Oxford Instruments plc

Report and Financial Statements 2020

Our Purpose

Our core purpose is to support our customers in addressing some of the world's most pressing challenges, enabling a greener economy, increased connectivity, improved health, and leaps in scientific understanding.

We provide high technology products and services to the world's leading industrial companies and scientific research communities, exploiting our world-class ability to image, analyse and manipulate materials down to the atomic and molecular level.

Employee Pride
in working for us and making a difference

Respect
being inclusive and valuing our employees

Reputation
for positive contribution to society

Being Oxford Instruments

Accountability
for our actions

Health and Safety
ensuring everyone is safe

Trust
our people to deliver

FTSE 250 constituent

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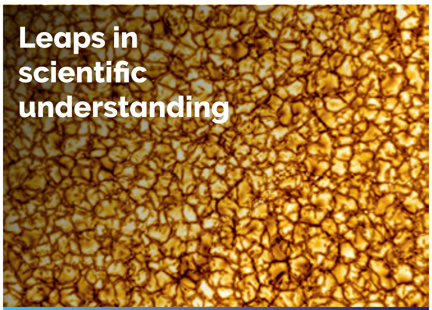
How we make a difference

Leaps in scientific understanding



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Enabling a greener economy

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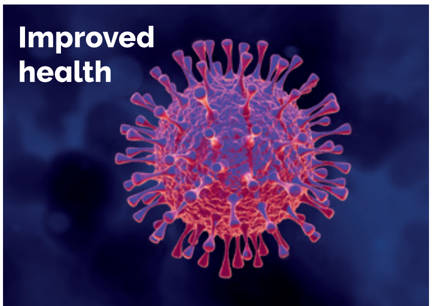
Improved health



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Increased connectivity

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We discuss the progress we have made over the past year

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Read about how we manage our Company and maintain high standards

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

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Find additional information about us

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Company Information

Performance Highlights

Positive progress with our Horizon strategy delivered continued business improvements and good level of growth in the first three quarters of the year.

Revenue[1]

£317.4m +1.1%

(2019: £314.0m)

-0.7%
At constant currency

Adjusted[2] operating profit[1]

£50.5m +5.9%

(2019: £47.7m)

-1.0%
At constant currency

Adjusted[2] profit before tax[1]

£49.5m +8.8%

(2019: £45.5m)

Profit before tax[1]

£38.8m +13.1%

(2019: £34.3m)

Adjusted[2] basic earnings per share[1]

70.2p +12.7%

(2019: 62.3p)

Dividend per share (full year)

—

(2019: 14.4p)

Cash generated from operations[1]

£62.3m +17.5%

(2019: £53.0m)

Net cash

£67.5m +£60.8m

(2019: £6.7m)

1. Continuing operations.
2. Throughout this report we make reference to adjusted numbers. A full definition of adjusted numbers can be found in Note 1 to the Financial Statements. Where we make reference to constant currency numbers, these are prepared on a month-by-month basis using the translational and transactional exchange rates which prevailed in the previous year rather than the actual exchange rates which prevailed in the year. Transactional exchange rates include the effect of our hedging programme.

Financial highlights:

- Good progress underpinned a strong financial performance until the impact of covid-19 in Q4
- Trading disruption due to the pandemic equated to approximately two weeks' equivalent revenue following deferred product shipments and installations in the last quarter
- Reported orders up 0.3% to £336.0m (2019: £335.1m), a decrease of 1.3% at constant currency; book to bill ratio of 1.06
- Order book of £175.0m (31 March 2019: £153.2m), up 14.2% (12.1% at constant currency), assisted by finished goods not shipped or installed at the year end
- Reported revenue increased by 1.1% to £317.4m (a decline of 0.7% at constant currency)
- Adjusted operating profit from continuing operations up 5.9% at £50.5m (a decline of 1.0% at constant currency)
- Adjusted operating margin of 15.9% (2019: 15.2%), 15.1% at constant currency
- Net cash grew to £67.5m, aided by strong operating cash flow (124% cash conversion) and proceeds from business disposals. At the end of March, our revolving credit facility remained undrawn, leaving approximately £105m of undrawn committed facilities. This represents total headroom of approximately £200m
- Following the uncertainty created by covid-19, the Group suspended payment of the interim dividend of 4.1p per share. As a result of continued uncertainty, the Board will defer a decision on payment of dividends but will keep this under review as the year progresses while we assess the impact of covid-19 on our markets and trading performance

Operational highlights:

- Good progress with our Horizon strategy; tangible benefits from our customer-centric, market-driven approach and operational excellence programme
- Business responded to the challenges of covid-19, with the wellbeing of our employees paramount. Manufacturing sites remained operational with products supporting the fight against covid-19 and essential industries
- Cost-saving measures implemented to preserve the financial health of the business
- Underlying growth across all of our customer segments
- Materials & Characterisation saw good underlying demand for our products across the Semiconductor, Advanced Materials and Energy & Environment sectors, with covid-19 disruption particularly impacting shipments into the Semiconductor segment
- Research & Discovery had strong underlying revenue growth supported by global initiatives related to quantum technologies and increased research funding. Refined commercial practices and gains through operational excellence contributed to improved profit and margin
- In Service & Healthcare, the transformation of our customer services approach drove strong order and revenue growth with improved profitability
- Further portfolio focus with disposal of US Healthcare business and equity stake in Scienta Omicron
- Alison Wood to join Board as independent Non-Executive Director in September 2020

Our Business

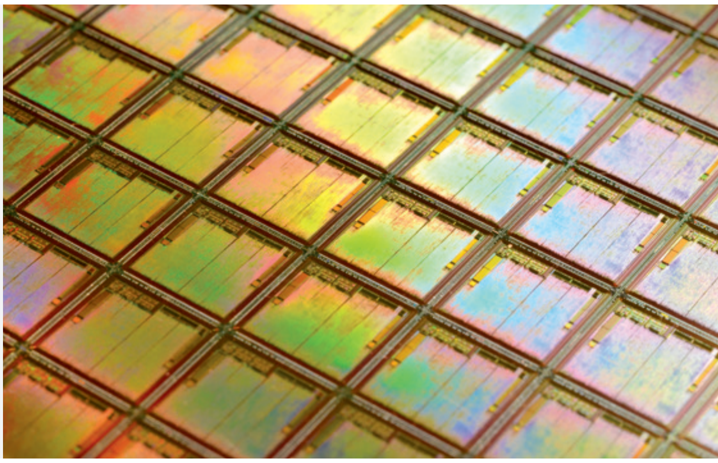
Our core purpose is to support our customers in addressing some of the world's most pressing challenges.

Our business is structured around three sectors to support our customer and application focus:

Materials & Characterisation

Products and solutions that enable the fabrication and characterisation of materials and devices down to the atomic scale, predominantly supporting customers across applied R&D as well as the production and manufacture of high technology products and devices.

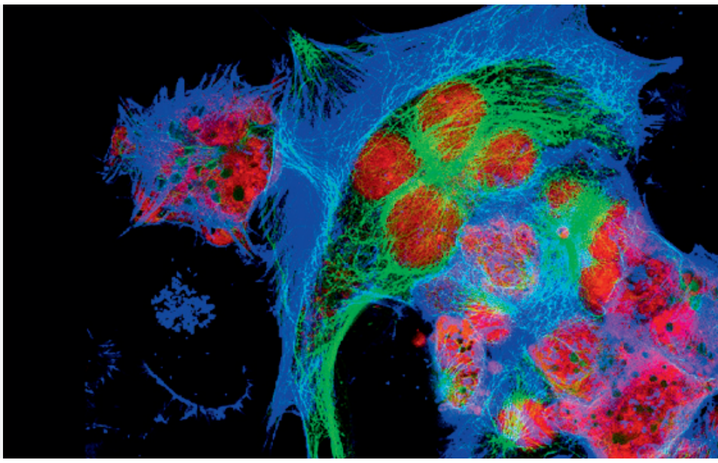
Find out more on pages 32 to 35



Research & Discovery

Provides advanced solutions that create unique environments and enable imaging and analytical measurements down to the molecular and atomic level, predominantly used in scientific research and applied R&D.

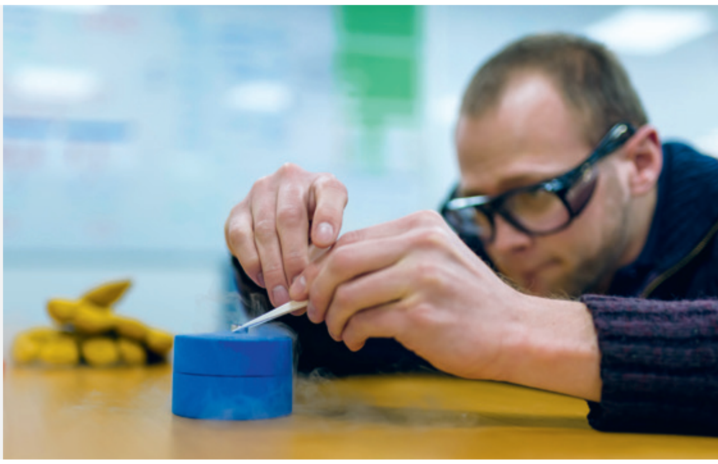
Find out more on pages 36 to 39



Service & Healthcare

Provides customer service and support for our own products.

Find out more on pages 40 to 41



Our key enabling technologies, products and services facilitate a greener economy, increased connectivity, improved health and leaps in scientific understanding.

Revenue
£137.6m
-0.2%
(2019: £137.9m)

Adjusted[2] operating profit
£21.0m
-0.9%
(2019: £21.2m)

Revenue
£126.0m
+0.6%
(2019: £125.2m)

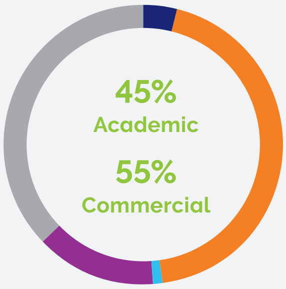
Adjusted[2] operating profit
£14.5m
+12.4%
(2019: £12.9m)

Revenue
£53.8m
+5.7%
(2019: £50.9m)

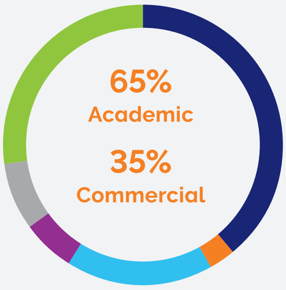
Adjusted[2] operating profit
£15.0m
+10.3%
(2019: £13.6m)

Global end market segments

Materials & Characterisation
End market segment revenue
43.3% of Group revenue



Research & Discovery
End market segment revenue
39.7% of Group revenue



Service & Healthcare
17.0% of Group revenue

This segment is captured within total Group revenue.

Healthcare & Lifescience
Where growth is driven by demand for improvements in disease detection and the understanding of fundamental mechanisms.

Semiconductor & Communications
Where there is a focus on speed, energy efficiency and capacity.

Quantum Technology
Growth is being driven in quantum communications, computing and sensors, where quantum effects radically change the "rule book" of what is possible.

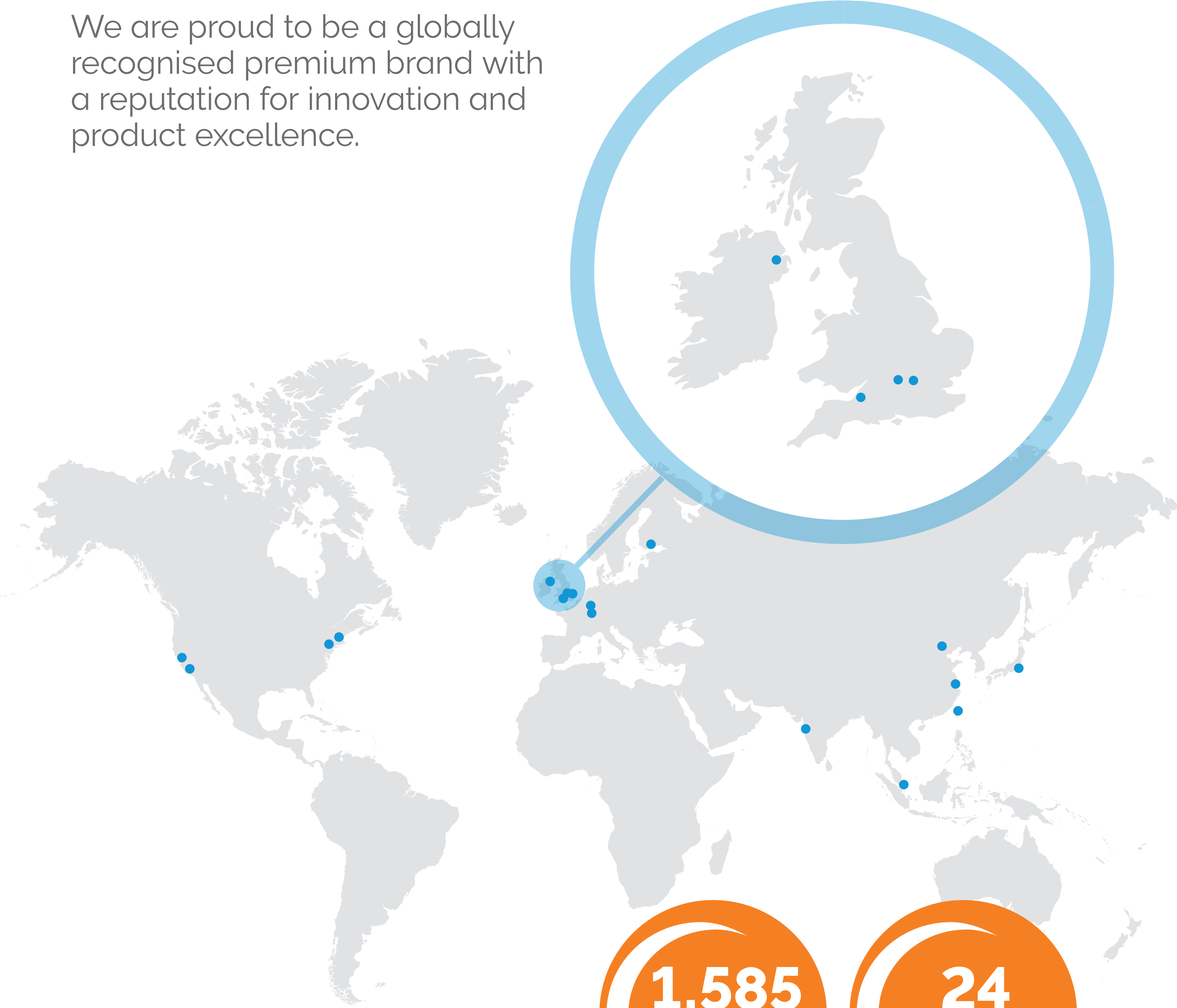
Energy & Environment
Where improved efficiencies and sustainability remain core and includes work in greener production, batteries, recycling, agriculture and food.

Advanced Materials
Where we help customers lead the race to develop lighter, stronger, higher functioning and more affordable materials.

Research & Fundamental Science
Where we help customers develop breakthrough applications, gaining previously unknown insights.

Our Business continued

We are proud to be a globally recognised premium brand with a reputation for innovation and product excellence.



● Principal offices and development & manufacturing sites

For a full list of our locations please visit our website: www.oxinst.com/service-and-support

Revenue from external customers by destination

Rest of World	Germany	Japan	Rest of Asia	Rest of Europe	China	USA	UK
£12.4m	£26.7m	£38.5m	£28.4m	£44.8m	£69.7m	£83.5m	£13.4m

Investment Case

CONFIDENCE IN STRATEGY

Horizon is delivering tangible financial benefits as we continue to transform the organisation into a customer-centric, applications focused business. This includes how we are organised internally, our core capabilities and how we work with and support our customers and other stakeholders. We believe there are further gains that the strategy will deliver as we continue to identify additional opportunities to drive growth and improve the efficiency and productivity of the business.

STRONG FINANCIAL POSITION

Our focus on Horizon has helped deliver improved profitability and strong cash collection and this has been supported by continued progress in commercial practices across the Group and gains from our operational excellence programme. We have a strong balance sheet and have implemented a number of cash preservation initiatives that will provide additional resilience through the current covid-19 disruption. Our business model focuses on generating sustainable revenue growth and improved profitability and will continue to deliver considerable long-term benefits.

RESILIENT GROUP

We are committed to adapting our business through the current global disruption and to build on our market leadership, for example by investing in our digital platforms to offer customers ongoing support at this time. We continue to break down functional silos, leveraging skill across the Group to build cross-business capabilities. Our inspired and engaged workforce has embraced the current challenge head-on to help strengthen our agility and position us to capitalise on the growth opportunities that arise and respond quickly to the changing market situation.

ESG FOCUS

We take our role in the world seriously and recognise that how we do business is as important as what we do. Internally, we work to minimise the environmental footprint of our products and services, while investing in our employees to keep them safe and help them develop their career. Externally, we focus on delivering on our purpose to support our customers to address some of the world's most pressing challenges, enabling a greener economy, increased connectivity, improved health and leaps in scientific understanding.

MARKET ACCESS

The Group focuses on attractive market segments where our key enabling technologies drive long-term growth for customers and where we can maintain leadership positions. Our access to diverse end markets alongside a responsive and targeted portfolio that supports all stages of the technology cycle allows us to present an integrated offering that has the potential to create significant barriers to entry for competitors. We are confident that our end markets are resilient and should not be weakened in the long term by covid-19 headwinds.

How We Make a Difference

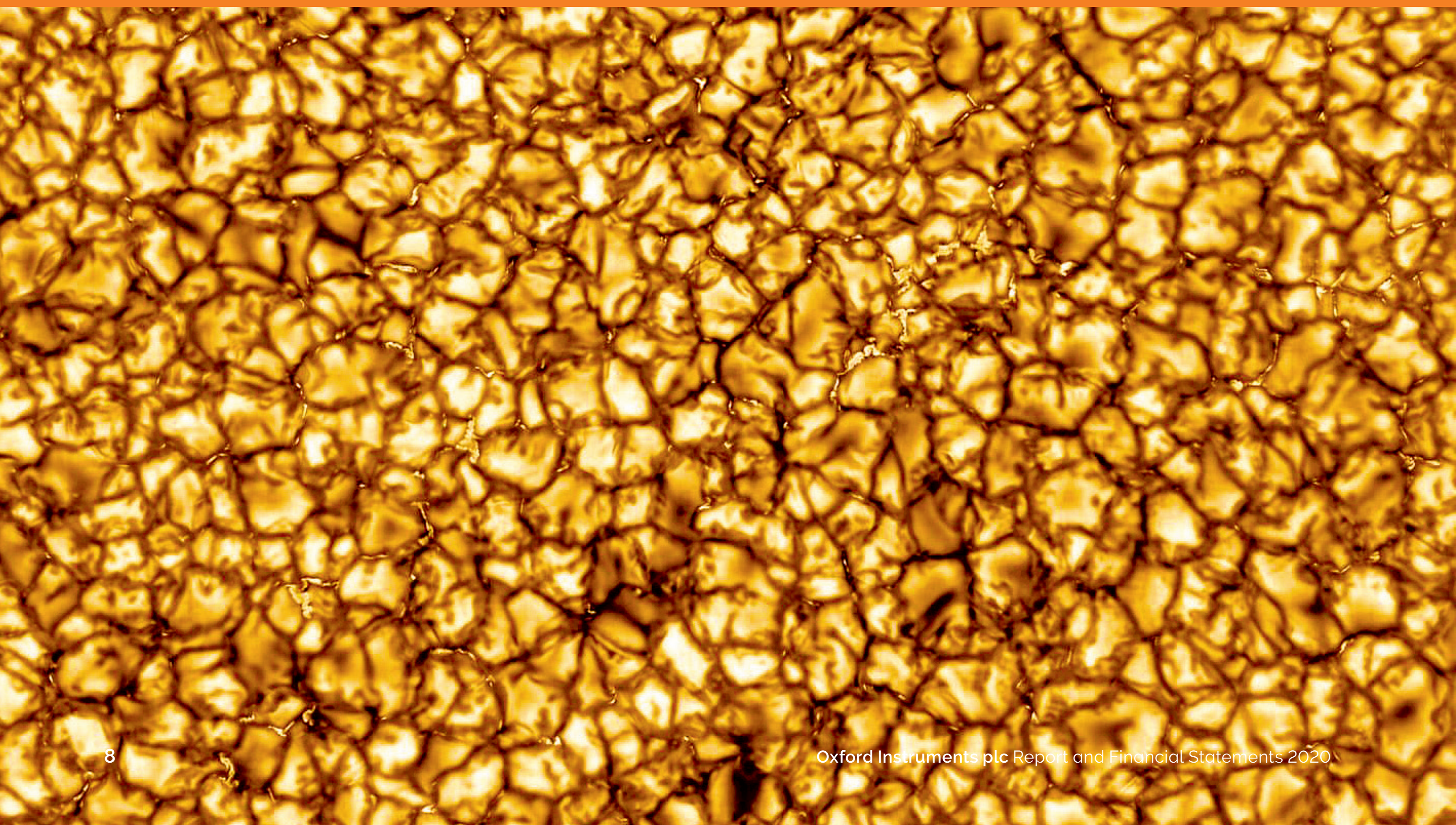
LEAPS IN SCIENTIFIC UNDERSTANDING

The sun is our closest star, it was born about 4.6 billion years ago and you could fit about 1 million earths inside it. Humankind has always been fascinated by the sun, using it to tell the time, chart the seasons and create calendars. The drive for deeper understanding of the universe around us and the impact it has on us is driving increased interest in solar astronomy. Mass ejections from the sun can cause huge amounts of damage to satellites, GPS electricity networks and communication infrastructures.

The ability to understand more about the sun and being able to prepare for a solar storm in advance are paramount to safeguarding these vital services. Our highly sensitive scientific cameras are playing an essential role in ground-based solar imaging, revealing the surface of the sun in unprecedented detail.

This is helping solar physicists make giant leaps forward in their understanding of the magnetic dynamics that drive space weather, which can wreak havoc on earth, ultimately helping predict and prepare for future events.

