.0
Decrease/(increase) in inventories	2.7	(3.3)
Decrease/(increase) in receivables	9.3	(5.3)
Increase in payables and provisions	(1.2)	1.6
Increase in customer deposits	(0.5)	1.9
Purchase of rental assets held for subsequent sale	(3.0)	—
Cash generated from operations	49.6	38.9
Interest paid	(5.6)	(5.0)
Income taxes paid	(3.5)	(9.1)
Net cash from operating activities	40.5	24.8
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(27.1)	(0.8)
Acquisition of property, plant and equipment	(2.5)	(4.4)
Acquisition of intangible assets	(0.2)	(1.0)
Proceeds from sale of subsidiary undertaking	0.6	—
Capitalised development expenditure	(8.2)	(8.0)
Net cash used in investing activities	(37.4)	(14.2)
Cash flows from financing activities		
Proceeds from issue of share capital	—	0.2
Increase in long-term receivables	(3.0)	—
Increase/(decrease) in borrowings	4.6	(12.9)
Dividends paid	(7.6)	(7.1)
Net cash from financing activities	(6.0)	(19.8)
Net decrease in cash and cash equivalents from continuing operations	(2.9)	(9.2)
Decrease in cash from discontinued operations	(0.9)	(0.1)
Cash and cash equivalents at beginning of the year	25.1	32.6
Effect of exchange rate fluctuations on cash held	(0.9)	1.8
Cash and cash equivalents at end of the year	20.4	25.1
Reconciliation of changes in cash and cash equivalents to movement in net debt		
Decrease in cash and cash equivalents	(3.8)	(9.3)
Effect of foreign exchange rate changes on cash and cash equivalents	(0.9)	1.8
	(4.7)	(7.5)
Cash (inflow)/outflow from increase/decrease in debt	(4.6)	12.9
Movement in net debt in the year	(9.3)	5.4
Net debt at start of the year	(118.9)	(124.3)
Net debt at the end of the year	(128.2)	(118.9)

Notes to the Financial Statements

year ended 31 March 2016

1 Non-GAAP measures

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

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

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

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

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

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

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

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

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

The group made a loss on disposal of its Omicron business of £0.9m in the current year. Further details of the transaction can be found in Note [6].

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

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

See Note [7] for details of adjusting items from discontinued operations.

2 Earnings per share

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

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

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

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

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

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

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

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

3 Segment information

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

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

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

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

a) Analysis by business

	Nanotechnology Tools £m	Industrial Products £m	Service £m	Total £m
Year to 31 March 2016				
External revenue	187.3	95.9	78.4	361.6
Inter-segment revenue	0.1	0.7	—	
Total segment revenue	187.4	96.6	78.4	
Segment adjusted operating profit from continuing operations	21.3	4.5	18.8	44.6
Year to 31 March 2015				
External revenue	210.9	103.0	66.2	380.1
Inter-segment revenue	0.3	1.1	—	
Total segment revenue	211.2	104.1	66.2	
Segment adjusted operating profit from continuing operations	20.7	6.4	15.7	42.8

The loss after tax of £0.2m from the Group's associate is reported within the Nanotechnology Tools segment. Included in the Service sector is revenue from equipment sales of £13.8m (2015: £7.7m) and from equipment leasing of £8.1m (2015: £0.3m). These two business lines contributed £1.7m (2015: £0.7m) and £1.5m (2015: £0.2m) respectively to the Group's operating profit.

Reconciliation of reportable segment profit

	2016 £m	2015 £m
Adjusted profit for reportable segments from continuing operations	44.6	42.8
Reversal of acquisition related fair value adjustments to inventory	(0.2)	(0.2)
Reversal of acquisition related fair value adjustments to property, plant and equipment	(0.8)	—
Acquisition related costs	(2.5)	(2.2)
Restructuring costs	(2.9)	(9.9)
Restructuring costs – relating to associate	(1.3)	—
Loss on disposal of subsidiary	(0.9)	—
Contingent consideration - further amount deemed payable	—	(6.8)
Contingent consideration deemed no longer payable	4.9	1.4
Amortisation and impairment of acquired intangibles	(16.7)	(21.7)
Financial income	—	0.1
Financial expenditure	(11.1)	(13.1)
Profit/(loss) before income tax on continuing operations	13.1	(9.6)

