Press Release

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The Business of Science®

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Oxford Instruments plc
Announcement of Preliminary Results for the year to 31 March 2015

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 2015.

Highlights:

- Orders grew by 13.0% to £386.6 million (2014: £342.2 million)
- Revenue grew by 7.1% to £385.5 million (2014: £360.1 million)
- On an Organic Constant Currency basis, Orders flat on prior year and Revenues declined by 5.4%
- 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
- Adjusted EPS* of 48.2p (2014: 67.7p)
- 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' Omicron business with Scienta Scientific AB
- Proposed final dividend of 9.30 pence (2014: 9.04 pence), giving a total dividend for the year of 13.0 pence (2014: 12.4 pence)

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

Jonathan Flint, Chief Executive of Oxford Instruments plc, said:

"Overall, we have had a challenging year. We expect a return to organic growth in the coming year, with potential for margin improvement in the medium term. This reflects our swift and decisive action to improve our business, and our confidence that nanotechnology continues to drive long term demand for our high technology tools. Our strategy remains to grow our core markets of physical and materials science, and expand into life sciences."

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Chairman's Statement

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. 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.

Chief Executive's Review

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 florescence analysers which did not start shipping until the end of the year.

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 head count 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 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 magnetic resonance imaging (MRI) and Computed Tomography (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' 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 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 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 continued expansion of our capabilities and expertise allows us to address 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' 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 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 nanoscale, 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, mean 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.

Operations Review

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

Nanotechnology Tools

	2015 £m	2014 £m	Growth	Underlying Growth*
Revenue	**211.2**	180.6	16.9%	-8.2%
Operating Profit	**20.7**	21.2		

*excludes Fx, acquisitions and completed contracts

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, benefitting 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 nanoscale. 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 as Parkinson’s or Alzheimer’s. 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 2-D 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

	2015 £m	2014 £m	Growth	Underlying Growth*
Revenue	**107.1**	114.7	-6.6%	-4.1%
Operating Profit	**6.3**	15.6		

*excludes Fx, acquisitions and completed contracts

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.

Service Sector

	2015 £m	2014 £m	Growth	Underlying Growth*
Revenue	**68.6**	66.4	3.3%	7.1%
Operating Profit	**15.7**	13.5		

*excludes Fx, acquisitions and completed contracts

The Service sector comprises the Group's maintenance service contracts, spare part sales of Oxford Instruments equipment and the servicing of third party MRI and CT machines, under the OIHealthcare brand. The complexity and uniqueness of our products mean our customers increasingly purchase multiyear 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, which specialises in the build, lease and service of mobile MRI, CT and PET-CT. MIR will become part of OIHealthcare 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. I thank everyone for their hard work and effort during what has been a challenging year and recognise the valuable contribution all our staff have made, and continue to make, to our ongoing success.

Financial Review

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 XMet-7000 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 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 table below provides reconciliation.

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**

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 income statement 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 Income Statement.

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 Income Statement. 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 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 22nd October 2015 to shareholders who are on the register on 25th 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 Income Statement and the cash spent is given below:

	2015	2014
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' Omicron Nanotechnology GmbH and GDI's Scienta Scientific AB.

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 per cent interest in the share capital of Scienta and GDI holds 53 per cent.

In the twelve months to 31st 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 IAS19 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 8 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 percent 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%).

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:

£'M	**2014/15**	**2015/16**	**Total**
Income Statement	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.

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.

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	[4]	**(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		**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		**35.6**	**(45.3)**	**(9.7)**
Income tax (expense)/credit	[6]	**(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	[7]			**12.4**
Dividends proposed	[7]			**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	[4]	(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		0.3	4.1	4.4
Financial income		0.3	4.1	4.4
Interest charge on pension scheme net liabilities		(2.0)	—	(2.0)
Other financial expenditure		(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	[7]			11.2
Dividends proposed	[7]			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		**(10.8)**	(1.9)
Tax on items that will not be reclassified to profit or loss	[6]	**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

	2015 £m	2014 £m
Assets		
Non-current assets		
Property, plant and equipment	**33.1**	34.4
Intangible assets	**231.3**	247.9
Deferred tax assets	**20.1**	11.2
	284.5	293.5
Current assets		
Inventories	**70.8**	68.3
Trade and other receivables	**87.3**	80.9
Current income tax recoverable	**3.3**	1.0
Derivative financial instruments	**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	**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	**144.0**	141.4
Other payables	**0.8**	13.1
Retirement benefit obligations	**53.5**	46.3
Deferred tax liabilities	**6.2**	12.0
	204.5	212.8
Current liabilities		
Bank loans	**—**	15.5
Trade and other payables	**121.6**	99.2
Current income tax payables	**2.6**	3.7
Derivative financial instruments	**4.1**	0.5
Provisions	**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

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)

Notes to the Financial Statements

year ended 31 March 2015

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 deferred consideration	1.1	0.9
Mark to market (gain)/loss 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, post acquisition restructuring costs 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 to other operating income.

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 showed a reported loss, and as such reported basic earnings per share reported earnings per share was equal to reported diluted earnings per share. This is because 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

4 RESEARCH AND DEVELOPMENT

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.

5 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 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.

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 X-ray Fluorescence (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.

5 ACQUISITIONS (CONTINUED)

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.

6 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 expense	(3.4)	5.8
Reconciliation of effective tax rate		
Loss 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 expense	(3.4)	5.8
Taxation charge/(credit) recognised in other comprehensive income		
Deferred tax – relating to employee benefits	(2.3)	1.0
	(2.3)	1.0
Taxation charge/(credit) 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.

7 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

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 9.3p 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 Annual General Meeting.

8 BASIS OF PREPARATION

This preliminary announcement does not constitute the company's statutory accounts for the years ended 31 March 2015 or 2014. Statutory accounts for 2014 have been delivered to the registrar of companies, and those for 2015 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 2015 is based on, and is consistent with, that in the Group's audited Financial Statements for the year ended 31 March 2015. No revisions to adopted IFRS that became applicable in 2015 had a significant impact on the Group's Financial Statements for the year ended 31 March 2015.

The Company is registered in England Number 775598.

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 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**

Average translation rates 2014	**US Dollar**	**Euro**	**Yen**
April 2013	**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 2014	**1.65**	**1.21**	**171**
February	**1.66**	**1.22**	**169**
March	**1.67**	**1.21**	**171**

9 THE ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday, 8 September 2015 at 2.30 pm at 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 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.
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	'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.
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.	'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.
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.	'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.

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