Find out more on page 39



How We Make a Difference

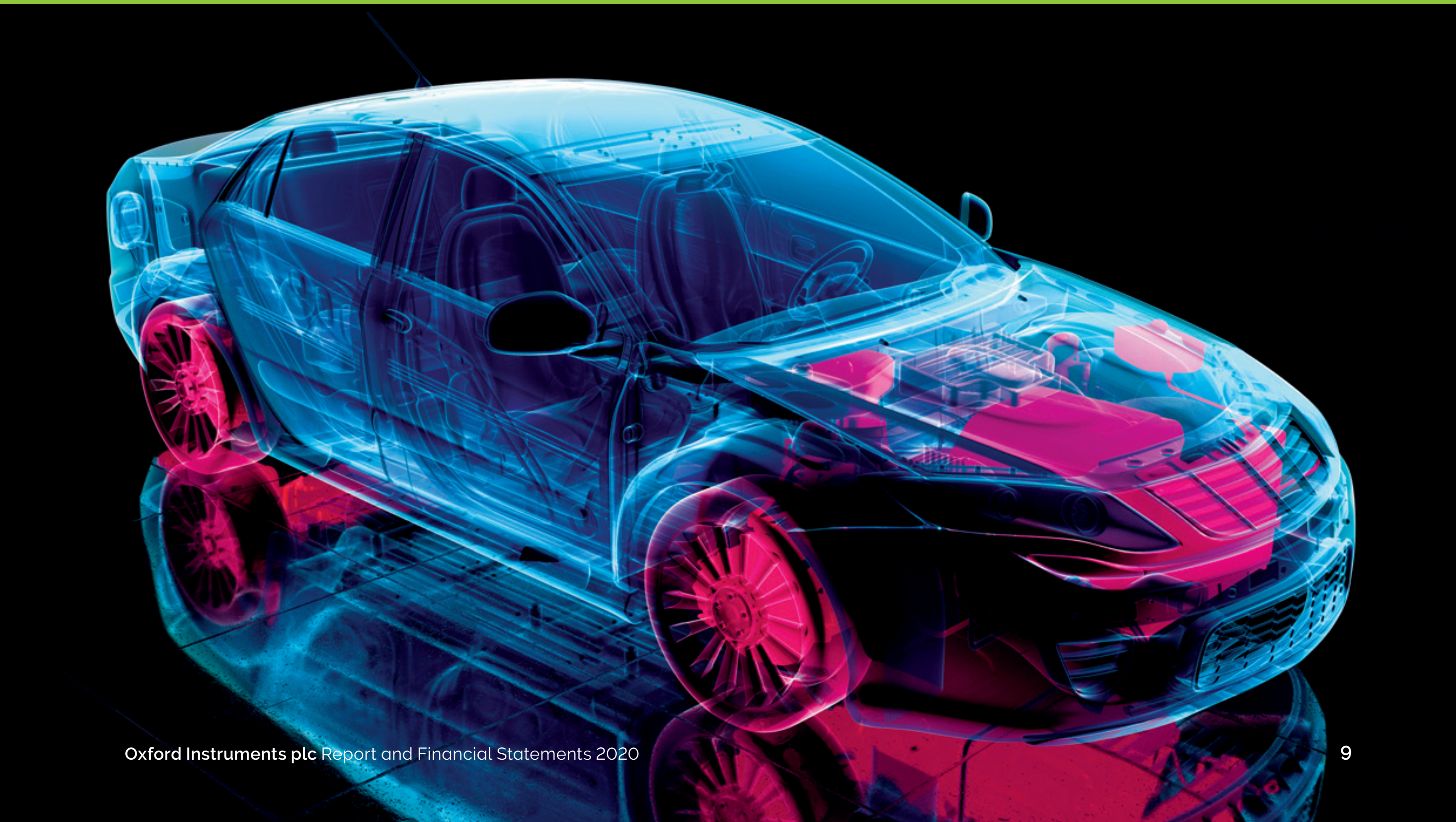
ENABLING A GREENER ECONOMY

As we all become more mindful about the impact we are having on the environment, car manufacturers are facing a range of technical challenges in order to reduce the negative impact vehicles can have. This is leading to an increase in global standards that are mandating the need for better fuel efficiency, new low-carbon fuels and batteries that last longer. It is also creating further reliance on electronics and sensors in order to support the continued growth of autonomous vehicles.

The automotive industry is under constant pressure to design vehicles that will meet the marketplace demands on cost reduction, improved fuel economy, enhanced safety, effective emission control, recyclability and life cycle consideration. Car designers and material scientists work to develop advanced materials with the properties that are required to meet these demands.

They use our imaging and analysis solutions on electron microscopes to see tiny details about the composition and structure of the materials to understand more about how they will perform and meet the objective of building safer, environmentally friendly cars.

Find out more on page 35



How We Make a Difference

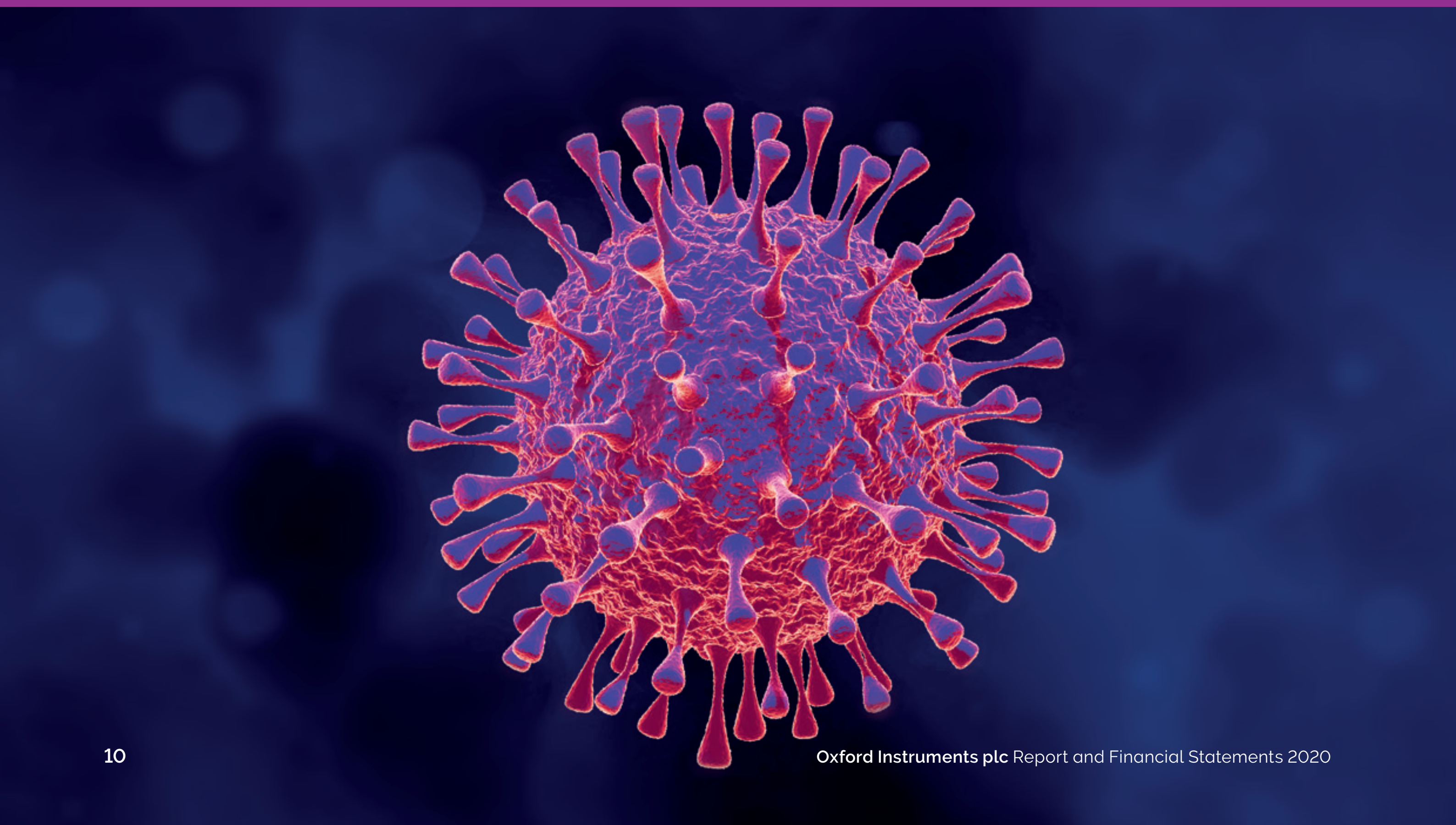
IMPROVED HEALTH

With thousands of known species, viruses have always been present and endemic within the human population. Spanish Flu in 1918, Asian Flu in 1957 and Swine Flu in 2009 are recent examples of pandemics, and today coronavirus is making headlines. As we are regularly exposed to cold and flu viruses, our bodies are constantly fighting these invaders, keeping them at bay and minimising the impact on our health.

However, some new viruses which seem to suddenly appear can have devastating effects. Genetic evidence shows that viruses slowly evolve and mutate, which then allows them to infect new hosts, resulting in epidemics. Researchers study viruses in order to better understand their genetic makeup, how they mutate and how they reproduce. They then use this understanding to develop diagnostic tests, treatments and vaccines.

Our atomic force microscopes (AFMs) and scientific cameras play an important role in advancing the knowledge of those in this field. Our AFMs can image the virus and measure changes in response to possible treatments, while our cameras are being used in gene sequencing to identify the mutation, as well as in diagnostic analysers and research laboratories, helping scientists with their search for treatments and vaccines.

Find out more on page 38



How We Make a Difference

INCREASED CONNECTIVITY

Today, data plays a vital role in every decision-making process. We rely on being connected online to keep in touch with our friends and family, to work remotely, for entertainment, shopping and learning. We are creating more data than ever before and with the introduction of advances such as 5G and the internet of things the demand will continue to grow, putting strain on the data centres that gather, store and distribute the data. As a result, there is increasing need for data centres to meet the demands on speed and bandwidth as we want instantaneous information at our fingertips. These data centres must run 24/7 and, in doing so, need to be environmentally friendly. The solution has been to use gallium nitride (GaN) in power conversion chips to create faster, energy efficient devices; whilst indium phosphide (InP) and gallium arsenide (GaAs) are being used in fibre optic systems to help increase the speed and bandwidth of data processing. Our etch and deposition solutions are being used to help produce compound semiconductors such as GaN, InP and GaAs. Our leading expertise in the processing of these materials enables our customers to develop more compact devices, faster processing speeds, increased bandwidth and improved efficiency that is required to support the growing demands being placed on communication infrastructure.

Find out more on page 34

Chair's Statement

Horizon has enabled the Group to make progress and has equipped us to react quickly to the present covid-19 situation.

Neil Carson
Non-Executive Chair

Oxford Instruments is a leading technology company that uses its expertise and capabilities to help the world's leading industrial manufacturers and scientific research institutions address many of the world's most pressing challenges. Our purpose is to support our customers through the provision of our key enabling technologies to develop improved healthcare, enhanced connectivity, a greener economy and leaps in fundamental science.

In light of the recent challenges related to the coronavirus pandemic, impacting both people's health and the global economy, our core purpose remains as important and relevant as ever. Throughout the disruption, the Board and executive team have made it our priority to protect the health and wellbeing of our employees, support our customers and other stakeholders, and secure the long-term future of the business.

The Horizon strategy has enabled the Group to make progress and has equipped us to react quickly to the present covid-19 situation. The strategy continues to provide the foundation for long-term sustainable growth and margin improvement, with our attractive end markets providing opportunities for growth. I am encouraged that, prior to the impact of covid-19, the Group delivered good improvements in underlying profitability in the year, with growth in orders and revenue, through the ongoing success of our customer-centric, market-driven approach and operational excellence programme. At the tail end of the year, we successfully disposed of two non-core businesses, which, along with the benefits of our Horizon programme, have contributed to a strong balance sheet, providing resilience and focus to navigate the challenging global economic situation.

Our governance principles

Board leadership and Company purpose
The Board is committed to conducting business responsibly and maintaining high standards of corporate governance.

Find out more on pages 69 to 79

Division of responsibilities
The division of responsibilities between the role of the Chair and the Chief Executive has been agreed by the Board.

Find out more on pages 73 and 77

Composition, succession and evaluation
The Committee will continue to focus on ensuring that the present and future composition of the Board is appropriate for the delivery of the strategy.

Find out more on pages 80 to 82

Audit, risk and internal control
The past year has seen improvements in the Group's policies and procedures for managing international trade risks relating to export controls and sanctions.

Find out more on pages 83 to 89

Remuneration
We have adjusted our remuneration approach for the present circumstances on a consistent Company-wide basis.

Find out more on pages 90 to 111

The Board has undertaken a programme of broader engagement with employees across the Group.

I have been pleased at how quickly the Group developed and implemented a phased response to the covid-19 situation and that, despite the disruption, we still delivered some growth in sales and profits.

Throughout the year, the Board has undertaken a programme of broader engagement with employees across the Group. This has included site visits, with presentations from management teams, and Board-led focus groups with representative cohorts from across the Group. This process has provided direct input and feedback from employees to the Board. What impresses me about Oxford Instruments is the depth of scientific and technological capability across our management teams and employees, coupled now with a strong culture of commercial acumen across the Group.

Given the unprecedented uncertainty regarding the short-term macroeconomic situation, the Board has taken a number of cash management measures to protect the business and job security of our employees. This has included a temporary reduction in salary of 20% for the executive team and equivalent reduction in fees to the Board members; and the Group has suspended the payment of the interim dividend of 4.1p, which was due to be paid on 14 April 2020. The Board will defer a decision on payment of dividends while we assess the level of disruption on our markets and business caused by covid-19.

Planning has centred around running our operations in a safe and supportive manner, as well as facilitating efficient home working arrangements, allowing our employees to work flexibly as we seek to satisfy customer requirements and continue the good progress we have made over the last few years.

We are well positioned to navigate the evolving situation and, despite the current challenges, we remain fully committed to our current strategy, which provides many opportunities in the future.

I am pleased that Alison Wood will join the Board in September 2020 as an independent Non-Executive Director. She brings with her a wealth of executive and non-executive board experience and an understanding of engineering, technology and industrial markets. She has previously held business and strategic development leadership roles in BAE Systems plc and National Grid.

I would like to thank the Board and all our employees for their contribution throughout the year and for their agility and resilience in recent months as we manage through this unprecedented situation.

Neil Carson
Non-Executive Chair
9 June 2020

Chief Executive's Review

The progress over the past few years has significantly improved the performance and capabilities of the Group.

Ian Barkshire
Chief Executive

Introduction

I have been pleased with the performance of the Group in the year, with positive progress in our Horizon strategy delivering continued business improvements and a good level of growth in sales and profits in the first three quarters of the year. The sudden impact of covid-19 in the fourth quarter subdued financial performance, resulting in marginal growth for the year.

We delivered order, revenue, profit and margin growth, with a constant currency performance broadly in line with the previous year. Good underlying growth in orders and revenue before the impact of covid-19 were underpinned by our chosen end markets and their attractive, fundamental growth drivers, combined with our relentless drive to enhance our market intimacy through a customer-centric approach.

The success of recently launched products and our customer support initiatives further strengthened our market-leading product portfolio in the year. Improved profitability and strong cash collection were supported by refined commercial practices across the Group and gains from our operational excellence programme. In line with our strategy, in the second half of the year we divested the US OI Healthcare business and our share in the Scienta Omicron joint venture, further enhancing our focus on attractive markets and margin expansion.

The extensive disruption caused by the outbreak of covid-19 in the fourth quarter led to a number of orders being delayed and customers being unable to receive shipments and proceed with installations. The resulting impact in Q4 was equivalent to approximately two weeks of revenue, offsetting much of the progress we had made in the preceding three quarters.

Summary

Materials & Characterisation

The sector saw good underlying demand for our products across the Semiconductor, Advanced Materials and Energy & Environment sectors, with covid-19 disruption particularly impacting shipments into the Semiconductor segment.

Research & Discovery

Delivered strong underlying revenue growth supported by global initiatives related to quantum technologies and increased research funding. Refined commercial practices and gains throughout operational excellence contributed to improved profit and margin.

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Service & Healthcare

In the year we launched our customer services transformation programme, which includes how we are organised internally, our core capabilities and how we work with and support our customers. This has driven growth and improved profitability from services related to our own products.

We have developed and implemented a phased approach to prioritise the health and wellbeing of our employees.

I have been impressed by the commitment and agility of our employees, which has enabled us to maintain business continuity and support for our customers through this difficult period. The progress over the past few years has significantly improved the performance and capabilities of the Group; the procedures, disciplines and infrastructure that are now in place provide the foundation and resilience to successfully navigate the current challenges.

As a global provider of products and solutions to the world's leading industrial companies and scientific research communities, we recognise our responsibility and role in the advancement of society, helping to create a more sustainable future. This is reflected in our core purpose, which is to support our customers in addressing some of the world's most pressing challenges, enabling improved health, increased connectivity, a greener economy and leaps in scientific understanding.

Covid-19

In light of the emerging covid-19 situation I established a dedicated covid-19 leadership team to direct our rapid and agile response to the changing business conditions. We developed and implemented a phased approach to prioritise the health and wellbeing of our employees and to support our customers through maintaining business continuity where possible and appropriate. This approach is in line with longer-term goals of creating positive futures for all our stakeholders.

To manage through the uncertainty and potential disruption, we developed a three-phased approach, which we then implemented in line with the local situation and Government guidelines for each business and territory in which we operate.

- Phase one included preparations across the Group to enable business continuity in light of further potential business disruption and immediate actions to minimise our immediate exposure and that of our employees to coronavirus. This included ensuring all employees who could work off-site had secure remote working enabled and in place, developing working practices in our manufacturing sites to enable the implementation of social distancing guidelines, and proactively engaging with our supply chain. In addition, we minimised international and inter-site travel, and postponed large gatherings.
- Phase two was triggered in response to significant regional outbreaks. This included the implementation of social distancing guidelines within our facilities; in some sites this required implementing shifts, an extended working week and home working for all employees who could do so. We introduced remote communications to keep in touch with and support our teams working from home as well as to remain in contact with our customers.
- Phase three implemented support for our customers and mechanisms to maintain business continuity as best as possible if it became necessary to temporarily close a site.

Our early actions and approach enabled us to maintain business continuity and progress our strategic new product developments throughout the peak of the disruption. With ongoing global business disruption likely, at the start of the new financial year we developed phase four, our "Global Recovery" phase. This includes the preparation and implementation of adapted business practices and capabilities, recognising ongoing business through the recovery phase will require, and benefit from, new approaches.

In response to the uncertainty regarding the timing and shape of global economic recovery, we have taken a number of measures to protect the financial health of the business through the short and medium term. I, along with the Group Finance Director, have taken a 20% reduction in salary, with an equivalent reduction in fees to the Board with effect from April, initially for a three-month period, which we will review throughout the year. In addition, we have taken a number of other measures, including the delay of the normal annual pay review from July until the second half of the year for all but our lowest paid employees and a deferral in the payment of performance-related bonus schemes related to the 2019/20 year. We have implemented a number of cost containment measures including a freeze on all non-time-critical recruitment and capex spend and we are utilising available Government business support and job protection schemes where appropriate. In light of this, the Board took the decision to prudently suspend the payment of the interim dividend that was due in April 2020. As a result of continued uncertainty, the Board will defer a decision on payment of dividends until we have assessed the level of disruption caused by covid-19 on our markets and the consequent impact on the business.

We had a short period of closure at two of our sites in the US in order to comply with Government directives. However, all of our manufacturing sites are now open, albeit at a slightly reduced capacity to enable safe working environments, with plans to increase capacity through the implementation of our phase four response.

I am extremely proud of the role that Oxford Instruments has played in the fight against the coronavirus, with a number of our products and key enabling technologies being directly involved in the identification and gene sequencing of the virus, diagnostic testing and the development of treatments and vaccines. Many of our other products provide capabilities and support across a wide range of essential services including power generation, connectivity and the supply of food.

Chief Executive's Review continued

Horizon update

We have continued to make good progress with the implementation of our Horizon strategy, which is delivering tangible financial benefits to the Group. With the key tenets of our Market Intimacy, Operational Excellence, Innovation and Product Development initiatives well embedded across the Group, and positive early progress from the transformation of our Customer Support services, we continue to identify further opportunities to drive growth and improve the efficiency and productivity of the business through further development of Horizon initiatives.

Through Horizon we continue to transform the organisation into a customer-centric, market-driven business. This includes how we are organised internally, our core capabilities and how we work with and support our customers and other stakeholders. In the year we have developed the Oxford Instruments Business System, which has formalised the processes and procedures for conducting business within the Group. This ensures that all of our employees have visibility and awareness of the best practice improvements arising from Horizon whatever their role, meaning that we benefit from a unified culture and break down functional silos.

Market Intimacy

In the year we continued to strengthen our market intimacy, which has further enhanced our understanding of our customers' world and their strategic priorities, identifying additional opportunities for growth. By further improving our market segmentation by end application, we are better placed to identify new customers and optimise the full value our products can bring. In the year we have further invested in the development of our marketing communications and customer website to strengthen our reach and engagement with customers.

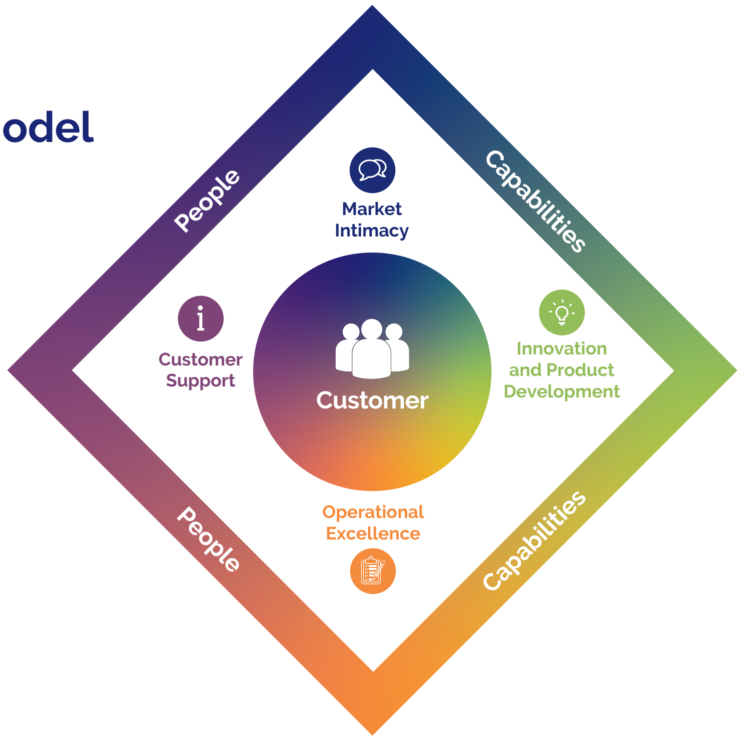
Our enhanced digital presence and market intimacy approach are proving particularly valuable during the current covid-19 disruption when our customers and sales teams are unable to travel and tradeshows around the world have been cancelled. In particular, our broad range of additional training and tailored educational and sales materials for specific applications, which have both supported our customers and driven increased traffic to our website, leading to improved webinar attendance and increased lead generation.

Innovation and Product Development

By exploiting our enhanced market insights, we are developing richer product roadmaps and increasing the impact of recently launched products. As a key element of Horizon, we are increasing our new product focus and tailored solutions on higher growth opportunities that support specific customer applications. For instance, recent innovations are helping to improve the efficiency of power devices, develop stronger, lighter, higher performing materials and advance the understanding of viruses to aid the creation of vaccines.

In the year we have increased the deployment of our technical capabilities across business units and collaboration with external partners to accelerate the delivery of our priority projects. The infrastructure and collaborative procedures that we have put in place provide our teams with the ability to work securely across geographies and from remote locations including their homes. These have enabled us to maintain our product development activities throughout the covid-19 disruption. We also made good progress in increasing the identification and generation of valuable intellectual property to protect our investments and create significant barriers to entry.

Operational model



Customer Support

In the year we launched and made good initial progress with our customer services transformation programme. In line with our product strategy, we have taken a market-centric approach to our services and support activities. This has involved generating tailored service support packages and products that are specific to the type of customer and their end application. This has enabled us to enhance the value that we bring to our customers by helping them improve their capabilities and increase their productivity.

Throughout the programme we have started to leverage our scale and exploit the synergies across our global customer support teams by utilising cross-business capabilities to deliver quicker response times and increased local support. Through the development of our own teams and targeted recruitment we are providing a broader and higher quality of support products and services to better meet the future needs of our target markets and application segments.

In addition, to enable the delivery of quicker response times, reduce the amount of travel and drive efficiencies for our teams and customers, we have invested in technology enabling the provision of increased levels of support remotely, including the virtual presence of an expert in customer laboratories.