4 Research and development (R&D)

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

	2016			2015		
	Nanotechnology Tools £m	Industrial Products £m	Total £m	Nanotechnology Tools £m	Industrial Products £m	Total £m
R&D expense charged to the Consolidated Statement of Income	17.6	7.0	24.6	22.5	8.0	30.5
Less: depreciation of R&D related fixed assets	—	(0.8)	(0.8)	(0.2)	(0.6)	(0.8)
Add: amounts capitalised as fixed assets	0.1	1.1	1.2	0.9	1.3	2.2
Less: amortisation of R&D costs previously capitalised as intangibles	(2.8)	(1.1)	(3.9)	(3.2)	(1.5)	(4.7)
Add: amounts capitalised as intangible assets	5.8	2.4	8.2	6.1	1.9	8.0
Total cash spent on R&D during the year	20.7	8.6	29.3	26.1	9.1	35.2

In the current year an additional £0.6m (2015: £0.7m) impairment of capitalised development was included within administration and shared services in the Consolidated Statement of Income relating to the refocusing of the Plasma Technology business.

5 Acquisitions

Medical Imaging Resources, Inc.

On 1 May 2015 the Group acquired 100% of the issued share capital of Medical Imaging Resources, Inc. (MIR) for a net cash consideration of £8.7m. MIR specialises in the build, lease, service and sale of mobile medical imaging labs.

The book and fair values of the assets and liabilities acquired are given in the table below. Fair value adjustments have been made to better align the accounting policies of the acquired business with the Group accounting policies and to reflect the fair value of assets and liabilities acquired. The business has been acquired for the purpose of integrating into the Oxford Instruments Healthcare business where it is believed that a number of synergies can be obtained.

	Book value £m	Adjustments £m	Fair value £m
Intangible fixed assets	—	5.7	5.7
Tangible fixed assets	3.8	0.5	4.3
Inventories	1.4	0.1	1.5
Trade and other receivables	0.9	—	0.9
Trade and other payables	(1.7)	—	(1.7)
Deferred tax	0.2	(0.4)	(0.2)
Net debt	(2.6)	—	(2.6)
Net assets acquired	2.0	5.9	7.9
Goodwill			4.5
Total consideration			12.4
Net debt acquired			2.6
Contingent consideration at acquisition			(6.3)
Net cash outflow relating to the acquisition			8.7

The goodwill arising is not tax deductible and is considered to represent the value of the acquired workforce and synergistic benefits expected to arise from the acquisition. No deferred tax liability has been recognised relating to the fair value of acquired intangibles due to the company making a 3338 election in the United States of America to treat this acquisition as a trade and assets purchase for tax purposes. Further contingent consideration of up to £6.7m is payable based on the performance of the Oxford Instruments Healthcare business in the year to 31 March 2016.

The book value of receivables in the tables above represents the gross contractual amounts receivable.

The acquisition above contributed revenue of £16.0m and a reported operating profit of £6.3m to the Group's result for the period. Had the acquisition taken place on 1 April 2015 the equivalent Group numbers would have been revenue of £363.1m and a reported operating profit of £45.2m.

Cash outflow from the acquisition of subsidiaries (net of cash acquired) includes £18.4m of deferred consideration paid for the acquisition of Platinum Medical Imaging and Asylum Research Corporation in 2011 and 2012 respectively.

6 Investment in associate

On 27 May 2015 the Group entered into a strategic alliance with GD Intressenter AB of Sweden (GDI) to create the world's largest company in the highly specialised Ultra High Vacuum Surface Science field. The alliance comprises Oxford Instruments' Omicron Nanotechnology GmbH ("Omicron") and associated subsidiaries and GDI's Scienta Scientific AB ("Scienta") and associated subsidiaries. Scienta Scientific AB is registered and has its principal place of business in Sweden.