Whilst early in this programme, our new approach to supporting our customers has increased the demand for, and financial returns from, our customer support activities in the year.

Operational Excellence

We have continued our improvement programme, which focuses on strategic procurement, operational efficiency and logistics, delivering tangible gains in the year. Within procurement, we are transforming our supply chain, building long-term partnerships with fewer suppliers, leading to shorter lead times, reduced working capital and better leveraging our purchasing scale. With fewer suppliers, we are better placed to drive the responsible sourcing of materials and to operate under the highest ethical standards. Our operational efficiency and logistics activities have delivered improved working practices and quality with increased throughput and reduced lead times.

Whilst we have made good progress in the year, there remains significant opportunities for further operational improvements.

People Capabilities

Our ability to achieve our strategic goals and deliver ongoing growth is determined primarily by the capability of our people. At the centre of the Horizon strategy, we have focused on developing a stronger core leadership team and increasing the capabilities across the business. In the year, whilst we have continued to bring in talent and capabilities to enhance our performance in specific areas of the business, we have also initiated key internal training programmes aimed at developing the careers and capabilities of our existing employees across each of our business functions.

Results

Reported revenue of £317.4m grew by 1.1% (2019: £314.0m), a decline of 0.7% at constant currency. Covid-19 related issues in the fourth quarter of the year impacted our ability to complete planned product shipments and installations. In the absence of this disruption, the Group would have delivered good growth. As a direct consequence, reported revenue was broadly flat for the Materials & Characterisation and Research & Discovery sectors, declining by 1.9% and 1.1% respectively at constant currency. The Service & Healthcare sector delivered good revenue growth of 5.7% (3.7% at constant currency), supported by our initiative to offer a broader portfolio and higher value of service offerings to our customers, which led to strong increased demand for services related to our own products.

From an end market perspective, we saw strong revenue growth across our Energy & Environment and Research & Fundamental Science segments, with underlying growth in the Quantum Technology, Semiconductor, Advanced Materials and Lifescience segments being more than offset by delayed shipments in the fourth quarter. The previously reported weakness across silicon semiconductor, electronics and automotive production continued through the second half, impacting full-year orders and revenues into these customers.

From a geographical perspective, constant currency revenue growth of 4.7% and 3.0% across Europe and North America respectively were modestly impacted by coronavirus-related delays. In Asia, disruption to shipments and installations into China and South East Asia significantly impacted revenue, resulting in a constant currency decline of 6.5%. Without this disruption, China and the region would have continued to deliver growth in the year.

Our customer-centric approach supported underlying growth from both commercial and academic customers, with the proportion of revenue broadly in line with the previous year, with 52% from academic or Government-funded customers and 48% from commercial customers.

Reduced revenue due to covid-19 adversely impacted both adjusted operating profit and margin. This more than offset the gains in underlying increased profitability in the year achieved through improved commercial practices and our operational excellence programme. Adjusted operating profit increased 5.9% to £50.5m (2019: £47.7m) supported by a currency tailwind, representing a marginal decline of 1.0% at constant currency. Adjusted operational margin for the Group increased to 15.9% (2019: 15.2%), representing 15.1% at constant currency. Adjusted profit before tax increased by 8.8% to £49.5m (2019: £45.5m). Continuing adjusted basic earnings per share grew by 12.7% to 70.2p (2019: 62.3p).

Order intake was also impacted throughout the fourth quarter, predominantly across China and parts of South East Asia, but to a lesser extent compared to revenue. This resulted in reported orders of £336.0m, slightly ahead of the previous year (2019: £335.1m) and representing a decline at constant currency of 1.3%. Despite this disruption, increased customer demand for our products resulted in constant currency growth in the Materials & Characterisation and Service & Healthcare sectors of 0.1% and 4.7% respectively, with Research & Fundamental Science declining by 5.1%. Excluding the large order for the Institute of Physics – Chinese Academy of Sciences in the comparative period, orders for the Group have shown good constant currency growth with modest growth within the Research & Fundamental Science sector. Orders grew in Europe with modest constant currency declines in North America and Asia.

Chief Executive's Review continued

Results continued

The book-to-bill ratio in the period remained positive at 1.06, with the order book, representing orders for future delivery, up 14.2% to £175.0m (2019: £153.2m), growth of 12.1% at constant currency. Strong growth across the Materials & Characterisation and Research & Discovery sectors was supported by revenue not recognised in the year owing to delayed shipments and installations due to the impact of covid-19. Strong growth in the Service & Healthcare sector was predominantly due to increased demand for services related to our own products.

Operational and commercial improvements within the year supported good cash collection which, combined with the disposal proceeds from OI Healthcare and our minority share of Scienta Omicron, resulted in a significantly improved net cash position of £67.5m (2019: £6.7m) at the year end.

Sector performance

Turning to the individual sector performance:

Materials & Characterisation products and solutions enable the fabrication and characterisation of materials and devices down to the atomic scale, predominantly supporting customers across applied R&D as well as the production and manufacture of high technology products and devices.

Building on a positive first half we saw continued underlying demand for our products across the Semiconductor, Advanced Materials and Energy & Environment sectors. The continued global drive for higher efficiency power devices, improved connectivity and faster communications supported strong order growth for our compound semiconductor solutions. This offset the continued weakness and reduced demand for our imaging solutions into silicon semiconductor and electronics customers across the Semiconductor & Communications segment. Underlying revenue growth in the Advanced Materials and Energy & Environment segments was supported by the diverse range of end applications and broad customer base seeking to develop and manufacture stronger, lighter and higher performing materials.

In the period, delayed revenues and orders due to coronavirus disruption particularly impacted the Semiconductor and Advanced Materials sectors for customers in Asia and Europe. Increased demand and positive funding environments across Europe and North America supported good order and revenue growth to academic and Government-funded customers in the period.

Reported orders grew by 1.5% in the period to £146.1m (2019: £144.0m) up 0.1% at constant currency, with reported revenue of £137.6m broadly in line with the previous year (2019: £137.9m) and down 1.9% at constant currency. Reported adjusted operating profit was £21.0m (2019: £21.2m), down 7.1% at constant currency. Adjusted operating margin of 15.3% (2019: 15.4%), representing 14.6% at constant currency, was held back by delayed shipments. The order book for future deliveries grew 23.5% in the period to £50.9m (2019: £41.2m).

Research & Discovery provides advanced solutions that create unique environments and enable imaging and analytical measurements down to the molecular and subatomic level, predominantly used in scientific research and applied R&D.

Continued progress in the second half of the year with increased demand for products across the sector was offset by covid-19 related delays to the shipment and installation of a number of large value systems, resulting in revenue broadly in line with the previous year. Orders were impacted to a lesser extent with good underlying growth when excluding the large order to the Institute of Physics – Chinese Academy of Sciences, which will be delivered over the next few years. Underlying pre-covid-19 order and revenue growth has been supported by increased global initiatives related to Quantum Technology and increased academic interest and associated international funding into Research & Fundamental Science, driving demand across our portfolio of scientific instruments, cryogenics and high magnetic field platforms.

The Healthcare & Lifescience segment was broadly in line with the previous year, with strong growth across the product portfolio being offset by a decline in revenue related to our optical microscopy portfolio in the period due to increased competitor activity and a strong comparator. Within the Energy & Environment segment, growth within food applications was more than offset by a decline of sales into oil exploration.

From a geographical perspective, we had good growth in North America with delayed revenue into China offsetting growth in Asia, with Europe having a marginal decline relative to the previous year. The sector had good growth to commercial customers with delayed revenue more than offsetting good underlying growth to academic customers in the period.

The impact of coronavirus tempered growth towards a marginal increase in reported revenue to £126.0m (2019: £125.2m), representing a decline of 1.1% at constant currency. Reported orders declined in the period by 3.4% to £133.5m (2019: £138.2m), with underlying in-year increased demand being offset by the substantial order in the previous year into China. Improved commercial practices and gains through our operational excellence programme contributed to improved profitability in the period with reported operating profit growth of 12.4% to £14.5m (2019: £12.9m), representing a growth of 2.3% at constant currency. Reported operating margin increased to 11.5% (2019: 10.3%) corresponding to 10.7%, an increase of 40 basis points at constant currency. Delayed shipments in the year contributed to the order book for future deliveries increasing to £99.0m (2019: £91.1m), representing growth of 8.6%. In the second half of the year we sold our minority shareholding in Scienta Omicron to existing Shareholders.

Service & Healthcare provides customer services and support for our own products and the service of third-party MRI scanners in Japan. In the second half of the year we divested our OI Healthcare business in the US. This has been treated as a discontinued business. Our business to support and service MRI systems within Japan continues to perform well and remains a core part of the Group.

In the year, we initiated the transformation of our customer services approach in line with our Horizon strategy. This has involved both changing the way in which we provide support to our customers as well as providing a broader portfolio with increased customer segment tailored content. Whilst we are early in this transformation, the programme has already driven strong growth in demand from customers for services related to our own products and increased efficiencies, driving profit growth and improved margins.

Reported orders increased by 6.6% to £56.4m (2019: £52.9m), growth of 4.7% at constant currency, with reported revenue increasing 5.7% to £53.8m (2019: £50.9m), growth of 3.7% at constant currency. Reported adjusted operating profit increased 10.3% to £15.0m (2019: £13.6m), a rise of 5.1% at constant currency, with reported operating margin up 120 basis points to 27.9% (2019: 26.7%).

R&D

Our enhanced customer-centric, market-driven approach is identifying increasingly attractive development opportunities, enriching our IP portfolio and driving our investment decisions across the Group. In the year we invested £26.8m in R&D (2019: £24.8m), representing 8.4% of sales, with distribution reflecting our focus on developing products and tailored solutions that support specific customer applications within our growth markets. We monitor the proportion of revenue which originates from products launched in the last three years (our vitality index). In the period, our vitality index was 39% (2019: 37%) representing a continued healthy pipeline and performance of newly launched products.

People

We have diverse and engaged employees who have demonstrated their commitment and passion to continue to improve our business and provide enhanced support for our customers. This has been particularly demonstrated through their actions and agility throughout the unprecedented disruption caused by the coronavirus.

I would like to thank all our employees for their commitment during these challenging times and their innovative approaches to ensure our customers continue to receive a world-class experience from Oxford Instruments.

Summary and outlook

We have made good progress in the year with the implementation of our Horizon strategy, which combined with our strong balance sheet continues to provide the foundation for long-term sustainable growth and margin improvement. We have positioned the Group to be a leading provider of high technology products and services to the world's leading industrial customers and scientific research communities to image, analyse and manipulate materials down to the atomic and molecular level. This allows us to live up to our purpose of facilitating a greener economy, increased connectivity, improved health and leaps in scientific understanding.

The coronavirus has continued to impact trading in the first two months of the year, with cumulative orders 3% below a weak comparator period, and with growth in Asia of 19% offsetting a reduction in Europe and North America of 23% and 7% respectively. A strong uplift in orders for our compound semiconductor process solutions has offset a reduction in orders for our higher margin scientific cameras and optical microscopy products, which have been severely impacted by disruption across academic customers. Group revenue is 3% above last year, assisted by delivery of shipments that were held over from the year end due to covid-19.

We have an active pipeline of sales opportunities, reinforced by our digital marketing and online sales presence; but activity levels within academic institutions remain low due to continued customer site closures.

It will take some time to understand the impact and longevity of this disruption, and we will continue to take measures to adapt and protect our business throughout this period. Once we have attained an improved level of visibility, we will be in a position to provide guidance on the current year's expected financial outcomes.

Our strategy is to operate in attractive markets with long-term fundamental growth drivers and to focus on segments where we can maintain leadership positions. With the increasing demand for electric vehicles and digital communications infrastructure, and the need for improved energy-efficient devices, medicines and diagnostic tools, we are confident that our end markets are resilient and should not be weakened in the long term by covid-19 headwinds.

Ian Barkshire
Chief Executive

9 June 2020

Market Context

We are well positioned to address a broad and diverse range of attractive markets and industrial sectors.

MARKET DRIVERS

SEMICONDUCTORS

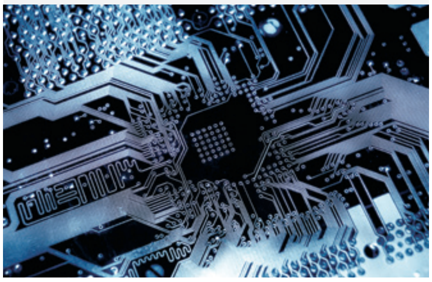
With the rise of the data economy, there is even more demand for compact devices, better energy efficiency, faster access to data and improved connectivity. These are all essential to meet the needs of IOT, AI, autonomous vehicles and high speed 5G networks. It is also vital for those that are producing these new and demanding solutions that they can do so repeatably and to the required quality.

Market drivers

- Increased demand for more efficient and faster power devices to support a green economy, e.g. enabling greater electric vehicle range and faster charging times.
- Increased investment supporting the drive for improved connectivity, with the need to develop capacity and bandwidth within data centres.
- Reduction in the production of mainstream silicon semiconductor devices and related electronics with the market being in a low phase of the volume cycle. Anticipated to improve in the coming year.

Our response

- Our etch and deposition process solutions are used across a range of semiconductor, device and materials applications.
- Our leading expertise in the processing of compound semiconductors is helping deliver the speed, capacity and energy efficiencies demanded.
- We have further optimised our image and analysis solutions to support the development and yield management of the next generation of smaller silicon semiconductor devices.



ADVANCED MATERIALS

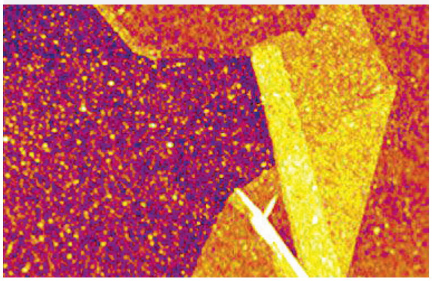
The demand for lighter, stronger, higher functioning materials is present in a wide range of markets, from those designing safer cars, developing more efficient battery storage to those creating new materials for medical implants. Being able to accurately measure the composition and structure of materials down to the nanoscale is helping develop the next generation of materials.

Market drivers

- Need to develop, control and repeatably manufacture new materials, whilst continuing with the QC and QA of existing products.
- Increasing awareness of environmental impact, driving need for improved fuel consumption in cars and reduction in raw material usage in manufacturing.
- Reduction in steel production in line with reduced global demand in construction and automotive markets as well as move toward higher performing materials and super alloys.

Our response

- Our advanced solutions are enabling the mechanical properties, performance and reliability of advanced materials to be determined through the design and precise control of the composition micro-structure and thin films coatings, faster and more accurately.
- Our ability to measure a range of critical properties is helping manufacturers assess the performance and quality of their processes; for example, by detecting nanoscale impurities which can degrade performance they are able to avoid catastrophic failures.



ENERGY & ENVIRONMENT

Ever increasing environmental demands are being placed on energy generation, which is leading to diversification of energy sources towards building a low carbon economy. With the growing population there is more focus on sustainable food production, increasing requirements for food safety and the characterisation of food composition. Another key area in this market is the need for accurate and traceable testing within forensic investigations.

Market drivers

- Drive for improved battery technology and more efficient and effective alternative energy sources, such as wind and solar.
- Increasing importance being placed on accurate and rapid forensic testing.
- Lower pricing and a reduced demand for oil have decreased the activity in oil exploration and extraction.

Our response

- Our imaging and analysis solutions are helping improve the performance and storage capability of batteries and solar cells by helping researchers understand their structure at the nanoscale.
- Our benchtop analysers are playing an increasing role in the quality control and assurance undertaken within the food industry, helping establish nutritional values and the oil and fat content.
- Our specialist GSR software is used in the leading forensic laboratories around the world as it offers accurate and validated results.

We are focusing on those areas where our key enabling technologies are driving long-term success for our customers and where we can achieve and maintain leadership positions.

HEALTHCARE & LIFESCIENCE

The continued drive to improve the health and wellbeing of society is resulting in a need for further understanding of how the body works, how it fights diseases, how these diseases spread and how they respond to treatment. To do this, more accurate and sensitive solutions are needed in order to develop that vital understanding of health at a cellular and molecular level.

Market drivers

- The quest to find a cure for life-threatening illnesses is driving further research into the pathology of disease states to aid understanding about their origins and progression. This is creating a demand for advanced and personalised treatment plans.
- Current drive to understand the covid-19 virus in order to create more accurate tests, treatments and possible vaccines.

Our response

- Our advanced imaging and analysis solutions, including our scientific cameras, microscopy systems and AFMs, are helping to reveal sub-cellular detail, while allowing observation of real-time interactions to help understand our immune response to foreign organisms.
- Our cameras are being used in gene sequencing, helping researchers learn more about the genetic makeup of covid-19. They are also being used in analysers testing for the virus, and in work to develop a vaccine.
- Through our MRI service team in Japan, we continue to ensure these vital systems are running efficiently and effectively.

QUANTUM TECHNOLOGY

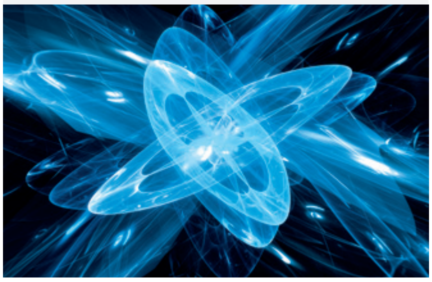
Quantum technologies offer the potential for vast increases in computation speed, new paradigms for secure information transfer and unprecedented sensor sensitivities applicable across a broad range of applications. A number of quantum imaging centres of excellence have been established around the world.

Market drivers

- Quantum is making progress from fundamental science to applied research, targeting commercial applications with end market drivers including quantum computing, secure communications, advanced sensors and imaging.
- Increased Government and corporate funding.
- Increasing interest in looking at how to utilise quantum sensors for medical imaging and industrial applications.

Our response

- Our cryogenics, advanced fabrication, imaging and characterisation solutions are all critical to the advancement of this field, and provide the fundamental capabilities and platforms to enable both the research and development of viable commercial applications.
- Our single photon sensitive cameras are helping researchers investigate and develop quantum optics, which are required for communication systems and imaging solutions.



RESEARCH & FUNDAMENTAL SCIENCE

The fundamental shifts in technology and capability are driving increased research and applied development as we continue to understand the world around us. This is helping make advances in new material and device development as well as fundamental research in the physical sciences, including astrophysics.

Market drivers

- Increasing academic interest is driving international funding for research into superconductivity and magnetism.
- Increased investment in astronomy driven by the exploration of the universe, the tracking of space debris and the monitoring of solar activity.

Our response

- Our scientific platforms create extreme and unique environments that allow researchers to make ground-breaking discoveries of new materials and novel phenomena, furthering our understanding of the structure, properties and performance of these materials.
- Our dedicated scientific cameras are helping astronomers see more detail than ever before, allowing them to discover new exoplanets, safely operate satellites around space debris and help predict interruptions caused by solar flares.

Business Model

We recognise our responsibility and role in the advancement of society, helping to create a more sustainable future.

Driven by

Our purpose

Our core purpose is to support our customers in addressing some of the world's most pressing challenges, enabling a greener economy, increased connectivity, improved health and leaps in scientific understanding.

Our strategy enables us to provide more value to our existing customers and expand into new attractive markets and applications areas, focusing on those segments where we can achieve and maintain leadership positions.

Our solutions are being used by customers to find cures for cancer, advance space exploration and develop the next generation of electronics, advanced materials and quantum technologies.

Our values

- Inclusive
- Innovative and progressive
- Trusted
- Wholehearted

Read more on page 56.

Impacted by

Our people

Empowering our employees to own the challenge and solution.

Read more on pages 24 and 25.

Our customers

Aligning our business with our chosen customer segments and applications.

Read more on pages 26 and 27.

Our shareholders

Delivering business growth and maximum Shareholder returns over the long term.

Read more on pages 26 and 27.

Our suppliers

Building lasting relationships on trust and respect.

Read more on pages 26 and 27.

Our communities

Being mindful of our potential impact on the world around us.

Read more on pages 24 and 25.

Our culture

- Employee pride
- Respect
- Reputation
- Accountability
- Health and safety
- Trust

How we add value

Our core activities

Fundamental research

Providing solutions to those exploring new frontiers down to the nano and molecular level.

Read more on pages 20 and 21.

Applied R&D

Our key enabling technologies and solutions facilitate the development of more advanced products.

Read more on pages 20 and 21.

High tech manufacturing

Providing products to support today's manufacturing challenges and increase productivity.

Read more on pages 20 and 21.

Distinctively Oxford Instruments

By addressing academic fundamental research, applied R&D, and high technology commercial segments, we are engaged throughout the technology cycle and are well positioned to benefit from each wave of commercialisation and market disruption.

Within our chosen end markets, our products, solutions and services are helping customers accelerate their applied R&D, increase productivity and make ground-breaking discoveries.

Driven by our strategic objectives

1. Being customer-centric, market driven

Read more on pages 28 and 29.

2. Delivering operational excellence

Read more on pages 28 and 29.

3. Prioritising technology & product development

Read more on pages 28 and 29.

4. Transforming customer services

Read more on pages 28 and 29.

5. Developing capability & culture for success

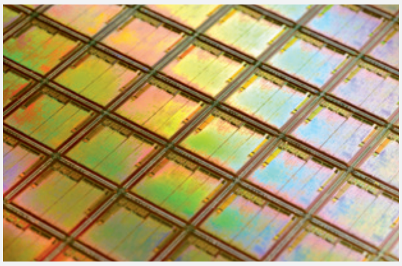
Read more on pages 28 and 29.

Investment proposition:

- Confidence in strategy
- Strong financial position
- Resilient Group
- ESG focus
- Market access

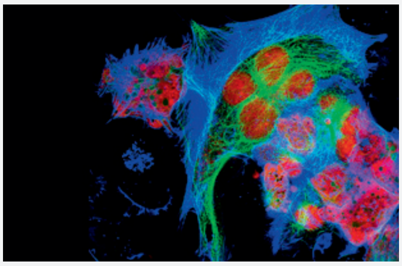
Our operations

Through our sectors



Materials & Characterisation

Read more on pages 32 to 35.



Research & Discovery

Read more on pages 36 to 39.

Service & Healthcare

Read more on pages 40 and 41.

Outcomes

Adjusted basic earnings per share

70.2p

Revenue

£317m

Employee engagement

77%

Net promoter score

55%

Group gender split

77:23

male : female

Engaging with Stakeholders

Engagement with our stakeholders allows us to grow and execute our strategy; we therefore consider the impact we have on them as well as what they consider important when developing our plans for continued success.

Our stakeholders	Their material issues
Local communities	
We believe the work we do and that we enable others to do is important and both benefits and advances society. We work hard to ensure that we have a positive impact on those around us and give back to our local communities.	• Local investment • Opportunity for local employment • Impact on local environment
Employees	
Our employees are fundamental to our business success. We continually invest in our people, developing the capabilities that we will need to succeed over the longer term. We are committed to being the company where the best in our sector want to work and strive to offer opportunities that will attract, motivate and retain talented employees, enabling them to give their best.	• To work in a diverse and inclusive culture • The opportunity for development and progression • Consideration of their health and wellbeing • To be trusted to do an excellent job and encouraged to contribute

Section 172 Statement

Engaging with our stakeholders and acting in a way that promotes the long-term success of the Company, while taking into account the impacts of our business decisions on our stakeholders, is central to our strategic thinking and is in line with our statutory duty in accordance with Section 172(1) of the Companies Act 2006 (s.172). This constitutes our s.172 Statement, as required under the Companies (Miscellaneous Reporting) Regulations 2018.

We set out in the table below our key stakeholder groups, their material issues and how we engage with them. We deploy a tailored engagement approach to each stakeholder group to foster effective and mutually beneficial relationships. By understanding our stakeholders, we can factor into Boardroom discussions the potential impact of our decisions on each stakeholder group and consider their needs and concerns, in accordance with s.172 of the Companies Act 2006.

How we engage	2019 highlights	Further links
We are committed to helping the generations coming up through all stages of education to see the importance of choosing STEM subjects and the career opportunities this will offer them. Our sites run school visits, work experience programmes and offer industrial postdocs, allowing students the opportunity to gain meaningful industrial experience. We also encourage our sites to support their local communities through charity and community activities.	• Participated in Leonard Cheshire Change 100 programme	• Page 60, diversity and inclusion
	• Ran successful Girls in Tech event	• Page 62, social and community involvement
	• Worked with Oxford History of Science Museum to support their People-Science-Business exhibition	• Page 63, social and community involvement
	• Held open day at Belfast site for the local community to visit and learn more about the Group	• Page 63, social and community involvement
It is important for our employees to feel connected to our purpose. Within the Group we continue to build our leadership team, while enhancing commercial focus and core capabilities across and within the Group at an operational level. This has been a dual approach of investing in our existing employees as well as looking outside the organisation for individuals with specific capabilities and experience to accelerate our progress. We regularly conduct global Employee Engagement surveys and feedback sessions to find out more from our employees about their experiences of working for Oxford Instruments across all our businesses and the regions in which we operate. We work hard to create a sense of belonging for our employees and recognise that in order to retain, attract and enable the best people to perform, we need to create an inclusive environment and culture, where difference is valued and everyone can contribute to their full potential.	• Further developed employer brand, value proposition and internal communications	• Page 58, our employees
	• Launched new careers website	• Page 58, our employees
	• Implemented a learning and development portal	• Page 58, developing capability
	• Expanded our Mental Health First Aider programme	• Page 61, health and wellbeing
	• Launched Push for Zero programme to raise awareness of potential hazards and risks	• Page 62, investing in health and safety

Engaging with Stakeholders continued

Our stakeholders	Their material issues

Shareholders

The Group places considerable importance on regular communications with its Shareholders, with whom it has an ongoing programme of dialogue. Our goal is to deliver shareholder returns through profitable, sustainable growth with strong cash conversion and efficient use of capital.

- Current and future financial performance
- Sustainability
- Good governance
- Strong dividend position

Suppliers

The Group recognises that relationships built on trust and respect with our business partners establish mutually beneficial relations. Our supply chain plays a vital role in supporting sustainable growth and efficiency across the business.

The Group outsources many sub-assemblies and we also purchases a wide variety of raw materials. It is essential to ensure we attain the highest quality and service for our customers whilst we enhance the efficiency of our business and reduce risk. As a result, we develop strong working partnerships with our suppliers, providing them with the visibility to extend our supply chain through their supply base too, in order to create added value.

- Long-term partnerships and fair agreements
- Sustainability and trust
- Opportunity for growth
- Visibility to forecast requirements

Customers

We provide advanced technology solutions to a broad range of end markets, supported by new product offerings and personalised customer support. We have a wide and diverse range of academic and corporate customers across many different industries and end applications. Our product and service solutions, which image, analyse and manipulate materials down to the atomic and molecular level, support our customers to address some of the world's most pressing challenges; enabling a greener economy, increased connectivity, improved health and leaps in scientific understanding.

- High standard of business conduct
- Appropriate use and storage of personal information
- Fair pricing strategy
- Appropriate engagement and support through buying cycle
- Excellent ongoing customer support

How we engage	2019 highlights	Further links
We take a proactive approach to investor relations and actively engage with Shareholders throughout the year to ensure they understand the performance of the business. We hold numerous Shareholder meetings and roadshows, publish the Annual Report, and undertake full-year and half-year results announcements. All Shareholders are encouraged to participate in the AGM, at which the Chair and Chief Executive present an overview of the Group's business, review the results and make comments on strategy and current business activity. The Non-Executive Directors meet informally with Shareholders both before and after the AGM and respond to Shareholder queries and requests. The Chair and the Senior Independent Director make themselves available to meet Shareholders as required.	• USA investor roadshow to meet with Shareholders and potential investors • Consulted with major Shareholders on our new Remuneration Policy • Updated the Investor Relations section of the Group website	• Page 69, Company leadership and purpose • Page 90, corporate performance and annual bonus • Page 77, investor relations
We have reviewed, and improved, our supplier due diligence and audit procedures. We have a zero-tolerance approach to all forms of modern slavery, including servitude, forced, bonded and compulsory labour and human trafficking and we expect our suppliers to adopt the same approach. We perform regular inspections and audits and have strategic reviews in place for key suppliers. We have a Group supplier management process in place that promotes a common supply chain strategy, driving the business towards fewer, high level, quality suppliers. We have now started the initial rollout of our new ERP system, which will offer a more efficient means to manage our supplier relationships, including how we purchase materials and serve our customers. We also have long-term pricing agreements for key suppliers and strategic sourcing. We aim to treat our supply partners like an extension of our own supply chain. It is crucial to provide accurate forward visibility in order to align our customers' requirements with our total supply capabilities. We share the output from our S&OP process with them, and we have dedicated Category Managers to help reduce risk and improve efficiency. We must ensure our extended supply chain adheres to our strict environmental compliance, whilst challenging them to provide improvements to quality. Our key suppliers are also encouraged to become part of our NPI process, to allow them to add value to our process.	• Consolidation of supply base, allowing risk reduction and added volume to key partners • Achieved targeted benefits, enhancing the Group's margin • Spread Equinox principles across the Group to include our US businesses • Further global projects established to add extra benefits throughout 2020	• Page 17, Operational Excellence • Page 29, Our Strategy • Page 14, Chief Executive's Review • Page 29, Our Strategy
By being customer-centric and market driven, the Group seeks to continuously increase our depth of understanding of customer needs. Through a deeper understanding of our target market segments and the diverse challenges faced by our customers, we have changed the way we communicate and reach our prospective and existing customers, more clearly identifying the value our products can add. We reshaped our portfolio and focused on those areas where our key enabling technologies are driving long-term success for our customers. This has allowed us to help our customers accelerate their applied R&D, increase productivity in high tech manufacturing and make ground-breaking discoveries. Insights from our stronger customer relationships are informing and aligning our innovation and product development initiatives to customers' strategic roadmaps to allow us to create differentiated products and solutions that will provide significant value for our customers.	• Transformation of customer support to improve customer capabilities, increasing their productivity • Utilising cross-business capabilities to deliver quicker response times and increased local support • Improved market segmentation to optimise full value our products bring	• Page 41, Service & Healthcare • Page 17, Customer Support • Page 16, Market Intimacy

Our Strategy

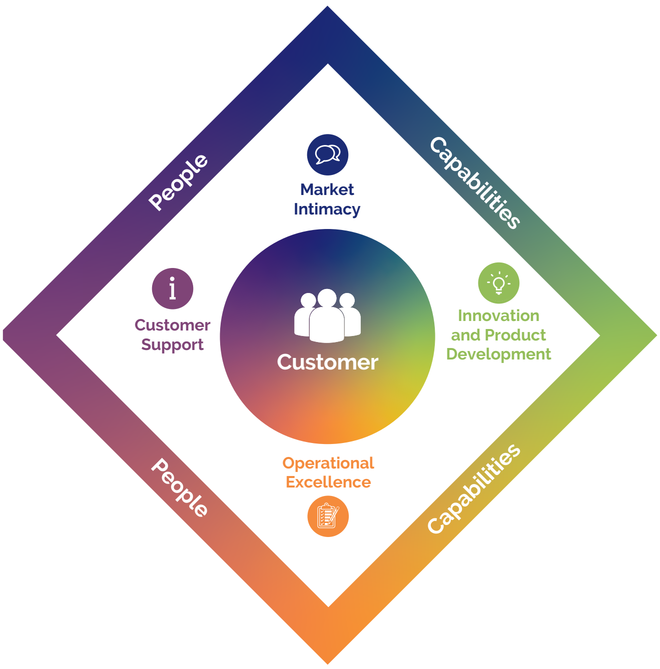
Horizon is now well embedded across the Group and is delivering tangible benefits.

Horizon

Horizon, our transformational programme for the Group, is building a stronger Oxford Instruments, positioned to deliver long-term sustainable growth and margin improvement. As a customer-centric, market focused Group we understand the technical and commercial challenges faced by our customers.

Our strategy enables us to provide more value to our existing customers as well as expand into new attractive markets and application areas.

We have maintained a sharp focus on our Horizon strategy to deliver sustainable revenue growth and improved margins. In the period we have continued to increase our commercial focus and build capabilities across the Group. We continue to see opportunities for further revenue and margin improvement delivered through the Horizon strategy.



Strategic priorities	Description
Being customer-centric, market driven	Building an in-depth understanding of our customers, applications and markets to help us strengthen relationships whilst developing a commercially strong sales engine, equipped with the tools for success.
Prioritising product development	Focusing our R&D investment on higher growth segments, prioritising our efforts on the most valuable product development opportunities, aligning with market developments and customer needs.
Transforming customer services	Sharing our expertise and knowledge to help our customers get the most from their relationship with Oxford Instruments, whilst leveraging our scale to deliver quicker response times and increased local support.
Delivering operational excellence	Targeting improvements to deliver a step change in strategic procurement, operational efficiency and logistics, providing a world-class experience for Oxford Instruments' customers.
Developing capability and culture for success	Identifying and developing the key capabilities our employees need to help them succeed and to deliver the strategy, whilst building a culture of accountability to empower our teams to own the challenge and the solution.

Through our Horizon focus we help our customers accelerate their R&D, increase their productivity and make ground-breaking discoveries.

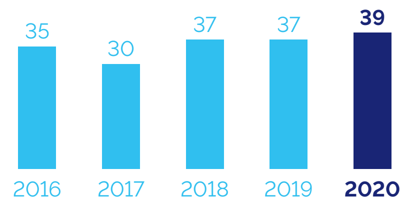
Progress in 2020	Priorities for 2021
• We continued to strengthen our market intimacy, identifying additional opportunities for growth and to optimise the full value of our products. • Our refined commercial practices and enhanced digital marketing have allowed us to continue to support our customers through covid-19 disruptions.	• Further develop end market application segmentation and embed this across all our business processes to aid further market intimacy. • Proactively manage our sales pipeline through CRM developments, providing sales teams with richer information to further enhance our sales process.
• We have increased our new product focus and tailored solutions on customer-specific applications that provide higher growth opportunities. • We have utilised cross-business technical capabilities and collaboration with external partners to accelerate the development of our priority projects.	• Continue to deliver priority projects in line with the planned roadmap. • Increasing the development of recurring revenue opportunities and upgrade paths throughout our product ranges. • Develop richer product roadmaps and breakthrough technologies through our restless innovation.
• We launched and made good progress with our customer services transformation, generating tailored support packages and products specific to end applications. • We have invested in technology to enable increased levels of support remotely, helping drive efficiencies for our customers and our teams.	• Continue with the transformation of our services provision, enabling it to become a key product portfolio within the Group. • Develop our online offering of support to incorporate further training, e-commerce and access to technical experts.
• We continued to transform our supply chain, to help reduce lead times and better leverage our purchasing scale. • We have reviewed and improved our supplier due diligence and audit procedures to ensure our suppliers share our zero-tolerance approach to all forms of modern slavery.	• Further strengthening relationships with suppliers, undertaking regular audits to ensure they continue to meet our high standards of operation. • Deliver further operational efficiency gains through our commitment to continuous improvement.
• We have transformed how we are organised internally, our core capabilities and how we work with and support our customers and other stakeholders. • We have developed the Oxford Instruments Business System, which has formalised the processes and procedures for conducting business within the Group.	• Building on our career development framework with the delivery of a learning and development portal to give employees access to a broad portfolio of courses and tutorials, supported with bespoke training for different job families and levels within the Group.

Key Performance Indicators

The Group uses a range of measures to monitor progress against its strategic plans. The key performance indicators are presented below:

Strategic priorities

Inventing the future
(%)

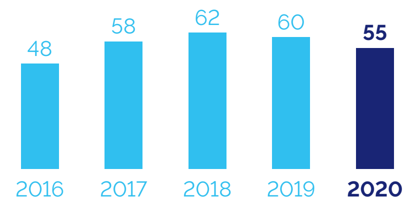


What we measure
Proportion of revenue coming from products launched in the previous three years[1]

Why we measure
To measure the effectiveness of our R&D programmes

Link to strategy

Realising the brand

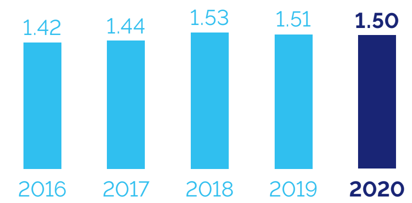


What we measure
Net Promoter Score®[2]

Why we measure
To measure customer feedback

Link to strategy

Adding personal value



What we measure
"Value Add" = (adjusted operating profit + employment costs)/ employment costs

Why we measure
To measure efficiency

Link to strategy

Strategic objectives

Market Intimacy
Innovation and Product Development
Customer Support
Operational Excellence

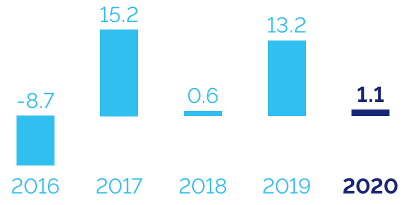
Note: Key performance indicators have been restated to remove the results of discontinued operations from previous years.

1. To ensure this metric better reflects the performance of those businesses which invest in R&D, the revenue from the Group's MRI Service division has been excluded from this metric.
2. The Net Promoter Score is a metric which is compiled by asking customers whether they would recommend Oxford Instruments to a friend or colleague. Customers give a score between zero and ten. Those customers who score nine or ten are promoters, those customers who score seven or eight are neutral and customers who score six or less are detractors. The Net Promoter Score is the difference between the numbers of promoters and the number of detractors (both expressed as a percentage of the number of replies received). The score can range between -100 (no customers are promoters) and +100 (all customers are promoters). A positive score indicates that the Company has fewer detractors than promoters.
3. Calculated as adjusted operating profit divided by revenue.
4. Cash conversion is defined as the ratio of cash generated from continuing operations before non-recurring items and pension scheme payments, less capitalised development expenditure, net capital expenditure on property, plant and equipment and lease repayments to adjusted operating profit (see Income Statement).
5. Calculated as adjusted operating profit less amortisation (but before impairment) of intangible assets divided by capital employed. Capital employed is defined as assets (excluding cash, pension, tax and derivative assets) less liabilities (excluding tax, debt, derivative and pension liabilities).

Financial goals

To deliver Shareholder returns through profitable, sustainable growth and strong cash conversion and efficient use of capital.

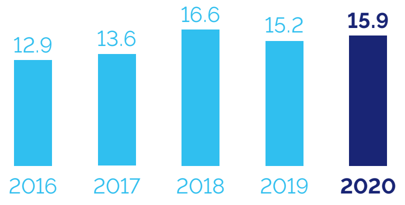
Revenue growth
(%)



Why we measure
To drive profitable, sustainable growth through the implementation of our strategy

Link to strategy

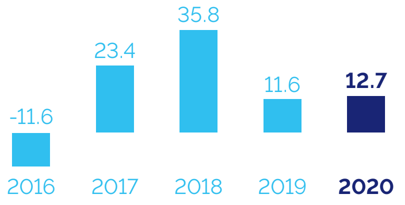
Adjusted operating profit margin[3] (%)



Why we measure
To consistently maintain underlying operating margins

Link to strategy

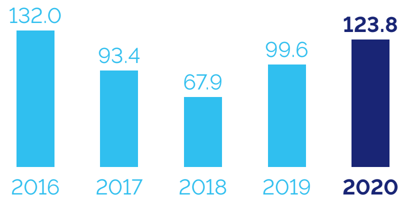
Adjusted earnings per share (EPS) growth (%)



Why we measure
To achieve long-term growth in EPS

Link to strategy

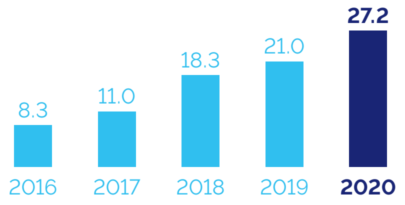
Cash flow[4]
(%)



Why we measure
To maintain a strong operating cash conversion ratio and high level of free cash flow

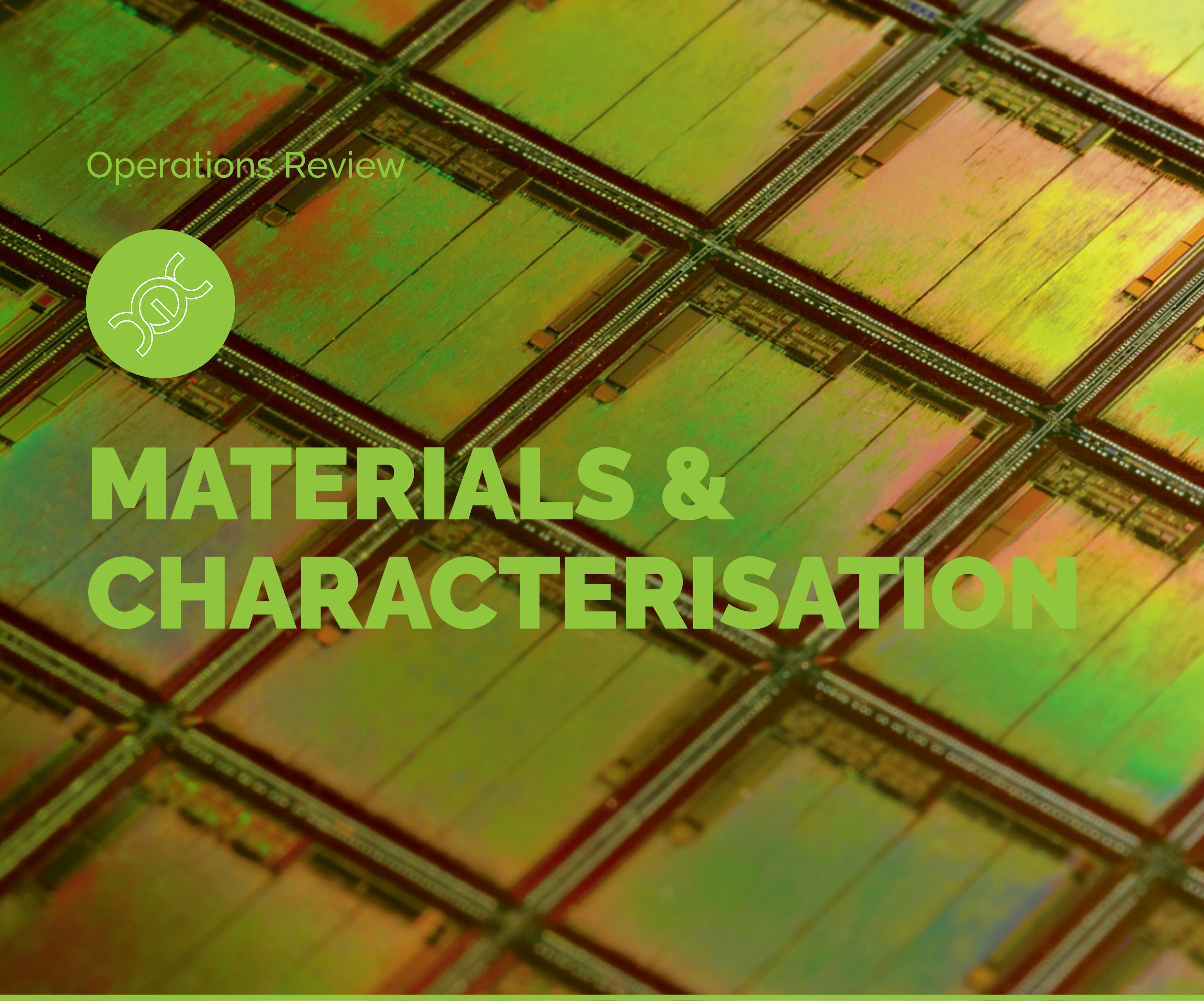
Link to strategy

Return on capital employed (ROCE)[5] (%)



Why we measure
To deliver ROCE in excess of our cost of capital

Link to strategy



MATERIALS & CHARACTERISATION

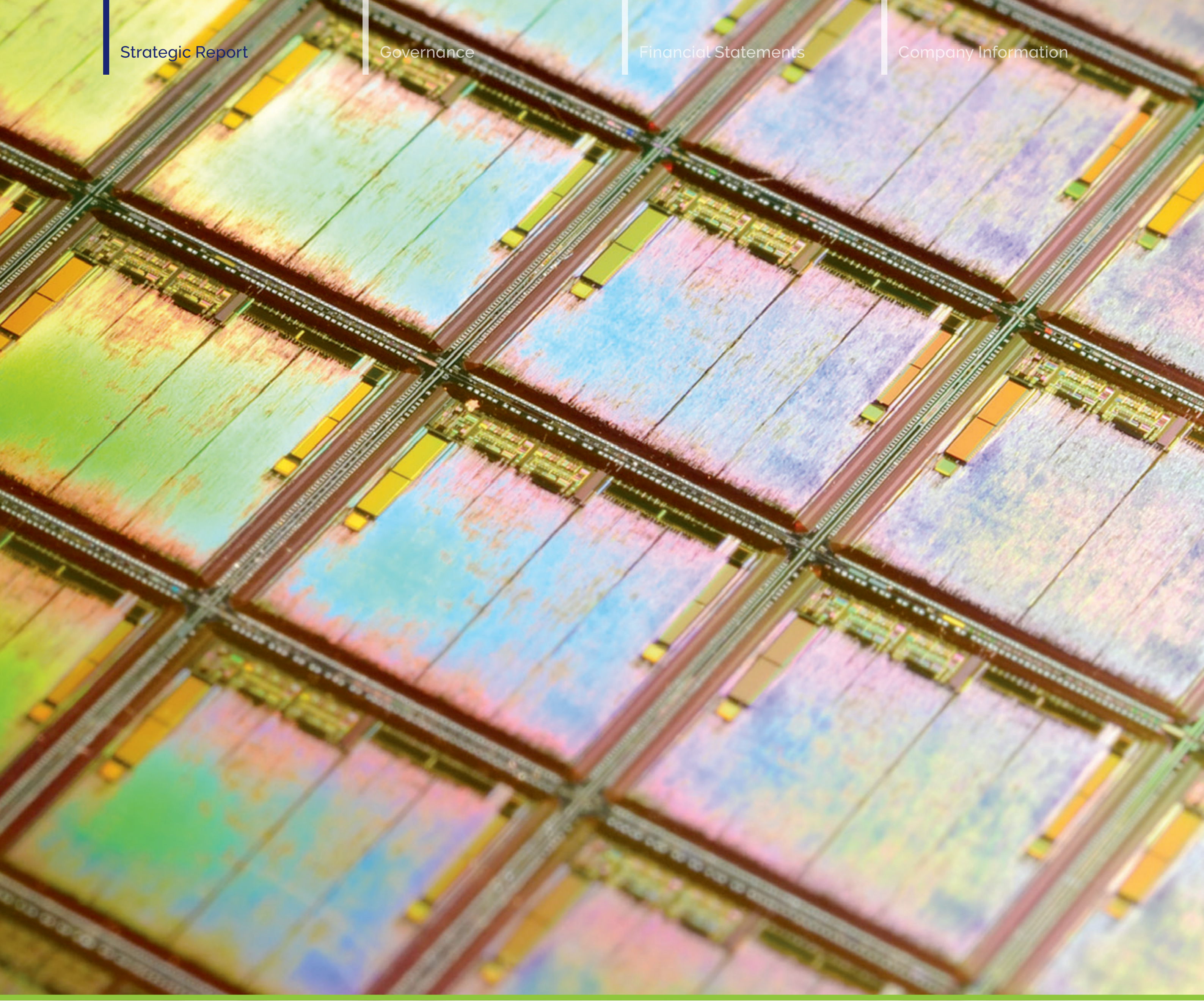
Revenue	
£137.6m	-0.2%
(2019: £137.9m)	-1.9%[1] At constant currency

Adjusted[2] operating profit	
£21.0m	-0.2%
(2019: £21.2m)	-7.1%[1] At constant currency

Adjusted[2] operating margin	
15.3%	-0.1%
(2019: 15.4%)	-0.8%[1] At constant currency

Operating profit after adjusting items	
£12.3m	-34.6%
(2019: £18.8m)	

1. For definition, refer to note on page 2 of highlights.
2. Details of adjusting items can be found in Note 1 of the condensed Financial Statements.