In consideration for new shares in Scienta, Oxford Instruments transferred all of its shares in the capital of Omicron to Scienta. Oxford Instruments holds a 47% interest in the ordinary share capital of Scienta and GDI holds 53%. The investment has been accounted for as an associate taking into account the following factors:

- The Group holds substantial, but minority, voting rights (47%). All other rights are controlled by a single shareholder;
- The Group has a minority number of non-executive board seats (two of five), with the remaining seats held by representatives of GDI;
- Whilst the Group has certain veto rights in respect of key decisions, it cannot unilaterally direct the activities of the Scienta Group.

The book value of the net assets disposed of was £14.9m. The value of the shareholding acquired in Scienta was considered to be £14.6m and as a result a £0.3m loss on disposal arose on the transaction. In addition, a further £0.6m has been provided in respect of certain liabilities arising from the transaction.

The Group's share of loss in its equity accounted associate for the year was £1.5m. The Group did not receive any dividends from the associate.

	£m
Carrying value at 1 April 2015	—
Addition	14.6
Share of loss of associate (net of tax)	(1.5)
Dividends received	—
Carrying value at 31 March 2016	13.1

Summary financial information for the equity accounted associate is as follows:

	2016 £m
Non-current assets	3.2
Current assets	27.0
Total assets	30.2
Current liabilities	(21.4)
Non-current liabilities	(4.0)
Total liabilities	(25.4)
Net assets	4.8
Income	34.0
Expenses	(37.2)
Loss for the year	(3.2)
Group's share of net assets	2.3
Group's share of loss	(1.5)

According to the terms of the transaction, no dividend can be paid by the associate until 27 May 2017. Following that date, any dividend paid must be agreed by both Oxford Instruments plc and GD Intressenter AB, up to a maximum of 50% of the previous year's profit after tax.

7 Disposal of subsidiary and discontinued operations

On 23 November 2015 the Group disposed of its Austin Scientific business for a final consideration of £0.6m.

Effect of disposal on the financial position of the Group	2016
	£m
Other intangible assets	(1.7)
Property, plant and equipment	(0.2)
Inventory	(1.4)
Trade and other receivables	(0.5)
Trade and other payables	0.3
Net assets divested	(3.5)
Consideration received, satisfied in cash	0.6
Cash disposed of	—
Transaction expenses	(0.1)
Net cash inflow	0.5
Carrying value of net assets disposed of	(3.5)
Impairment of net assets to fair value less costs to sell	2.8
Currency translation differences transferred from translation reserve	0.7
Gain on disposal before impairment	0.5
Less impairment loss	(2.8)
Loss on disposal	(2.3)
Tax on loss on disposal	0.4
Loss on disposal net of tax	(1.9)

Discontinued operations

At 31 March 2016 the Group's Austin Scientific business was classified as a discontinued operation. It was considered a major class of business on the basis that it was previously an operating segment referred to in the Group Strategic Report.

Results of discontinued operations	2016	2015
	£m	£m
Revenue	2.3	5.5
Expenses	(2.8)	(5.6)
Adjusted loss from operating activities before income tax	(0.5)	(0.1)
Income tax credit	0.2	—
Adjusted loss from operating activities after tax	(0.3)	(0.1)
Loss on disposal	(2.3)	—
Tax on loss on disposal	0.4	—
Loss from discontinued operations after tax	(2.2)	(0.1)

Earnings per share from discontinued operations

	2016	2015
Adjusted basic loss per share (pence)	(0.5)	(0.2)
Adjusted diluted loss per share (pence)	(0.5)	(0.2)
Total basic loss per share (pence)	(3.9)	(0.2)
Total diluted loss per share (pence)	(3.8)	(0.2)

Cash flows from discontinued operations

	2016	2015
	£m	£m
Net cash used in operating activities	(0.9)	(0.1)
Net cash from investing activities	—	—
Net cash from financing activities	—	—
Net cash flows	(0.9)	(0.1)