The Materials & Characterisation sector comprises Asylum Research, NanoAnalysis and Plasma Technology. This sector has a broad customer base across a wide range of applications for the imaging and analysis of materials down to the atomic level, as well as the fabrication of semiconductor devices and structures through our range of advanced semiconductor etch and deposition process systems. Our portfolio of imaging systems includes our range of market-leading X-ray and electron analysis systems used in conjunction with electron and ion microscopes as well as our performance-leading atomic force microscopes.

The sector has a strong focus on supporting and accelerating our customers' applied R&D, enabling the development of new devices, next generation higher performance materials and enhancing productivity in advanced manufacturing, quality assurance (QA) and quality control (QC). We provide leading product performance, improved ease of use and enhanced productivity, with the analytics and information to aid the interpretation of acquired data.

Materials & Characterisation delivered growth in reported orders, with delayed shipments offsetting underlying growth in revenue and adjusted operating profit. Performance in the period was enhanced by our customer-centric approach, which identifies new markets and then subsequently tailors our product offerings to these specific end-customer applications, increasing the product value and expanding our addressable markets. We had good order and revenue growth from academic and Government-funded customers supported by positive funding environments across Europe and North America.

Operations Review continued

Materials & Characterisation

This led to good order and revenue growth from academic customers in the period. However, continued weakness in the semiconductor, electronics, automotive and steel production markets impacted orders and revenue from commercial customers. The proportion of revenue from commercial customers remained broadly in line with the previous year at 55% (2019: 57%). Adjusted operating margin of 15.3% was held back by delayed shipments and installations. The order book for future deliveries grew 23.5% in the period to £50.9m (2019: £41.2m). Profit before tax after adjusting items fell against last year due to the non-cash impairment of capitalised development costs.

Looking at our end markets, we continued to see underlying demand within each of the three main segments for the sector, namely Advanced Materials, Semiconductor & Communications and Energy & Environment, supported by the diverse range of end applications.

Delayed revenues and orders due to covid-19 disproportionally impacted both the Semiconductor & Communications and Advanced Materials sectors for customers in Asia and Europe. Semiconductor & Communications represented 44% of sales in the sector, Advanced Materials 37%, with Energy & Environment 14%, and Healthcare & Lifescience 4%, broadly in line with the previous year.

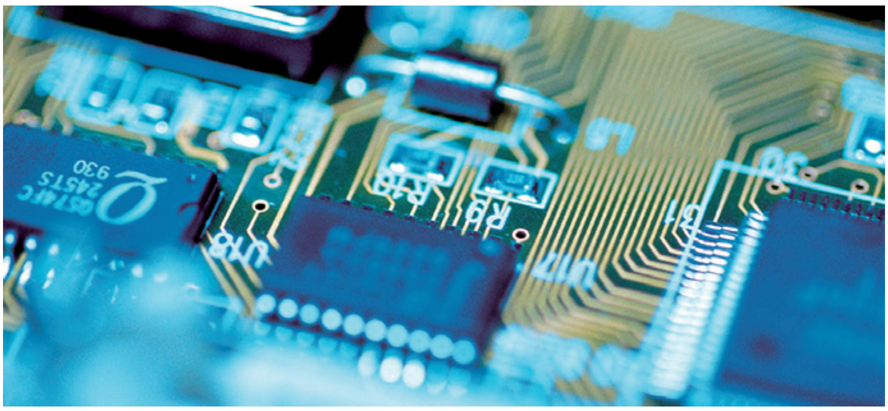
Semiconductor & Communications remains a significant focus for the sector, with growth in compound semiconductor markets offsetting the continued weakness in demand for our imaging and analysis systems from silicon semiconductor and electronics customers through the year. The global demand for faster data processing, improved connectivity and increased efficiency of power devices has led to growth in demand for our compound semiconductor etch and deposition process solutions, underpinned by our market-leading performance and expertise.

With governments around the world recognising the critical importance of connectivity, there is increasing investment in developing more capacity to cope with the growing amount of information and required communication bandwidth resulting from developments such as 5G and device connectivity, as well as increasing levels of online activities such as shopping and virtual meetings. This requires enhanced fibre optic connectivity in hyperscale data centres, to enable faster and more efficient transfer of vast data volumes. This has driven the demand for next generation devices for optical transmission, detection and data processing which in turn has led to increased demand for our gallium arsenide and indium phosphide compound semiconductor solutions.

These have been specifically tailored to enhance the performance of advanced optical semiconductor devices, such as lasers.

The pressing need to find solutions to enable a greener economy is leading to increased efforts to improve the efficiency of power conversion devices and the move to sustainable energy sources. This has resulted in increased investment in electric vehicles, high efficiency energy conversion and power delivery systems. This has led to growing demand within the electric vehicle and industrial power distribution markets for our silicon carbide (SiC) processing solutions providing the ability for batteries to run at higher voltages with significantly higher energy efficiency, enabling faster charging times and longer mileage range.

In addition, the ability of SiC devices to operate at higher temperatures reduces the need for coolants, reducing the size and weight of batteries and contributing to more efficient cars. In the year, we further optimised our SiC processing solutions to provide higher performance, with increased yield and reduced manufacturing cost per wafer.
The demand for improved power conversion also exists in consumer devices, although the cost sensitivity of this market has driven use of lower cost devices that utilise gallium nitride compound semiconductors.



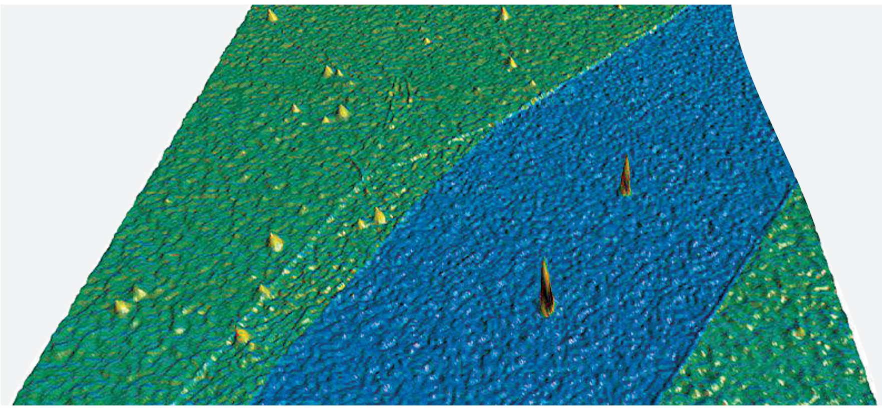
Our tailored process solutions for this market are being used to produce the latest USB charging devices, which are enabling significantly faster charging of mobile phones, tablets and laptops.

We continue to see growth in the Advanced Materials segment supported by the drive to develop, control and repeatably manufacture stronger, lighter, higher performing materials across a broad range of diverse markets and applications. These include the increased use of high-performing alloys and aluminium components within the aerospace and automotive industries, which provide more durable, lighter and safer aircraft and vehicles that are more fuel efficient and environmentally friendly Our market-leading imaging solutions, which enable the measurement and characterisation of composition, structure and thin film characteristics, support our customers across fundamental research investigations, applied R&D and quality control. In addition, the increased demand for cost-effective and viable battery solutions is driving significant materials science research in this area.

Advanced materials, such as graphene, are also providing potential solutions for the provision of clean water, the capture of carbon emissions and more robust and flexible solar panels. Material purity, thin film thickness and reproducibility remain significant challenges. The ability of our atomic force microscopes and electron microscopy imaging solutions provides the necessary characterisation capabilities to advance this field-enabling measurement down to the atomic level. In addition, our semiconductor processing solutions provide the capability for customers to repeatably and controllably deposit the ultra-thin layers and coatings of the advanced materials. The application of our products across a broad range of markets has more than offset the ongoing weakness in automotive and steel production sales within this segment.

We had good growth in the Energy & Environment segment, with applications across photovoltaics, batteries and forensics. This has included strong growth in sales of our AZtecGSR™ software to the leading forensic laboratories around the world, supported by the increased speed and accuracy of our system, and the achievement of industry accreditation in the year, which allows results to be fully validated and admissible as evidence in court.

While still a relatively small proportion of the sector, Healthcare & Lifescience applications represent an opportunity for future growth, specifically within bioimaging. Building on our expertise and knowledge from the Semiconductor & Communications and Advanced Materials segments we have developed solutions to enable customers to investigate and characterise biological materials. For example, our video rate AFM is helping researchers to learn more about the building blocks of life by unlocking the dynamic behaviour and events at a cellular level for those undertaking cancer and virus research. Our analysers are being used to look at the micro-particles that result from general wear and tear on artificial joint replacements. This is helping researchers understand how these particles impact the tissues around it, possibly causing inflammation that can result in tissue death. Studies using our Ultim™ analyser have sought to understand the seed and cell structure in plants and how they can capture and transport air pollutants, leading to better understanding of allergies such as hay fever.



1. **Nanoscale electrical characterisation of a semiconductor device**
2. **Graphene layers captured by an atomic force microscope**

RESEARCH & DISCOVERY

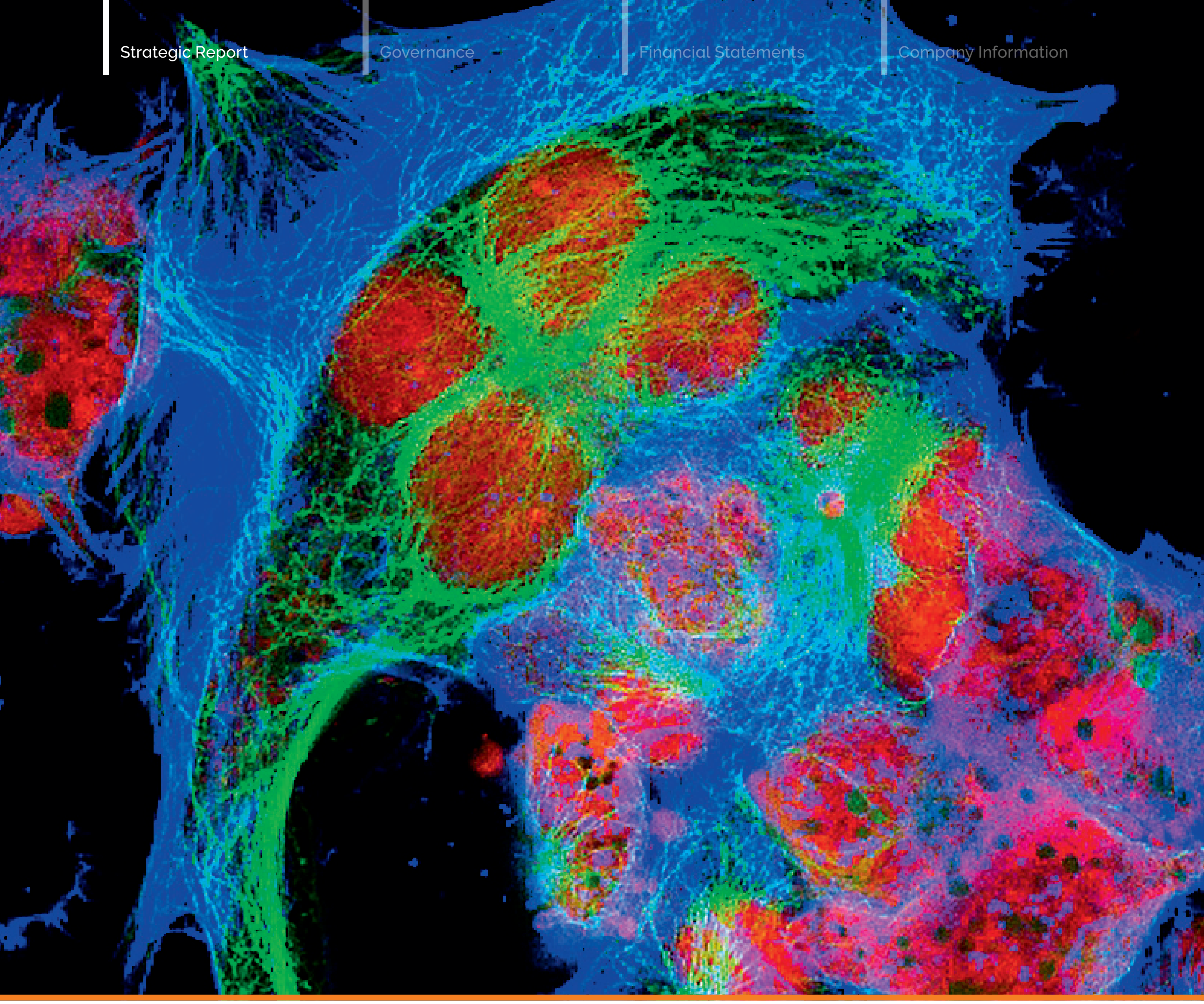
Revenue	
£126.0m	+0.6%
(2019: £125.2m)	-1.1%[1] At constant currency

Adjusted[2] operating profit	
£14.5m	+12.4%
(2019: £12.9m)	+2.3%[1] At constant currency

Adjusted[2] operating margin	
11.5%	+1.2%
(2019: 10.3%)	+0.4%[1] At constant currency

Operating profit after adjusting items	
£13.3m	+95.6%
(2019: £6.8m)	

1. For definition, refer to note on page 2 of highlights.
2. Details of adjusting items can be found in Note 1 of the condensed Financial Statements.



The Research & Discovery sector includes Andor Technology, Magnetic Resonance, NanoScience and X-Ray Technology. This sector provides advanced solutions that create unique environments and enable imaging and analytical measurements down to the molecular and atomic level, used predominantly in fundamental and applied research. We build on our relationships with customers working on breakthrough applications in research to gain insights and support future commercial applications. We have strong brand recognition and leading product performance in our chosen market segments.

In the second half of the year we sold our minority shareholding in Scienta Omicron to existing Shareholders for a consideration of SEK 147m (£11.7m).

The sector continued to make good progress in the second half of the year, building on a positive first half. However, significant covid-19 related delays to the shipment and installation of systems in the fourth quarter offset underlying growth, resulting in revenue broadly in line with the previous year. Despite the impact to revenue, reported adjusted operating profit growth of 12.4% to £14.5m (2019: £12.9m) reflected continued gains from our ongoing operational excellence programme and improved commercial practices. This led to improved profitability for the sector, with operating margin increasing 120 basis points to 11.5% (2019: 10.3%). From a geographical perspective, we had good revenue growth in North America, with covid-19 related delays more than offsetting underlying growth in Asia; Europe marginally declined in the year.

Reported orders were down 3.4% to £133.5m (2019: £138.2m) but represented good underlying growth after excluding the contribution from the prior year's large framework order from the Chinese Academy of Science, which will be delivered over the next few years. The delay to shipments and installations in the year due to covid-19 contributed to strong growth in the order book for future deliveries, which increased by 8.6% to £99.0m (2019: £91.1m).

Our key enabling technologies and products within the sector are seeing increased demand across a broad range of commercial applications, leading to growth in revenue from commercial customers. Underlying market conditions and global funding remained positive from the academic and Government-funded community but reported revenues declined due to the previously mentioned covid-19 delays.

Operations Review continued

Research & Discovery

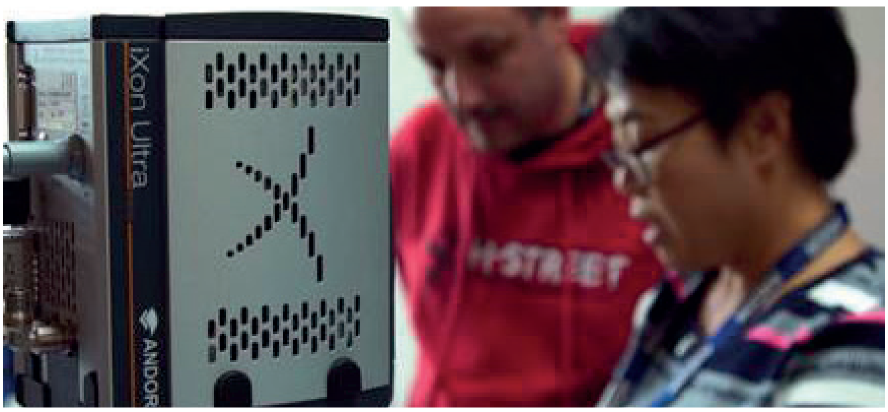
As a consequence, the proportion of revenue from commercial customers increased to 35% (2019: 31%).

The positive underlying performance was supported by demand across a broad range of end applications for our portfolio of scientific instruments and cameras, cryogenics, and high magnetic field platforms. In the year, and in line with our customer-centric approach, we continued to develop tailored solutions for customer-specific applications. Underlying growth was further supported by the increased global initiatives and associated funding across Quantum Technology, increased academic funding into Research & Fundamental Science and the increasing demand for technology solutions that drive improvements across Healthcare & Lifescience.

Healthcare & Lifescience remains a significant focus for the sector, with revenue broadly in line with the previous year, representing 39% of the sector. The continued drive to improve the health and wellbeing of society is leading to the increased development of more accurate means of disease detection, improved understanding of how the body fights diseases and the development of personalised medicine and treatment plans. The market-leading sensitivity of our scientific cameras, and the performance of our X-ray tube and laser systems, have supported advances in this area and have led to increased demand across a broad range of applications including gene sequencing, diagnostic testing, drug discovery and cancer research. This has included direct sales to end customers as well as the supply of our key enabling technologies to our OEM partners. These products have been critical in the global response to the covid-19 pandemic and are being used to study the virus, determining its fundamental structure, gene sequencing, mutations, developing potential vaccines and treatments, as well as within diagnostic testing equipment. Whenever necessary, we increased our capacity and prioritised the shipment of products for these applications to support the global fight against covid-19.

Improved microscopy techniques with increased resolution and the ability to interrogate and interpret large data sets are providing new insights, improved fundamental understanding and treatments across many applications, including cancer research and neurological disorders such as Parkinson's and Alzheimer's. This has driven increased demand for our advanced visualisation and data analysis software as we continue to add application-specific capabilities. However, sales of our microscopy systems declined in the period against a strong comparator and increased competitor activity.

We had strong revenue growth in Quantum Technology, representing 17% of the sector, with governments and corporates increasing investments to develop quantum computing, secure communication, advanced sensors and quantum imaging capabilities. Our cryogenic platforms, high-field magnet systems and scientific cameras are critical components in the advancement of both the fundamental science and commercial applications.



In the second half of the year we launched a new cryogenic platform with improved performance that enables higher productivity and measurement capability supporting the development of practical quantum computers. In addition, the requirement to detect and measure individual photons has led to increased demand for our tailored scientific cameras, which we have optimised for these applications.

Within Research & Fundamental Science, increased academic interest and associated international funding drove strong underlying revenue growth across our portfolio of scientific instruments, cryogenics and high-field magnetic platforms. This included the delivery of several advanced systems into the world's leading academic institutions.

The proportion of revenue from this sector represents 27%, up on the previous year. Increased investment in astronomy is driven by the exploration of the universe, the tracking of space debris to enable the safe operation of billion-dollar satellites and monitoring solar activity to predict interruptions and to protect the security of satellite and earth-based communications. This has led to increased demand for our specifically designed, higher performing scientific cameras with increased value. As an example, during the year, astronomers in Hawaii took the most detailed images ever recorded of the sun's surface using our Balor™ camera, which we launched in the first half of the year, whose unique features include the ability to capture a much larger area of the sky with improved resolution and stability.

Our customers within the Advanced Materials segment utilise these same products and solutions in the development and characterisation of next generation materials such as graphene and represent 8% of revenue in the sector.

The Energy & Environment segment represents 6% of revenue. Our benchtop magnetic resonance analysers have benefited from growth within the food manufacturing market. Due to the method's superior accuracy in measuring fat levels in snack foods, our benchtop analyser is becoming the technology of choice, with precision becoming important for accurate food labelling, quality control and consistency between batches. Revenue growth in the period was offset by ongoing weakness in the oil market, leading to a reduction in sales of our Rock Core oil analysers.