8 Income tax expense**Recognised in the Consolidated Statement of Income**

	2016 £m	2015 £m
Current tax expense		
Current year	4.8	6.5
Adjustment in respect of prior years	(0.2)	(0.3)
	4.6	6.2
Deferred tax expense		
Origination and reversal of temporary differences	(1.3)	(9.0)
Recognition of deferred tax not previously recognised	—	—
Adjustment in respect of prior years	0.6	(0.6)
	(0.7)	(9.6)
Total tax expense/(credit)	3.9	(3.4)
Reconciliation of effective tax rate		
Profit/(loss) before income tax	13.1	(9.6)
Income tax using the UK corporation tax rate of 20% (2015: 21%)	2.6	(2.0)
Effect of:		
Tax rates other than the UK standard rate	2.2	1.2
Change in rate at which deferred tax recognised	(0.4)	—
Loss on disposal of held for sale assets	0.3	—
Non-taxable income and expenses	(0.4)	(1.5)
Tax incentives not recognised in the Consolidated Statement of Income	(0.8)	—
Recognition of deferred tax not previously recognised	(0.1)	—
Movement in unrecognised deferred tax	0.3	(0.2)
Adjustment in respect of prior years	0.2	(0.9)
Total tax expense/(credit)	3.9	(3.4)
Taxation charge/(credit) recognised in other comprehensive income		
Deferred tax – relating to employee benefits	2.6	(2.3)
	2.6	(2.3)
Taxation charge/(credit) recognised directly in equity		
Deferred tax – relating to share options	—	0.2

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The UK deferred tax balances at 31 March 2016 have been calculated based on these rates which were substantively enacted at the balance sheet date. The Group carries tax provisions in relation to uncertain tax provisions arising from the possible outcome of negotiations with tax authorities. Such provisions are a reflection of the geographical spread of the Group's operations and the variety of jurisdictions in which it carries out its activities.

9 Dividends per share

The following dividends per share were paid by the Group:

	2016 pence	2015 pence
Previous year interim dividend	3.70	3.36
Previous year final dividend	9.30	9.04
	13.00	12.40

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

	2016 pence	2015 pence
Interim dividend	3.70	3.70
Final dividend	9.30	9.30
	13.00	13.00

The interim dividend was not provided for at the year end and was paid on 8 April 2016. The final proposed dividend of 13.0 pence per share (2015: 9.3 pence) was not provided at the year end and will be paid on 20 October 2016 subject to authorisation by the Shareholders at the forthcoming Annual General Meeting.

10 Basis of preparation

This preliminary announcement does not constitute the company's statutory accounts for the years ended 31 March 2016 or 2015. Statutory accounts for 2015 have been delivered to the registrar of companies, and those for 2016 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial information presented in this preliminary announcement for the year ended 31 March 2016 is based on, and is consistent with, that in the Group's audited Financial Statements for the year ended 31 March 2016. No revisions to adopted IFRS that became applicable in 2016 had a significant impact on the Group's Financial Statements for the year ended 31 March 2016.

The Company is registered in England, Registration Number 775598.

The principal exchange rates to Sterling used were:

Year end rates	2016	2015
US Dollar	1.44	1.48
Euro	1.26	1.38
Yen	162	178

Average translation rates 2016	US Dollar	Euro	Yen
April 2015	1.50	1.37	180
May	1.52	1.37	186
June	1.55	1.40	192
July	1.57	1.41	194
August	1.55	1.39	190
September	1.53	1.36	184
October	1.53	1.38	184
November	1.53	1.41	186
December	1.49	1.39	181
January 2016	1.45	1.33	175
February	1.40	1.29	165
March	1.41	1.27	160

Average translation rates 2015	US Dollar	Euro	Yen
April 2014	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 2015	1.53	1.31	182
February	1.52	1.35	181
March	1.51	1.38	181

11 The Annual General Meeting

The Annual General Meeting will be held on Tuesday, 13 September 2015 at 2.00pm at the Group Head Office, Tubney Woods, Abingdon, Oxfordshire, OX13 5QX.