1. **Market leading scientific camera imaging biological samples**
2. **Benchtop NMR analyser with robotic sample automation**

SERVICE & HEALTHCARE

Revenue

£53.8m +5.7%

(2019: £50.9m)

+3.7%[1]
At constant currency

Adjusted[2] operating profit

£15.0m +10.3%

(2019: £13.6m)

+5.1%[1]
At constant currency

Adjusted[2] operating margin

27.9% +1.2%

(2019: 26.7%)

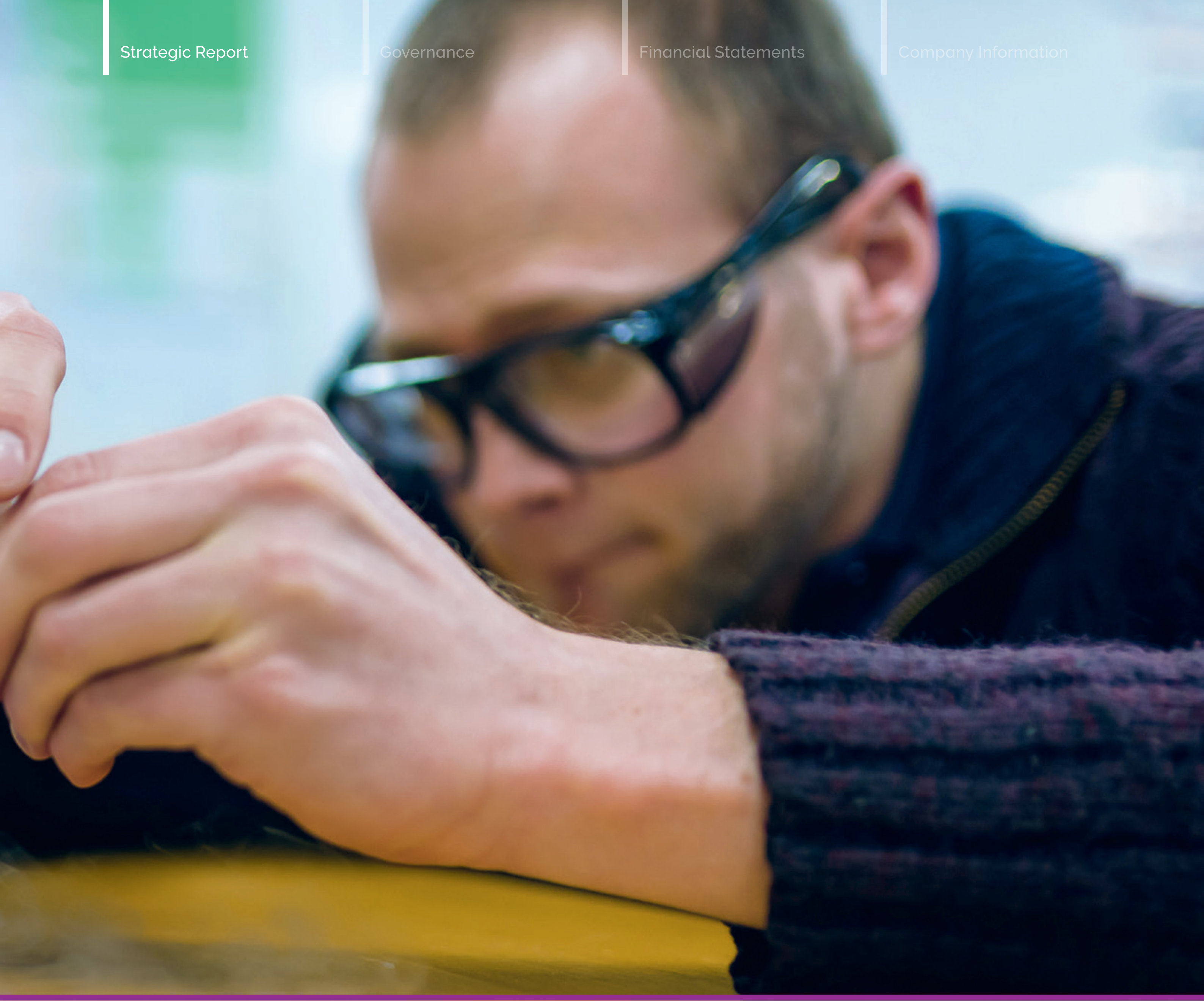
+0.4%[1]
At constant currency

Operating profit after adjusting items

£15.0m +10.3%

(2019: £13.6m)

1. For definition, refer to note on page 2 of highlights.
2. Details of adjusting items can be found in Note 1 of the condensed Financial Statements.



The Service & Healthcare sector comprises the Group's maintenance service contracts, billable repairs, training and support services, and spare part sales related to Oxford Instruments' own products; and the support and service of third-party MRI scanners in Japan.

In the second half of the year we divested the OI Healthcare business with operations within North America. This has been treated as a discontinued business, along with comparative numbers. Our contract to support and service MRI systems within Japan remains within the Group, with performance in line with the previous year.

During the year, as a key focus of our Horizon strategy, we initiated the transformation of our customer service approach by reviewing the way in which we provide support to our customers as well as expanding the breadth of service product offerings and capabilities. To aid the development of future service offerings and application-specific tailored products, we have embedded the requirements of design for service within our new product development management process. This has included taking a customer-centric approach, providing tailored service products for dedicated end-market applications. Our new approach has led to increased demand for services related to our own products, supporting strong order and revenue growth and contributed to improved profitability in the period.

As part of the transformation we are reorganising the resources across our business units and regions, better leveraging our scale to provide better response times for customers, improve our efficiencies and increase our global presence. This further contributed to improved margins from the services related to our own products.

The transformation has enabled us to increase the added value that we bring to our customers by focusing on helping them improve their capabilities, knowledge and productivity. This has included the provision of tailored maintenance contracts and upgrades, training programmes and remote support from our knowledgeable experts.

We have increased the productivity of our customers through the development and utilisation of remote servicing and Live Assist capabilities, enabling augmented reality service support to help with diagnostics and system repairs. In addition to providing increased efficiencies across our service teams, reducing our carbon footprint and improving customer response times, we have found this invaluable in supporting our customers during the covid-19 related business and travel disruption.

Whilst at the early stages of this transformation, we can see a good pipeline of opportunities to further support our customers and increase our productivity.

Finance Review

Despite disruption during a busy period, our full-year financial outcomes were broadly consistent with last year.

Gavin Hill
Group Finance Director

In January 2020, the Group disposed of its minority equity stake in the Scienta Omicron joint venture to existing Shareholders. In the following month, the Group completed the disposal of its OI Healthcare business in the US. For the purposes of current and comparative reporting, OI Healthcare has been reclassified as a discontinued operation.

The Group was impacted by covid-19 towards the latter stages of the financial year. Approximately two weeks' equivalent product shipments and installations were delayed; these are expected to unwind during the first quarter of the 2020/21 financial year depending on the reopening of customer sites and easing of travel restrictions. Despite disruption during a busy period for our businesses, our full-year financial outcomes were broadly consistent with last year. In addition, good operating cash flow, combined with proceeds from business disposals, contributed to a healthy net cash position at year end. This, along with proactive cash-saving actions, provides resilience for the Group to weather the economic turbulence as a result of covid-19.

Reported orders increased by 0.3% to £336.0m (2019: £335.1m), a decrease of 1.3% at constant currency. At the end of the period, the Group's order book for future deliveries stood at £175.0m (31 March 2019: £153.2m). The order book grew 14.2% on a reported basis and 12.1% at constant currency.

Reported revenue on a continuing basis increased by 1.1% to £317.4m (2019: £314.0m). Revenue from continuing operations, excluding currency effects, declined by 0.7%, with the movement in average currency exchange rates over the year increasing reported revenue by £5.5m.

Adjusted operating profit from continuing operations increased by 5.9% to £50.5m (2019: £47.7m). Adjusted operating profit, excluding currency effects, decreased by 1.0%. Adjusted operating margin from continuing operations increased by 70 basis points to 15.9% (2019: 15.2%). Excluding currency effects, adjusted operating margin fell by 10 basis points to 15.1%.

Operating profit of £39.8m (2019: £37.4m) grew by 6.4%.

Adjusted profit before tax from continuing operations grew by 8.8% to £49.5m (2019: £45.5m), representing a margin of 15.6% (2019: 14.5%).

Amortisation of acquired intangibles was £8.7m and the business incurred a charge of £1.4m relating to the movement in the mark-to-market valuation of uncrystallised currency hedges for future years. A charge of £0.6m on net adjusting items comprises a £6.5m gain on the disposal of Scienta Omicron and a credit of £0.6m on the termination of the US defined benefit pension scheme, offset by an impairment of intangible development costs of £7.1m and a one-off inventory write-down and small restructuring cost of £0.6m.

After adjusting items, the Group recorded an operating profit of £39.8m (2019: £37.4m) and profit before tax of £38.8m (2019: £34.3m).

Continuing adjusted basic earnings per share grew by 12.7% to 70.2p (2019: 62.3p). Continuing basic earnings per share were 55.9p (2019: 48.6p), growth of 15.0%.

Cash generated from operations of £62.3m (2019: £53.0m) represents 124% (2019: 100%) cash conversion. Net cash increased from £6.7m on 31 March 2019 to £67.5m, aided by good operating cash flow and proceeds from disposals of £20.4m. Net cash at the end of May 2020 had increased to £70.0m.

Revenue	
£317.4m	+1.1%
(2019: £314.0m)	

Adjusted operating profit	
£50.5m	+5.9%
(2019: £47.7m)	

At the end of March, our revolving credit facility remained undrawn, leaving approximately £105m of committed facilities. This represents total headroom of about £200m. The Group has outstanding private placement loan notes of £27.9m, which mature on 31 March 2021, at which point headroom will fall to £172m.

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

Under the rules for audit tendering and rotation implemented in 2016, the Group is required to replace our current auditor, KPMG LLP, no later than 31 March 2021, effective for the 31 March 2022 year end. Following a comprehensive and thorough competitive tender process for the audit in the first quarter of 2020, BDO were appointed as auditor, effective for the 31 March 2021 year end. This appointment will be subject to Shareholder approval at the next AGM to be held in September 2020.

Income Statement

The Group's Income Statement is summarised below.

	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m	Change
Revenue	**317.4**	314.0	+1.1%
Adjusted gross profit	**158.8**	159.3	(0.3%)
Administrative expenses	**(109.0)**	(110.6)	
Share of profit of associate	**0.7**	0.2	
Foreign exchange	**—**	(1.2)	
Adjusted operating profit	**50.5**	47.7	+5.9%
Net finance costs	**(1.0)**	(2.2)	
Adjusted profit before tax	**49.5**	45.5	+8.8%
Amortisation of acquired intangibles	**(8.7)**	(8.8)	
Non-recurring items	**(0.6)**	(0.9)	
Mark-to-market of currency hedges	**(1.4)**	(1.5)	
Profit before tax	**38.8**	34.3	+13.1%
Tax from continuing operations	**(6.8)**	(6.5)	
Profit for the period from continuing operations	**32.0**	27.8	
Profit from discontinued operations after tax	**1.8**	2.2	
Adjusted effective tax rate[1]	**18.8%**	21.8%	
Continuing adjusted earnings per share – basic	**70.2p**	62.3p	+12.7%
Continuing earnings per share – basic	**55.9p**	48.6p	+15.0%
Continuing adjusted earnings per share – diluted	**69.5p**	61.7p	+12.6%
Continuing earnings per share – diluted	**55.3p**	48.2p	+14.7%
Dividend per share	**—**	14.4p	

1. The adjusted effective tax rate is calculated excluding amortisation of acquired intangibles, the mark-to-market of financial derivatives, and other adjusting items.

Finance Review continued

Income Statement continued

Orders and revenue

Total reported orders grew by 0.3% (a decline of 1.3% at constant currency) to £336.0m. Orders, at constant currency, were flat for Materials & Characterisation, declined by 5.1% for Research & Discovery and grew by 4.7% for Service & Healthcare. In the comparative period, orders included a large £11.0m order from the Institute of Physics – Chinese Academy of Sciences (IOP-CAS). Excluding the impact of this order, the Group and our Research & Discovery segment have seen modest constant currency order growth.

Reported revenue of £317.4m (2019: £314.0m) increased by 1.1% (a decline of 0.7% at constant currency). Reported revenue was broadly flat for Materials & Characterisation, increasing by 0.6% for Research & Discovery and 5.7% for Service & Healthcare. Customer disruption from covid-19 meant that we were unable to complete a significant number of product shipments and installations in the final quarter, with approximately two weeks' equivalent revenue being delayed to the following financial year. In the absence of this disruption the Group would have achieved modest constant currency growth.

The book-to-bill ratio (orders received to goods and services billed in the period) for the year was 1.06.

Revenue, at constant currency, declined by 1.9% for Materials & Characterisation due to several of Plasma Technology's product shipments, along with a smaller number of Asylum Research's shipments, being delayed due to the closure of customer sites. A constant currency decline of 1.1% in Research & Discovery was also impacted by being unable to complete high value product installations in Asia ahead of the year end owing to customer site closures and travel constraints on service personnel.

Service & Healthcare constant currency revenue grew by 3.7%, with good growth from the service of our own products.

On a geographical basis, at constant currency, revenue grew by 4.7% in Europe, 3.0% in North America, and a decline of 6.5% in Asia, with the Rest of World growing by 17.0%. The covid-19 disruption to trading was most prevalent in Asia during the fourth quarter of the year.

The total reported order book grew by 14.2% (12.1% at constant currency). The order book, at constant currency, compared to 31 March 2019, increased by 20.1% for Materials & Characterisation, 7.4% for Research & Discovery and 16.6% for Service & Healthcare. This good growth has been supported by revenue not recognised in the year owing to delayed shipments and installations.

£m	Materials & Characterisation	Research & Discovery	Service & Healthcare	Total
Revenue[1]: 2018/19	137.9	125.2	50.9	314.0
Underlying movement	(2.6)	(1.4)	1.9	(2.1)
Foreign exchange	2.3	2.2	1.0	5.5
Revenue[1]: 2019/20	**137.6**	**126.0**	**53.8**	**317.4**
Revenue growth: reported	(0.2%)	+0.6%	+5.7%	+1.1%
Revenue growth: constant currency	(1.9%)	(1.1%)	+3.7%	(0.7%)

1. From continuing operations.

Adjusted gross profit

Adjusted gross profit was broadly flat at £158.8m (2019: £159.3m), representing a gross profit margin of 50.0%, a decline of 70 basis points over last year.

Adjusted operating profit

Adjusted operating profit from continuing operations increased by 5.9% to £50.5m (2019: £47.7m), representing an adjusted operating profit margin of 15.9%, an increase of 70 basis points against last year. At constant currency, the adjusted operating profit margin was 15.1%, a decrease of 10 basis points. Lower contribution recognised in the year on delayed product shipments and installations from covid-19 has offset underlying margin improvement from our operational excellence and other Horizon programmes, depressing the full-year operating margin.

Materials & Characterisation margin declined by 10 basis points to 15.3% (2019: 15.4%) with Plasma Technology's and Asylum Research's margins negatively impacted by shipment delays from customer site closures. At constant currency, the margin was 14.6%, a decline of 80 basis points.

Research & Discovery's adjusted operating margin increased to 11.5% (2019: 10.3%), growth of 120 basis points. At constant currency, the margin was 10.7%, an increase of 40 basis points. Margin growth was held back by being unable to complete the installation of some significant complex magnet and cryogenic systems owing to site closures and travel restrictions for our service personnel.

Service & Healthcare margin increased by 120 basis points to 27.9% (2019: 26.7%). At constant currency, the margin was 27.1%, an increase of 40 basis points owing to our focus on improving service revenue on our own products.

Our share of the Scienta Omicron joint venture prior to the sale of our equity shareholding showed an adjusted profit after tax of £0.7m for the year, against a profit of £0.2m for the comparative period.

Currency effects (including the impact of transactional currency hedging) have increased reported adjusted operating profit by £3.3m when compared to blended hedged exchange rates for the comparative period.

£m	Materials & Characterisation	Research & Discovery	Service & Healthcare	Total
Adjusted operating profit[1]: 2018/19	21.2	12.9	13.6	47.7
Underlying movement	(1.6)	0.3	0.8	(0.5)
Foreign exchange	1.4	1.3	0.6	3.3
Adjusted operating profit[1]: 2019/20	**21.0**	**14.5**	**15.0**	**50.5**
Margin: 2018/19	15.4%	10.3%	26.7%	15.2%
Margin: 2019/20	**15.3%**	**11.5%**	**27.9%**	**15.9%**

1. From continuing operations.

Adjusting items

Amortisation of acquired intangibles of £8.7m relates to intangible assets recognised on acquisitions, being the value of technology, customer relationships and brands.

Non-recurring items were a net charge of £0.6m. The sale of our shareholding in Scienta Omicron realised a gain of £6.5m. In addition, an accounting credit of £0.6m arose from the termination of the US defined benefit pension scheme, which was completed prior to the end of the year. The impact of covid-19 is, in the short term, expected to reduce some order opportunities across our business segments. In addition, we have reviewed our development intangible assets to ensure they remain directly related to targeted product or software developments. As a result, we have impaired intangible development assets, realising a charge of £7.1m. The majority of the non-cash impairment relates to our Materials & Characterisation segment; comprising software intangibles in Asylum Research, historical balances on general process development in Plasma Technology and product development in NanoAnalysis that has been affected by a reduction in orders as a result of covid-19. This results in a large reduction in the segment's operating profit after adjusting items compared to last year. The remaining charge of £0.6m is attributable to a one-off write-down of inventory built up over time ahead of an in-year implementation of a new ERP system in X-Ray Technology, as well as a small restructuring cost within our magnet and cryogenics business.

The Group uses derivative products to hedge its short-term 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 IFRS 9 to apply hedge accounting to these foreign exchange hedges cannot be justified. Accordingly, the Group does not use hedge accounting for these derivatives.

Net movements on mark-to-market derivatives in respect of transactional currency exposures of the Group in future periods are disclosed in the Income Statement as foreign exchange and excluded from our calculation of adjusted profit before tax. In the current year this amounted to a charge of £1.4m (2019: £1.5m charge). The year-end liability primarily reflects an uncrystallised loss arising from a fall in the value of Sterling at the balance sheet date against a blended rate achieved on US Dollar, Euro and Japanese Yen forward contracts that will mature over the next twelve months.

Net finance costs

The Group's adjusted net finance costs fell by £1.2m to £1.0m (2019: £2.2m) with net finance charges falling by £0.9m to £1.0m, supported by a refund of overpaid interest for previous years of £0.4m, and pension finance charges falling by £0.3m to zero, reflecting the movement from a net asset pension deficit as at 31 March 2019 to an asset at 31 March 2020.

Profit before tax

Continuing adjusted profit before tax increased by 8.8% to £49.5m (2019: £45.5m). The adjusted profit before tax margin of 15.6% (2019: 14.5%) was above last year due to an increase in the adjusted operating margin and lower net finance costs.

Continuing profit before tax of £38.8m (2019: £34.3m) is after the mark-to-market movement on derivative financial instruments, amortisation of acquired intangibles and other adjusting items.

Finance Review continued

Income Statement continued

Tax

The adjusted tax charge from continuing operations of £9.3m (2019: £9.9m) represents an effective tax rate of 18.8% (2018: 21.8%), the reduction reflecting provisions made in the comparative period and a change in the geographical mix of profits earned.

Earnings per share

Continuing adjusted basic earnings per share increased by 12.7% to 70.2p (2019: 62.3p); continuing adjusted diluted earnings per share grew by 12.6% to 69.5p (2019: 61.7p). Continuing basic earnings per share increased by 15.0% to 55.9p (2019: 48.6p); continuing diluted earnings per share grew by 14.7% to 55.3p (2019: 48.2p).

The number of undiluted weighted average shares increased marginally to 57.3m.

Foreign exchange

The Group faces transactional and translational currency exposure, most notably against the US Dollar, Euro and Japanese Yen. For the year, approximately 15% of Group revenue was denominated in Sterling, 52% in US Dollars, 20% in Euros, 11% in Japanese Yen and 2% in other currencies. Translational exposures arise on the consolidation of overseas company results into Sterling. Transactional exposures arise where the currency of sale or purchase transactions differs from the functional currency in which each company prepares its local accounts.

The Group maintains a hedging programme against its net transactional exposure using internal projections of currency trading transactions expected to arise over a period extending from 12 to 24 months. As at 31 March 2019, the Group had currency hedges in place extending up to 14 months forward.

For the full year 2020/21, our assessment of the currency impact is, based on hedges currently in place and spot rates prevailing as at 31 March 2020, a tailwind of approximately £6.0m to revenue and £2.0m to adjusted operating profit. As an example sensitivity, if we assume a 5% appreciation of Sterling against our major trading currencies, then the impact is a reduction in revenue of £9.0m and adjusted operating profit of £1.5m. Uncertain volume and timing of shipments and acceptances, currency mix and FX volatility may significantly affect full-year currency effects.

Disposal of OI Healthcare – discontinued operations

On 24 February 2020, the Group sold the OI Healthcare business in the US to MXR Imaging, Inc, for a consideration of $14.9m (£11.5m). The business has been treated as a discontinued operation. An adjusted loss of £0.5m after taxation has been recorded under discontinued operations (2019: profit of £1.5m).

Disposal of Scienta Omicron

On 29 January 2020, the Group sold its 47% share in Scienta Omicron to a group of existing Shareholders in the joint venture for a consideration of SEK 147m (£11.7m). The Group has recorded a gain of £6.5m on the disposal; this has been treated as a non-recurring item. During the year, the Group recorded a profit of £0.7m (2019: £0.2m) within adjusted operating profit.

Dividend

The Group's policy is to increase the dividend each year in line with the increase in underlying earnings, considering movements in currency. Following the high uncertainty created by the impact of covid-19, the Group suspended the payment of the interim dividend of 4.1p per share, which was due to be paid on 14 April 2020. As a result of continued uncertainty, the Board will defer a decision on payment of dividends until we have fully assessed the outcome of disruption caused by covid-19 on our markets and trading performance.

Cash flow

The Group cash flow is summarised below.

	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m
Adjusted operating profit	**50.5**	47.7
Depreciation and amortisation	**9.9**	9.5
Adjusted EBITDA	**60.4**	57.2
Working capital movement	**10.1**	2.8
Loss on disposal of property, plant and equipment	**—**	0.2
Equity settled share schemes	**3.1**	0.8
Share of profit from associate	**(0.7)**	(0.2)
Business reorganisation items	**(0.6)**	(0.7)
Pension scheme payments above charge to operating profit	**(10.0)**	(7.1)
Cash generated from operations	**62.3**	53.0
Interest	**(1.0)**	(3.2)
Tax	**(6.1)**	(8.7)
Capitalised development expenditure	**(2.8)**	(3.5)
Expenditure on tangible and intangible assets	**(4.3)**	(7.1)
Proceeds from sale of associate	**11.7**	—
Decrease in long-term receivables	**1.4**	1.1
Dividends paid	**(8.2)**	(7.6)
Proceeds from issue of share capital and exercise of share options	**0.7**	0.2
Payments made in respect of lease liabilities	**(3.3)**	(2.7)
Decrease in borrowings	**(0.6)**	(11.5)
Net increase in cash and cash equivalents from continuing operations	**49.8**	10.0

Note: Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation of acquired intangibles, mark-to-market of financial derivatives, business reorganisation items costs and other adjusting items.

Cash generated from operations

Cash generated from operations of £62.3m (2019: £53.0m) represents 124% (2019: 100%) cash conversion. Cash conversion is defined as cash generated from operations before non-recurring items and pension scheme payments, less capitalised development expenditure, capital expenditure and payments made in respect of finance leases/adjusted operating profit.

Working capital fell by £10.1m. Inventories rose by £2.3m with additional finished goods due to shipments held over the year end following closure of customer sites. Receivables declined by £3.3m and payables and customer deposits increased by £9.1m, supported by our commercial focus on improving the percentage of deposits on long lead time products.

The increase in the cost of equity settled share schemes is due to a catch-up charge relating to a correction in the valuation of management share option incentive schemes.

Pension

Pension costs of £10.0m included a payment of $3.4m (£2.8m) to the US defined benefit pension scheme as full and final settlement of termination liabilities.

Interest

Net interest paid was £1.0m (2019: £3.2m). The comparative period includes a loan note make-whole of £0.9m. The remaining reduction reflects lower financing costs as the business increased its net cash position, combined with receipt of overpaid interest relating to previous years.

Finance Review continued

Cash flow continued

Tax

Tax paid was £6.1m (2019: £8.7m), with cash tax in the year benefiting from one-off refunds on closure of prior year tax returns.

Investment in Research and Development (R&D)

Total cash spend on R&D in the year was £26.8m, equivalent to 8.4% of sales (2019: £24.8m, 7.9% of sales). A reconciliation between the adjusted amounts charged to the Income Statement and the cash spent is given below:

	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m
R&D expense charged to the Income Statement	**26.6**	24.8
Depreciation of R&D-related fixed assets	**—**	(0.1)
Amounts capitalised as fixed assets	**0.1**	0.1
Amortisation and impairment of R&D costs capitalised as intangibles	**(2.7)**	(3.5)
Amounts capitalised as intangible assets	**2.8**	3.5
Total cash spent on R&D during the year	**26.8**	24.8

Net debt and funding

Net debt

Good cash generation in the year, combined with disposal receipts, substantially increased the Group's net cash position from £6.7m to £67.5m. Cash generated from operations was £62.3m (2019: £53.0m). Proceeds from disposals were £20.4m. The Group invested in capitalised development costs of £2.8m and tangible and intangible assets of £4.3m.

Movement in net debt	£m
Net cash as at 31 March 2019	6.7
Cash generated from operations	62.3
Interest	(1.0)
Tax	(6.1)
Capitalised development expenditure	(2.8)
Capital expenditure on tangible and intangible assets	(4.3)
Disposal of subsidiary and associate	20.4
Dividends paid	(8.2)
Other items	0.5
Net cash as at 31 March 2020	**67.5**

Funding

On 2 July 2018, the Group entered into a new unsecured multi-currency revolving facility agreement, which is committed until June 2023 with one-year extension options at the end of the first and second years. The facility has been entered into with two banks and comprises a Euro-denominated multi-currency facility of €50.0m and a US Dollar-denominated multi-currency facility of $80.0m.

We are in discussions to extend the facility by one year to June 2024, with an option to request an extension for a further year in one year's time.

The Group has outstanding bilateral private placement notes of £27.9m which mature on 31 March 2021.

Debt covenants are net debt to EBITDA less than 3.0 times and EBITDA to interest greater than 4.0 times. As at 31 March 2020 the business had net cash.

Pensions

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

At 31 March 2020, the net asset arising from our defined benefit pension scheme obligations was £30.7m (31 March 2019: liability of £6.5m). The move from a deficit to surplus was attributable to scheme assets rising by more than liabilities due to respective changes in gilt and corporate bond yields on hedged assets and scheme liabilities respectively. Total scheme assets at 31 March 2020 were £321.4m (31 March 2019: £311.4m) while liabilities were £290.7m (31 March 2019: £317.9m).

As at 31 March 2020, the UK defined benefit pension liability includes an allowance of £0.3m for the expected cost of equalising Guaranteed Minimum Pension between males and females.

We have completed the process to terminate the US defined benefit pension scheme. This has extinguished all liabilities of the scheme. The cash cost of termination was $3.4m (£2.8m) with all payments having been made during the year in full and final settlement of the scheme's liabilities.

Going concern

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

In light of the global health crisis around the outbreak of covid-19, the future performance of the Group is anticipated to be affected, but it remains too early to assess the impact the unfolding situation will have on trading for the year ahead. The Group has therefore prepared and reviewed a number of scenarios for the Group based on varying degrees of disruption caused by covid-19 on orders, trading and cash flow performance. In addition, the Group has overlaid the risk of long-term adverse movements in foreign exchange rates to our cash flow forecasts. The Board is satisfied, having considered the sensitivity analysis, as well as its funding facilities, 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.

Gavin Hill
Group Finance Director

9 June 2020

Risk Management

Principal risks and uncertainties

The effective management of risk contributes significantly to the successful delivery of the Group's strategic plans and objectives. Therefore, risk management is an essential element of our regular management activities at a Group and business unit level. The work performed at the operating business units is complemented by the Group risk management function to provide assistance and challenge where required. It also provides the link to the Audit and Risk Committee through reporting the Group risk register, which is prepared on a quarterly basis.

The general methodology for risk management has remained consistent with last year, although in response to covid-19, the March 2020 risk register was focused primarily on risks related to the pandemic and the business units' responses thereto. Operating business units provide granular reports covering their key external and internal risks relating to markets, operations and processes. These reports are provided to Group risk management on a quarterly basis and provide the starting point for the Group risk register. The reports are standardised and include the likelihood of a risk materialising, and both a gross and net risk score. The residual risk score is used to classify the risks as low, moderate, high or significant. Group-wide risks are added to the key business units' risks to prepare the Group risk register. For risks that require ongoing mitigating actions, a risk owner is assigned and action plans are reviewed as part of the risk reporting process.

Risk management at the business unit level forms an integral part of the senior management team's agenda. At Group level, either the Group Finance Director or the Chief Executive review and approve the quarterly update to the Group risk register in conjunction with Group head of risk and assurance, prior to it being reported to the Audit and Risk Committee.

Specific uncertainty 1: Impact of covid-19

Context: Covid-19 has caused global disruption and there is considerable uncertainty relating to the short-term impact on customers, markets and operations. In the short term, the Group is taking pragmatic steps to maintain liquidity and capability so that it is best placed to respond to the new paradigm. The Group will continue with the customer-centric approach that is a key pillar of the Horizon strategy to focus on growth markets.

Risk factor/uncertainty

- Fall in demand due to reduced funding for academic customers in key markets/deferral of capex for industrial customers
- Short-term supply chain disruption
- Workforce disruption in production
- Ongoing travel restrictions for service personnel

Possible impact

- Short-term reduction in sales volumes and contribution
- Potentially unable to meet delivery deadlines/reduction in capacity
- Installations and onsite service activities disrupted
- Negative cash flow/liquidity risk

Management actions

- Customer intimacy
- Working closely with key supplier base
- Safe ways of working and changes to shift patterns to maximise capacity
- Remote service activities
- Iterative financing review and review of cost base

Mitigation

- Sales and operational planning process
- Contractual protection
- Strategic procurement, working with supply chain to mitigate risk
- Strong balance sheet and options for external funding

Change in the year:

NEW

Specific risk 1: Routes to market

Context: In some instances, the Group's products are components of higher-level systems sold by OEMs, and thus the Group does not control its route to market.

Risk
- Vertical integration by OEMs

Possible impact
- Loss of key customers/routes to market
- Reduction in sales volumes and/or pricing and lower profitability

Control mechanisms
- Customer intimacy to match product performance to customer needs
- Positioning of the Oxford Instruments brand and marketing directly to end users

Mitigation
- Strategic relationships with OEMs to sell performance of combined systems
- Product differentiation to promote advantages of Oxford Instruments' equipment and solutions
- Direct marketing to end users

Change in the year:

→

Specific risk 2: Technical risk

Context: The Group provides high technology equipment, systems and services to its customers.

Risk
- Failure of the advanced technologies applied by the Group to produce commercially viable products

Possible impact
- Loss of market share or negative pricing pressure resulting in lower turnover and reduced profitability
- Additional NPI expenditure
- Adverse impact on the Group's brand and reputation

Control mechanisms
- "Voice of the Customer" approach and market intimacy to direct product development activities
- Formal NPI processes to prioritise investment and to manage R&D expenditure
- Product lifecycle management

Mitigation
- Understanding customer needs/ expectations and targeted new product development programme to maintain and strengthen product positioning
- Stage gate process in product development to challenge commercial business case and mitigate technical risks
- Operational practices around sales-production matching and inventory management to mitigate stock obsolescence risks

Change in the year:

→

Specific risk 3: Supply chain risk

Context: The Group operates a strategic "make or buy" policy which places reliance on key partners, notably single-source suppliers, in terms of pricing and on-time delivery.

Risk
- Operational disruption, due to supply chain shortages
- Change of ownership resulting in loss of supply
- Long-term availability of key components

Possible impact
- Reduction or halt to production output
- Lost revenue
- Decreased margins
- Increased lead times
- Poor customer service
- Increased inventory leading to cash flow reduction
- Negative impact on quality

Control mechanisms
- Group consolidated risk database + sales and operational planning process
- Proactive management of key suppliers
- Focused efforts on higher risk suppliers identified
- Long-term contracts with key suppliers

Mitigation
- Long-term demand planning
- Buffer stock in extended supply chain
- Relationship management with key suppliers
- Responsive and adaptive engineering change process

Change in the year:

→

Risk Management continued

Specific risk 4: Political risk

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

Risk
- Changes in the geopolitical landscape or a global trade war resulting in a complete embargo on trade with specific nations, barriers to trade with individual customers, or significant increases in tariffs

Possible impact
- Lower export volumes or net pricing to key markets adversely affecting turnover
- Increases to input costs and lower gross margins
- Limitations on ability to provide after-sales service to existing customers

Control mechanisms
- Contract review and protection against breach should export licences be withheld

Mitigation
- Broad global customer base; contractual protection

Change in the year:

Specific risk 5: Brexit-related risks

Context: The transition period to leave the EU is scheduled to end on 31 December 2020 and there is no clarity on future trading arrangements with the EU.

Risk
- Supply chain disruption
- Lower participation in EU-funded research projects
- End to free movement of goods and services in the EU
- Tariffs on exports to EU from the UK and vice versa
- UK becomes less attractive to EU nationals
- Volatility in foreign currency rates

Possible impact
- Delays to production and revenue generation
- Lower sales and profitability
- Lower net pricing on UK exports to EU and cost increases on products sourced from the EU
- Loss of key skills
- Volatility in earnings

Control mechanisms
- Sales and operational planning process
- Customer intimacy and monitoring of funded projects
- Strategic sourcing programme
- Product pricing reviews
- Skills and capabilities reviews
- Treasury management

Mitigation
- Existing stock of raw materials and work in progress
- Market diversification
- Long-term pricing agreements for key suppliers and strategic sourcing
- Pricing strategy
- Renewal of UK work permit scheme

Change in the year:

Specific risk 6: IT risk

Context: Elements of production, financial and other systems rely on IT availability.

Risk
- Cyber-attack on the Group's IT infrastructure
- Ransomware/spread of viruses or malware
- Insider threat

Possible impact
- System failure/data loss and disruption to business as usual operations
- Loss of business-critical data
- Financial and reputational damage

Control mechanisms
- Suite of IT protection mechanisms including penetration testing, regular backups, virtual machines, and cyber reviews
- Internal IT governance to maintain protection systems and our incident response
- Employee awareness training

Mitigation
- Managed service with third-party security specialists providing incident monitoring
- Regular review, monitoring and testing of key security measures to assess adequacy of protection against known threats
- End user education and phishing simulation exercises

Change in the year:

Specific risk 7: Legal/compliance risk

Context: The Group operates in a complex regulatory and technological environment. The Group may at times experience unintentional non-conformance with regulations and competitors may seek to protect their position through intellectual property rights.

Risk
- Infringement of a third party's intellectual property
- Regulatory breach

Possible impact
- Potential loss of future revenue
- Future royalty payments
- Payment of damages
- Fines and non-financial sanctions such as restrictions on trade, disbarment from public procurement contracts
- Reputational damage

Control mechanisms
- Formal "Freedom to Operate" assessment to identify potential IP issues during product development
- Internal control framework including policies, procedures and training in risk areas such as bribery and corruption, sanctions and export controls

Mitigation
- Confirmation of "Freedom to Operate" during new product development stage gate process
- Compliance monitoring programmes

Change in the year: ↓

Specific risk 8: Adverse movements in long-term foreign currency rates

Context: A high proportion of the Group's revenue is in foreign currencies, notably US Dollars, while the cost base is predominantly denominated in Sterling.

Risk
- Long-term strengthening of Sterling against key currencies such as the US Dollar, Japanese Yen and the Euro

Possible impact
- Reduced profitability

Control mechanisms
- Short-term exposure is managed by hedging programme
- Procurement "make or buy" strategy
- Treasury management

Mitigation
- Strategic procurement in US Dollars, Euros and Yen
- Active review of net exposure in key currencies

Change in the year: →

Specific risk 9: People

Context: A number of the Group's employees have business-critical skills.

Risk
- Key employees leave and effective replacements are not recruited on a timely basis

Possible impact
- Adverse impact on NPI
- Operational disruption
- Lower sales and profitability

Control mechanisms
- HR people strategy for retention and recruitment of staff with key skills

Mitigation
- Succession management plans
- Technical career paths
- UK work permit scheme to facilitate employment of non-UK nationals in place

Change in the year: →

Risk Management continued

Specific risk 10: Operational risk

Context: Business units' production facilities are typically located at a single site.

Risk

- Sustained disruption to production arising from a major incident at a site

Possible impact

- Inability to fulfil orders in the short term, resulting in a reduction in sales and profitability
- Additional, non-recurring overhead costs

Control mechanisms

- Business Continuity Plans (BCPs) exist for all manufacturing sites
- Contractual clauses to limit financial consequences of delayed delivery

Mitigation

- Detailed response plans in BCPs can reduce downtime arising from incidents and facilitate the restoration or relocation of production
- Standard sales contracts include clauses for limitation of liability, liquidated damages and the exclusion of consequential losses
- Business interruption insurance

Change in the year:

➔

Specific risk 11: Pensions

Context: The actuarial pension deficit is sensitive to changes in the actuarial assumptions.

Risk

- The actuarial pension deficit is sensitive to movements in actuarial assumptions and returns on investments

Possible impact

- Reduction in net cash as additional Group contributions become payable to fund the deficit
- Increase in the annual levy paid to the Pension Protection Fund

Control mechanisms

- Ongoing review of investment strategy, including active control of risk, by the Trustee's investment sub-committee
- Liability hedging programme to mitigate exposure to movements in interest rates and inflation

Mitigation

- The Group closed its UK defined benefit pension scheme to future accrual in 2010
- The Group has a funding plan in place to eliminate the pension deficit over the short to medium term

Change in the year:

↓

Viability Statement

In accordance with the UK Corporate Governance Code 2018, the Directors are required to perform an assessment of the Group's viability over a period longer than the twelve months required for the going concern statement. As in all previous years since 2016, the viability assessment period extends over three years. The Directors consider that three years continues to be the most appropriate time frame for assessing the Group's longer-term viability. However, as a result of covid-19, the methodology used in performing the viability statement has changed. It does not draw on the budget or strategic financial plan as a result of the uncertainty relating to covid-19. This year's assessment covers the period from 1 April 2020 to 31 March 2023 (the "Viability Assessment Period").

Key criteria applied in the assessment

The criteria for considering the Group's viability remain unchanged. The Directors consider that either maintaining a net cash position during the Viability Assessment Period or, failing that, the ability to operate within agreed debt arrangements, demonstrate that the Group would be able to meet its liabilities as they fall due. Currently, the Group has committed credit facilities of roughly £105m. There are covenants associated with the facilities which principally require the Group to operate within a ratio of three times EBITDA to net debt. These covenants therefore could limit the headroom available from facilities and will be factored into the viability assessment calculations.

Methodology and sensitivities applied

In this year's assessment, in response to covid-19, the Group has applied sensitivities to baseline forecasts prepared by the operating business units to prepare a downside risk profit and loss forecast and cash flow forecast. The risks that are applied to each business unit are tailored to the specific circumstances of the business and are informed by the principal risks and uncertainties that have been identified through the risk management process. While most of these risks are recurring, the short-term uncertainty relating to covid-19 has been the single greatest factor that has been evaluated in the downside scenario. In addition to the risks applied at the business unit level, the viability assessment addresses the risk of long-term adverse movements in foreign exchange rates. This risk is managed at a Group level via its currency hedging programme which largely mitigates the risk of short-term volatility. The potential impact related to the risk of adverse movements in the rate of Sterling against key currencies for the Group (i.e. US Dollar, Euro and Yen) is estimated in all years of the Viability Assessment Period. This risk is quantified at Group level, rather than at the business unit level. The list of key risks and uncertainties that have been considered in this assessment are disclosed on the preceding pages 50 to 54 of the Annual Report.

The profit and loss and cash flow forecasts from the downside scenario underpin the calculations over the three years of the Viability Assessment Period ending in March 2023. The calculations for the first year of the period are based on the downside scenario submissions from the business units and are phased on a monthly basis. The second year of the assessment period also includes monthly profit and loss forecasts, with changes to the first year of the assessment period based on high level assumptions on the evolution of revenue, margin and overheads that are specific to each business unit. These are based on management expectations regarding customers and markets and the pace of recovery. The third year of the Viability Assessment Period has been quantified on an annual basis, at Group level only, based on a modest level of assumed growth in revenue and modest improvements in operating margins compared to the second year of the Viability Assessment Period.

Consideration of the downside risks that arise from the principal risks and uncertainties identified are inherently embedded in the forecasts used for all years of the Viability Assessment Period. The year one figures have been adjusted for the current risks and uncertainties and the negative financial impact of those risks persist through years two and three due to the methodology adopted in performing the assessment. The resultant forecasts reflect the aggregate quantification of the risks considered but it is not possible to quantify the financial impact of individual risks or uncertainties – rather the forecasts have to be viewed as a whole.

The downside sensitivities applied to each business unit in the first year of the Viability Assessment Period vary, but they have the following common themes:

- reduction in revenue;
- deterioration in contribution margin; and
- mitigating reductions in overhead costs.

In summary, the downside sensitivities that have been applied to the business units' bottom-up projections are:

- Group revenue down by £42m (13%);
- reduction in the gross margin of £27m (16%); and
- savings in overheads of £8m (7%).

Outcome

In each year of the Viability Assessment Period, the forecasts show that the Group remains profitable. These risk-adjusted projections forecast positive net cash flows in years one and three of the Viability Assessment Period with a small cash outflow in year two. The small outflow in year two arises in part through significant capital expenditure of some £22m in the year ending 31 March 2022 linked to planned expenditure on facilities. The forecast level of net cash, combined with banking facilities of approximately £105m, indicate that during the Viability Assessment Period, the Group is forecasting substantial headroom. Consequently, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years.

This assessment supports not only the viability statement above, but also the statement on going concern, set out below.

Going concern statement

The Group's business activities and factors that are considered likely to affect its performance and position in the future are set out in the Strategic Report on pages 2 to 67. The Finance Review on pages 42 to 49 discloses information relevant to the Group's financial position, its cash flows, borrowing facilities and liquidity.

The Directors have considered the Group's current financial position and future prospects and, as set out in the viability statement above, have performed an assessment of longer-term viability up to 31 March 2023. On this basis, the Directors conclude that there is a reasonable expectation that the Group will continue in operational existence for the foreseeable future and that there are no material uncertainties that may cast significant doubt over its ability to continue as a going concern.

As a result, the Directors continue to prepare the Financial Statements under the going concern basis.

Corporate responsibility is integral to our ongoing business success.

Our values

Inclusive:

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

Innovative and progressive:

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

Trusted:

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

Wholehearted:

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

Our people vision is to be proud to be recognised as the leaders in what we do and for the difference we make in the world.

The key areas in which we focus our efforts are:

- the development, engagement and wellbeing of our employees;
- sustaining and developing an inclusive workplace;
- health and safety and environmental improvements; and
- the ethics of how we do business, including human rights and business malpractice.

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

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

- establishing and maintaining long-term, effective stakeholder relationships;
- offering our people an excellent employment experience and sense of belonging;
- strengthening our business through diversity and inclusion; and
- operating in an ethical, sustainable and environmentally responsible manner.

Just as we approach what we do for our customers and investors with passion, care and pace, this same wholehearted value underpins our work to ensure that Oxford Instruments is a responsible business. We enable our customers to image, analyse and manipulate materials at the nanoscale and our technologies help to underpin the shift to a greener economy, increased digital connectivity and advances in healthcare and lifesciences. We take our role in the world seriously, and recognise that how we do business is as important as what we do.

Our people vision is to be proud to be recognised as the leaders in what we do and for the difference we make in the world.

During the year, we have continued to make a significant investment in all our teams across the Group.

Our employees

At Oxford Instruments, our employees are fundamental to our business success. We continually invest in our people, developing capabilities that are aligned with the Horizon strategy and that we will need to succeed over the longer term. We are committed to being the company where the best in our sector want to work and strive to offer opportunities that will attract, motivate and retain talented employees, enabling them to give their best.

Our people vision is that all employees are proud to work for a company that is recognised as the leaders in what we do and understand the positive difference we make in the world. We have continued to develop our employer brand, value proposition and internal and external communications to tell the story of what it means to work for Oxford Instruments. This year we launched a new careers page with information about our different business units and locations, insights from our employees and stories about the development of a number of products which demonstrate the contribution that all employees make to our innovative products. Our aim is to retain, attract and enable the best people to perform, creating an inclusive environment and culture, where difference is valued and people are recognised for what they deliver and bring to the team.

This year, all employees were invited to complete another global Employee Engagement survey, with a particular emphasis on measuring progress and the impact of the actions and focused activity resulting from the last Engagement survey. At a global level, for the second year running we were ahead of the benchmark comparison data for feelings of pride about working for Oxford Instruments and employee motivation levels.

Our two areas of focus over the year resulting from the last Engagement survey were to increase opportunities for staff dialogue with the Management Board and business and regional Senior Leadership Teams, and to raise awareness of career development and promotion opportunities across the Group. As a result of a worldwide series of focus groups, formal and informal meetings, presentations, newsletters, blogs and videos, our employees reported that they feel more listened to (+2%) and have a clearer understanding of how they can contribute to the Horizon strategy (+5%). Over the year, we rolled out a global Career Development Framework for our Sales teams, implemented a new Internal Jobs board for all open vacancies on Gem, our cloud-based HR Information System (HRIS), and supported our managers to have effective development conversations with their teams. We saw a strong improvement in the feeling that managers help staff to understand their areas for development (+9%), with a modest overall improvement (+2%) in the rating for all questions relating to this survey theme.

Developing capability

We regularly undertake capability reviews, recognising the importance of ensuring we have the skills we need to help us deliver long-term sustainable growth. We have been working hard to address capability gaps across the Group by bringing in the capabilities we need for the future, and by investing in the talented people we have. Our people managers, and those leading change, have the skills needed to increase performance, boost innovation and create joint accountability for delivering our strategically important results.

During the year, we have continued to make a significant investment in all our teams across the Group, as well as in the business systems that give our employees the data they need to make evidence-based decisions. We have expanded the functionality of Gem, our cloud-based HR Information System, with the addition of a global recruitment tool. This streamlines our recruitment approval process, makes advertising vacancies and managing applications easier and provides immediate management information for hiring managers, HR and business leaders. We have also implemented a Learning and Development portal. Configuration is complete, and all employees now have access to a library of over 15,000 online courses and tutorials, with bespoke training packages developed for different job families and levels in the organisation.

1: Introducing science to children on site

2: Team running for charity

3: Tough Mudder fun for charity

4: Local school choir singing at the Christmas Fayre

5: Fitness class to mark Sports Relief week

Our work to develop capabilities is underpinned by the several personal and leadership development programmes we run. Our flagship Management Development Programme covers many of the skills needed to be a successful manager in Oxford Instruments and our Project Leadership Programme ensures our technical managers in particular are equipped with the hard and soft skills they need to successfully deliver substantial and meaningful projects.

This year, we updated our Early Careers programme, now relaunched as the Aspire programme. We have widened participation in Aspire, whilst also introducing a strict and objective selection process for entry onto the programme. High potential employees representing all our job families and regions were selected for this year's cohort. We also relaunched our Apprenticeship scheme at Plasma Technology to support future business requirements for talent with hard and soft skills that can be challenging to find externally. Our apprentices develop skills which are useful not only in Production, but which also enable potential future career development in other Technical, Engineering or Operations roles.

We continue to offer our Technical Development Programme and structured career development opportunities for our technical staff, and we use this programme to help us attract and retain the best engineers and scientists. Through our technical competency framework and technical career ladder, our employees in these roles can see clear future career paths that offer a choice between technical or people management pathways and that allow them to develop their careers with the Company in the direction that best suits them.

For our colleagues in Sales roles, we saw a positive impact this year from our work to develop Career Development Frameworks for them at the end of last year. Comparing the results of the two Engagement surveys for employees in this job family shows they feel more supported by their managers (+11%), more aligned with the Horizon strategy (+6%) and more positive about their career development and progression prospects within the Group (+4%).

Additional development for our commercial staff this year has included the design and global rollout of a Product Management Development programme. This bespoke programme equips colleagues from our Product Management, Service, Applications and Marketing teams with the latest tools and methodologies to help them develop and deliver a market-driven portfolio of products and services.

Diversity and inclusion

Our objective is to ensure that we have a high capability, diverse workforce that enables us to better understand our customers and markets. Building an organisation with a broad range of perspectives and experiences increases our ability to innovate, to make the right decisions and to exceed our customers' expectations. In order to retain, attract and enable the best people to perform, we work hard to create an inclusive environment and culture, where difference is valued and everyone can contribute to their full potential.