Principal Risks

Specific Risk	Context	Risk	Possible Impact	Associated strategic priorities	Mitigation
Technical Risk	The Group provides high technology equipment and systems to its customers.	Failure of the advanced technologies applied by the Group to produce commercial products, capable of being manufactured and sold profitably.	Lower profitability and financial returns. Negative impact on the Group's reputation.	'Realising the Brand' - Using 'Voice of the Customer' to drive rapid new product development. 'Liberate Cash' - Support and develop our employees to maximise their value add.	The Group has moved away from large scale, single customer development programmes towards more commercially orientated products. The New Product Introduction programme that any new R&D projects must pass through provides a framework within which the commercial viability of projects are scrutinised and assessed.
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.	'Realising the Brand' - Developing a strong brand in existing and developing markets. 'Delivering Shareholder Value' - Focus on balanced and attractive global markets.	The Group has a broad spread of customers, applications and geographical markets.
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.	'Realising the Brand' - Developing a strong brand in existing and developing markets. 'Inventing the Future' - Using "Voice of the Customer" to drive rapid new product development. 'Adding Personal Value' – Supporting and developing our employees.	Extensive financial, technical and commercial due diligence is undertaken by the Group during any acquisition programmes. Each transaction has a comprehensive post acquisition integration plan which is monitored at the highest level.
Foreign exchange volatility	The Group's sterling cost basis is higher than its sterling revenue sources meaning that a significant proportion of the Group's profit is made in foreign currencies.	The Group's profit levels are exposed to fluctuations in exchange rates.	Lower profitability and financial returns	'Delivering Shareholder Value' - Focus on balanced and attractive global markets. 'Liberating Cash' –Developing a competitive global supply base that supports our growth.	The Group seeks to mitigate the exposure to transactional risk by the use of natural hedges wherever possible. The remaining transactional foreign exchange risk in any year is mitigated through the use of forward and non-premium based option exchange contracts.

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Political risk	The Group operates in global markets and can be required to secure export licences from governments.	Changes in political relations may affect the granting of licences.	An inability to sell certain products to certain countries.	<p>'Delivering Shareholder Value' - Focus on balanced and attractive global markets.</p> <p>'Liberating Cash' –Developing a competitive global supply base that supports our growth.</p>	<p>Maintaining a diversified geographical customer base.</p> <p>Ensure low commitment to inventory before attaining export licences.</p>
Customer Concentration	The Group's Superconducting Wire business is reliant on a small number of MRI manufacturers as customers.	These customers can exert significant customer power in terms of price and volume.	Lost sales and decreased margins.	<p>'Delivering Shareholder Value' - Focus on balanced and attractive global markets.</p> <p>'Liberating Cash' –Developing a competitive global supply base that supports our growth.</p>	<p>Attempt to broaden customer base to include all OEMS.</p> <p>Explore alternative applications for superconducting wire.</p>
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.	<p>'Liberating Cash' – Developing a competitive global supply base that supports our growth.</p> <p>'Realising the Brand' - Developing a strong brand in existing and developing markets.</p>	<p>Relationships with outsourcing businesses are monitored closely and any potential issues are acted upon swiftly to avoid disruption.</p> <p>Where practical dual sources are used for key components and services.</p>
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.	<p>'Delivering Shareholder Value' - Focus on balanced and attractive global markets.</p> <p>'Liberating Cash' – Developing a competitive global supply base that supports our growth.</p>	<p>The Group has closed its defined benefit pension schemes in the UK and US to future accrual.</p> <p>The Group has a funding plan in place to reduce the pension deficit over the short to medium term.</p>
People	A number of the Group's employees are business critical.	The employee leaves the Group.	Lower profitability and financial returns.	<p>'Adding Personal Value' – Supporting and developing our employees.</p> <p>'Inventing the Future' – Providing an environment for inventing and innovation.</p>	<p>The Group undertakes a regular employee survey and implements and reviews resulting action plans.</p> <p>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.</p> <p>A management development programme provides exposure to key skills needed for growth. Regular individual performance reviews take place.</p>
Routes to market	In some instances the Group's products are	The systems integrator	Lower profitability and financial	'Inventing the Future' –	Use of the stage gate process and 'Voice of the Customer' to

Announcement of Preliminary Results for the year to 31 March 2016

	components of higher level systems and thus the Group does not control its route to market.	switches supplier denying the Group's route to market.	returns.	<p>Developing products that offer the best technical solution.</p> <p>'Realising the Brand' – Ensuring that end customers appreciate the benefits of Oxford Instruments technology.</p>	<p>make sure that the Group's products are the best in the market.</p> <p>Co-marketing with system integrators to promote the merits of the Group's products to end customers.</p> <p>Seeking to increase the number of integrators supplied by the Group.</p>
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