1: Celebrating Global Recycling Day
2: Team attending the China Nano conference
3: Team building fun in California
4: Congratulating a new OI Fellow in the company
5: Easter egg hunt prize winners

Our employees continued

Diversity and inclusion continued

Questions about inclusion featured in our global Employee Engagement survey and we also analysed all of our results to look for any differences in responses across gender. Across the Company, our female employees reported higher levels of engagement than our male employees (a difference of 9%). In all the different job families, female employees told us that they feel more included and valued than their male counterparts (a difference of 12%) and more encouraged and supported to develop their skills and capabilities (a difference of 13%). Women working in Operations, Technical and Commercial roles also reported higher levels of recognition and acknowledgement from their managers than men in the same job families.

This year we published our third gender pay gap report. This is available on our website at **www.oxinst.com/gender-pay-review**. The mean and median pay gaps have both increased since last year. We have achieved a slight increase overall in the proportion of female employees, but this was primarily in the lowest pay quartile, which results in a negative effect on progress to close the pay gap. It is encouraging that our female employees are more engaged than their male counterparts, but we still have more work to do to improve the gender balance across the Group.

We participated in the Leonard Cheshire Change 100 programme this year to offer an internship at our Head Office for a talented student or graduate with a disability or long-term health condition. The scheme was a success and we were pleased to be able to offer meaningful work experience which benefited both the individual and our Group.

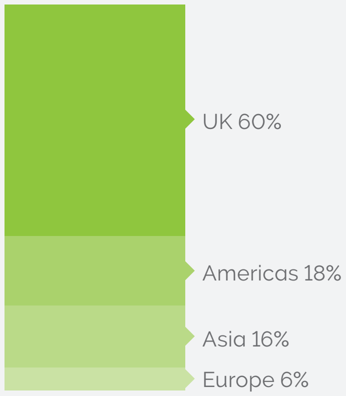
During the year, we also ran a successful Girls in Tech event at our Asylum Research site for a group of students who were interested in exploring career paths in science and engineering, and we celebrated International Women's Day with a number of meetings and networking events for female employees at our sites around the world.

We have extended our drive to introduce "balanced shortlists" to now cover all levels of recruitment. Our previous target focused on ensuring that shortlists for Director-level appointments included at least one candidate from a group that is under-represented in the Company. With improved global reporting available in the new Recruitment module of our HRIS, we are now able to monitor this for all levels of recruitment. 44% of our appointments last year were made from a balanced shortlist, against our target of 50%. We will continue working to this target next year.

Gender

	Male	Female
Global Oxford Instruments	77%	23%
Plc Board	86%	14%
Management Board	80%	20%
Managers	79%	21%
Employees	77%	23%

Geographical spread of employees



60th Anniversary celebrations

This year marked the 60th Anniversary of Oxford Instruments. Business units and teams around the world celebrated this milestone in a number of different ways. Events included a steam train ride and family picnic through the Californian redwoods, several beach barbeques, river cruises through central Shanghai and Osaka, a dinner dance at Titanic Belfast and a number of site activity and family fun days around the world. We were honoured that our founders Sir Martin and Lady Audrey Wood and their family joined us at our celebration at the Oxford site.

Our workplaces

As an international organisation, our employees are located across the world, frequently based in smaller satellite offices that are remote from our main business sites. In this context it is important that we work hard to create a sense of belonging for our employees, and so we continue to run a series of global and local initiatives to ensure people feel part of the wider Oxford Instruments team.

We publish regular updates on our intranet pages to recognise the contributions of all of our different sites and nearly 150 of our colleagues around the world are members of a Strava group, helping them to keep connected socially and share their sporting achievements with each other. We also make sure that people feel connected to our purpose and strategy by publishing regular written and film updates from members of the Management Board.

Health and wellbeing

This year we expanded our Mental Health First Aider programme. Having rolled it out in the UK last year, a number of colleagues across all of our US sites volunteered this year to attend an internationally recognised training programme and to act as a first point of contact for any colleagues who are experiencing mental health issues or emotional distress, either themselves or in their families. This service complements our Employee Assistance Programmes and the physical health checks we already provide at many of our locations.

In addition, many of our sites organise wellbeing activities such as mindfulness sessions, on site massages and Pilates classes. We encourage staff to set up walking groups and informal running and cycling clubs to help increase physical activity and exercise, and this year teams of colleagues walked sections of the Great Wall of China, did a virtual hike of the John Muir trail in California and admired the bluebells in the Oxfordshire woods.

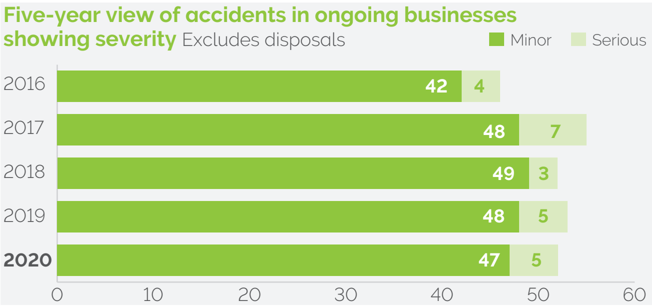
For sites with canteens, we have worked with our catering providers to expand the range of healthy meal options that are offered and to use local produce in their menus. Many of our sites have also organised fresh fruit deliveries for staff, using local suppliers and produce where possible.

We also offer our employees the opportunity to purchase additional leave entitlement. This year, more than one in five of our UK-based staff have taken advantage of this.

Coronavirus response

With a substantial operation in China, including employees and customers in Wuhan and the Hubei province, it was necessary towards the end of the year to develop a response plan that enabled us to keep our employees safe whilst continuing to support our customers. Initially in China, with other countries following as the pandemic spread, we provided additional hardware and software that allowed as many employees as possible to work remotely. In turn, this reduced the number of employees physically present at our manufacturing facilities in the UK and US, which meant that we could introduce new ways of working and increase social distancing measures to protect staff in roles that could not be carried out remotely.

We believe that the work we do, and our products, systems and tools, enable our customers to benefit and advance society.



Our employees continued

Health and safety – protecting our employees

Our Health, Safety and Environment function is led by our Group HR Director, who has responsibility for these three elements across the Oxford Instruments Group. The Group HR Director is supported by our Group Health, Safety and Environment Manager, who is responsible for ensuring that day-to-day activities are carried out safely and that we have the capabilities, infrastructure and processes in place to manage our health, safety and environment matters effectively across the Group.

Global accident figures remain at a low level

The total number of accidents recorded worldwide during 2019/20 reduced slightly from 53 to 52. Five of the accidents were classed as serious, which was the same number as in the previous year. Three of the serious accidents were reportable under UK RIDDOR regulations, as they resulted in more than seven days' absence from work. Over the past five years the total number of accidents for our ongoing businesses has been relatively flat, with an average of 51 accidents each year. When looked at in relation to the number of accidents per 1,000 employees, the average number over the last five years is 33 accidents/1,000 employees.

This benchmarks positively against industry norms in the regions in which we operate.

The majority of the accidents recorded were very minor in nature but we are committed to achieving, promoting and maintaining a high standard of health and safety for all our employees and everyone involved in, or affected by, our activities. Recording even the smallest cuts and abrasions helps us to identify and remove hazards before they can escalate into more serious accidents.

Investing in health and safety

To raise employee awareness of hazards and risks and to maintain our focus on preventative measures, this year we launched our global "Push for Zero" programme. We want all of our employees, wherever they work, to feel safe in their working environments. As part of this programme, we launched Shield, our new health and safety software platform and app. This new system has been rolled out across the Group manufacturing businesses and offices to make it easier for employees to report hazards, near misses and accidents. We have already seen a significant increase in the number of hazards and near misses being reported, with a total of 523 being reported during 2019 against 145 the previous year. We have raised the target for reporting hazards, observations and near misses to 750 for the current year.

Social and community involvement

We believe that the work we do, and our products, systems and tools, enable our customers to benefit and advance society. To ensure this continues, we are committed to helping young people at all stages of education to see the importance of choosing STEM subjects and the career opportunities this will offer them.

Over the course of the year, we organised a Girls in Tech session at our Asylum Research site for local middle school students, hosted work experience and undergraduate placement students and ran outreach sessions at local schools at all of our UK sites. We also organised on and off-site career development and professional skills workshops for students at our partner universities' Centres for Doctoral Training.

To promote wider public engagement in science, we participated in a number of activities, including partnering with two of the 21 exhibitors at the Royal Society Summer Science Exhibition to provide materials and staff for this high-profile event which received 10,000 visitors. We also worked with the University of Oxford's History of Science Museum to support their People-Science-Business exhibit and two associated evening events to celebrate our 60th Anniversary. At our Andor Technology site in Belfast, we arranged two open days for members of the local community to visit our facility to find out more about the work we do and how our systems and tools are used by our customers around the world.

In Japan, our support for the Millennium Science Forum continued to promote research in Condensed Matter Science and to increase the scientific exchange between Japan and Britain. For over 20 years, we have been sponsoring the Sir Martin Wood Prize to recognise and encourage young scientists in Japan and this year we arranged a lecture tour for the latest winner at a number of prestigious German and UK universities.

We continue to encourage staff at all of our sites to support their local communities through charitable and other activities. At Andor Technology a team raised over £8,000 for the Belfast Children's Cancer Unit Charity by organising cake sales, quizzes and pop-up shops and colleagues at our Oxford site run a workplace lottery which has raised over £4,000 for Helen and Douglas House, a local hospice. Elsewhere, colleagues collected bras for donation to women in Africa, arranged collection points for local charity shops, repeated our Christmas Shoe Box scheme for gift donations, and organised events throughout the year linked to national campaigns such as Red Nose Day and Save the Children's Christmas Jumper Day.

At our Oxford site, we organised a Christmas Market for local independent traders and small businesses, with carols sung by children from a local primary school who were all given science and engineering-themed books as thank you gifts.

More active charity activities included teams entering the Oxford Town and Gown, the Oxford Half Marathon and the Race for Life Pretty Muddy event in Bristol. During Sports Relief, a team in Oxford arranged a week of lunchtime and after-work events to encourage colleagues to try new activities and make donations to this cause.

Towards the end of the year, as the covid-19 pandemic spread around the world, at sites with 3D printing capability we began producing Personal Protective Equipment to donate to local hospitals. Additionally, a team at Plasma Technology provided electronic sub-components for one of the UK's Ventilator Challenge projects.

Ethics – anti-bribery and corruption

Copies of our new Code of Business Conduct and Ethics were distributed this year to every site around the world and sent electronically to all employees. This document is also available to all employees on our Intranet Policy Portal and is included in the offer paperwork for all new hires. It clearly sets out how we do business and what we expect of ourselves and those we work with. It covers topics such as Bribery & Corruption, Hospitality & Gifts, Human Rights & Modern Slavery and gives advice and guidance for dealing with concerns, including the contact details of a confidential and independent whistle-blowing service.

We are a Company united by strong standards and values. By creating a clear Code for stakeholders, we are providing more transparency for our employees about what's expected of them. This will help give all of our employees the confidence that they are taking the right actions in various situations.

Human rights

Human rights and modern slavery

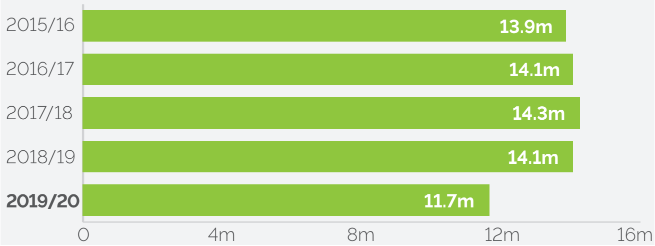
We continue to review our policies and systems supporting human rights and this year we reviewed our Human Rights Policy. Our policy is guided by the United Nations Guiding Principles on Business and Human Rights. Our Human Rights Policy states our intent to be inclusive, supportive and safe, covering matters including forced labour, child labour, discrimination and the right to form or join a trade union and to bargain collectively.

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

We are committed to preventing acts of modern slavery and human trafficking from occurring within our business and supply chain and put in place effective systems and controls in order to do so. We have reviewed, and improved, our supplier due diligence and audit procedures and, this year, every employee in a senior, managerial or professional role completed mandatory Modern Slavery training. We have a zero-tolerance approach to all forms of modern slavery, including servitude, forced, bonded and compulsory labour and human trafficking and we expect our suppliers to adopt the same approach.

Our sustainability priority is to minimise the environmental footprint of our operations, products and services around the world.

Group energy consumption (kWh) 2015-2020
Data for ongoing businesses only



Sustainability – protecting the environment

Energy efficiency and climate change

Oxford Instruments places a relatively low impact on the environment with a relatively low carbon footprint, chemical and water use. However, it must be recognised that all businesses need to consider the effects of their business on climate change, and also on the planet. Our overall priority within sustainability is to minimise the environmental footprint of our operations, products and services around the world. Whilst our efforts are mainly based around the more efficient use of energy, various other initiatives to reduce our carbon footprint have been developed during the last year. We are also preparing plans to meet net zero carbon by 2050.

Energy Champions

Each site has an Energy Champion who is responsible at a local level for monitoring energy use, waste streams, recycling and emissions to air, water and land. The total energy use figures are recorded and collated by the Group HS&E Manager. The Energy Champions also continuously look for innovative ways to improve our environmental footprint.

Current initiatives include energy reduction, improving local wildlife habitats by installing beehives and birdboxes and giving staff Beebomb wildflower seed-balls as gifts, offering more seasonal food with lower food miles in our canteens, the installation of electric car charging points and the removal of single-use plastics.

Greenhouse gas (GHG) emissions

Oxford Instruments is a global business with operations in many parts of the world. Energy consumption from 14 Company sites was monitored and forms the basis of the figures and calculations shown. Some small sales offices where energy consumption is less than 0.01% of the Group's total energy consumption are omitted. The use of hydro-fluorocarbons was also monitored but the level fell below 5kg and has therefore been excluded. In this report, emission equivalents from purchased electricity and fuel for heating or process purposes (gas and oil) are reported in tonnes of carbon dioxide equivalent (tCO_2e).

Energy consumption

Oxford Instruments consumed a total of 11.67 GWh of energy globally during 2019/20. This figure consisted of 10.125 GWh of electricity (2018/19: 12.57 GWh), 1.032 GWh of gas (2018/19: 1.01 GWh) and 0.512 GWh of oil (2018/19: 0.5 GWh). As OI Healthcare was disposed of during the year, their consumption of 2.15 GWh of electricity has been removed from the overall figures.

The Company's chosen energy intensity measure is MWh of energy per £m of revenue. Using the above figures and revenue of £317.4m the intensity measure is as follows:

Total energy consumed	11670 MWh	=	**36.77 MWh/ £m of revenue**
Total revenue	317.4		

The energy intensity measure was 36.77 MWh/£m revenue (2018/19: 42.21 MWh/£m).

The Group global carbon footprint for 2019/20 was reduced to 5,382.6 tCO_2e from 6,835.2 tCO_2e in the previous year. However, the removal of OI Healthcare energy consumption and a reduction of GHG conversion factors for electricity from 0.2886 kg/kWh to 0.2556 kg/kWh accounted for the majority of this reduction. Energy consumption for ongoing businesses was generally flat during the year.

Electricity consumption as carbon

	Purchased electricity (tCO_2e)	Secondary fuel (tCO_2e)	Fugitive emissions (tCO_2e)	Total (tCO_2e)
UK	2,101.9	321.15	0	2,423.05
North America	371.9	0	0	371.9
Europe	18.35	0	0	18.35
Asia	95.8	0	0	95.8
Total	**2,587.95**	**321.15**	**0**	**2,909.1**

Streamlined Energy and Carbon Reporting (SECR) regulations

The Government closed the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) on 31 March 2019. This was superseded by the Streamlined Energy and Carbon Reporting (SECR) regulations, which came into force from 1 April 2019. The cost of carbon compliance has been transferred to our energy bills via an increase in the Climate Change Levy. The cost burden of the above change will be neutral to the business.

SECR responsibility and methodology

The Group Health, Safety and Environment Manager is responsible for collating energy data, on a monthly basis, and reporting to the Management Board and the Oxford Instruments Board on an annual basis. He is further responsible for compiling the SECR report to submit to senior management for sign off. Data collected for compiling the SECR report is gathered by various methods, including:

- submetering;
- direct meter readings; and
- direct readings from energy bills.

With regard to carbon equivalence, the 2019 GHG conversion factors have been used:

- Purchased grid electricity = 0.2556 kg/kWh
- Natural gas consumption = 0.18385 kg/kWh
- Gas oil consumption = 0.25676 kg/kWh

SECR carbon intensity measure from energy use

Oxford Instruments has a statutory duty to report greenhouse gas emissions as tonnes of carbon dioxide equivalent (tCO_2e). The Company's chosen carbon intensity measure for energy use is tonnes of carbon dioxide equivalent (tCO_2e) per £m of revenue.

Carbon emissions	2,909.1 tCO_2e	=	**9.17 tCO_2e/ £m of revenue**
Revenue	317.4		

The data from the SECR report for 2019/20 gives an emissions ratio for energy of 9.17 tCO_2e/£m of revenue. The UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations require the SECR report to be included as part of the Directors' Report in the Report and Financial Statements.

Energy Saving Opportunities Scheme (ESOS) Phase 2

Under the Energy Saving Opportunities Scheme Phase 2, the Company was subject to an external audit of energy use and we were required to submit a report to the Environment Agency by December 2019. An external audit took place at our NanoScience and Andor Technology businesses during November. The resulting report recommended a number of energy efficiency measures that could be adopted by the relevant businesses and these will form the basis of our energy efficiency measures for the next financial year. This report was submitted to the Environment Agency before the deadline and was accepted.

Corporate Responsibility continued

Sustainability – protecting the environment continued

Energy Saving Opportunities Scheme (ESOS) Phase 2 continued

The ESOS report recommended a large number of improvements that could be implemented to reduce our carbon footprint still further. These will be considered and implemented where appropriate during the current financial year. A few examples are shown below:

- replace HVAC chiller and add free cooling element;
- fit destratification fans in the production area;
- improve compressed air management;
- fit sub-meters to all sites for improved energy management; and
- replace fluorescent lighting with more efficient LED lighting.

Beyond ESOS – net zero carbon by 2050

Our CEO, Ian Barkshire, is taking a keen interest in climate change and has raised the question as to how the business can move towards net zero carbon by 2050. During the year we have taken a proactive approach to the question and engaged an energy consultancy to assess energy efficiency at our large manufacturing facilities and propose improvements that will move us towards the 2050 goal. Their report recommends ways that we can make more efficient use of energy and where we can reduce our impact by implementing carbon-free power such as solar PV, wind power and ground source heat pumps. In addition, they have provided recommendations that will enable us to build low carbon facilities in the future. The ideas will be reviewed during the coming year with a view to preparing a 2050 net zero carbon plan.

Transport

Our biggest environmental impact after energy is transport.

Air travel

We reduced the amount of air travel by 450,000 km during the year, but this is one area where we could make further improvements with the use of technology.

UK and US air travel	Carbon equivalent
14.99m km	2,205.6 tCO_2e

All of our businesses have trained service engineers in the use of virtual support tools that enable remote diagnostics and repair of our systems to help our customers resolve problems without having an engineer travel to fix the problem. The coronavirus outbreak has led to much more innovation in relation to services, training and sales webinars. Andor Technology saw 3,000 users and potential customers attend one of their webinars. As we move into our global recovery phase following the covid-19 pandemic we are looking at all the ways we can use the new skills and capabilities we have developed to engage with and support our customers without the need to travel, thereby reducing our environmental impact.

Car fuel

The car fuel figures are drawn from fuel card and business mileage expense claim records.

UK car fuel	Carbon equivalent
103,459 litres	268.4 tCO_2e

These figures are higher than the previous year as they now contain fuel equivalent to the total mileage claims received via expense claims for the first time, in addition to the fuel from fuel cards.

Environmental Directives

The Group complies with all environmental legislation in countries where it operates. This includes European Directives such as:

- Waste Electronic and Electrical Equipment (WEEE) Directive – compliance achieved in the UK by membership of B2B Compliance – an authorised compliance body. Other compliance bodies are contracted for our European operations.
- Restriction on use of certain Hazardous Substances (RoHS) regulations – all products that were within scope and were sold into Europe since July 2017 complied with these regulations. Some of our products are outside of the RoHS scope or are covered by exemptions.
- Registration, Evaluation, Authorisation of Chemicals (REACh) Directive. All sites are working towards compliance via their supply chains.
- European Waste Framework Directive. This requires the Company to enter data on parts and products that may contain Substances of Very High Concern (SVHC) into a new database being set up the European Chemical Agency (ECHA). This is known as the SCIP database and compliance is required by 5 January 2021. Sites are currently engaged in determining the best route to compliance by the deadline.

Waste outputs

We aim to minimise our waste outputs and ensure that as little as possible goes to landfill. Several of our sites are now "zero waste to landfill" where waste is recycled either directly, e.g. cardboard, metals, wood and paper, or indirectly for non-recyclable general waste and food waste, which is sent to waste incinerator sites where it can be burned to produce energy.

Signed on behalf of the Board

Ian Barkshire
Chief Executive

9 June 2020

Non-financial information statement

	Key policies and standards	Additional information
Employees	• Health and Safety Policy • Working at Oxford Instruments Policy • Leaving Oxford Instruments Policy • IT Infrastructure and Use Policy • Conflicts of Interest Policy • Business Travel Policy • Crisis Management Policy • Reward and Recognition Policy • Performance Management Policy • Opportunity and Career Policy	**www.oxinst.com/corporate-content/health-and-safety** **www.oxinst.com/CBCE** **www.oxinst.com/corporate-content/employees** **www.oxinst.com/corporate-content/diversity-and-inclusion** **https://careers.oxinst.com/working-here** Employee engagement: pages 24 and 25 How we look after our employees: pages 58 to 62
Environment	• Health and Safety Policy • Group Energy Policy • Environmental Policy • Supplier Due Diligence and Audit Procedures	**www.oxinst.com/corporate-content/sustainability** **www.oxinst.com/CBCE** **www.oxinst.com/corporate-content/supplier-and-partner-engagement** Sustainability – protecting the environment: pages 64 to 66
Social matters	• Export Control Policy • Privacy Policy • Code of Business Conduct and Ethics • Group Sanctions Policy • Global Marketing Policy	**www.oxinst.com/corporate-content/privacy** **www.oxinst.com/CBCE** Community engagement: pages 24 and 25 Social and community involvement: pages 62 and 63
Human rights	• Global Human Rights Policy • Modern Slavery Statement • Gender Pay Report • Privacy Policy	**www.oxinst.com/corporate-content/human-rights-policy** **www.oxinst.com/corporate-content/modern-slavery** **www.oxinst.com/corporate-content/gender-pay-report** **www.oxinst.com/corporate-content/privacy** Ethics – human rights: page 63
Anti-corruption and anti-bribery	• Anti-bribery and Anti-corruption Policy • Reporting a Business Malpractice Policy • Share Dealing Policy • Supplier Code of Conduct • Conflicts of Interest Policy • Supplier Due Diligence and Audit Procedures	**www.oxinst.com/CBCE** Ethics – anti-bribery and corruption: page 63 Supplier engagement: pages 26 and 27
Additional disclosure		Investment case: page 7 Business Model: pages 22 and 23 Strategy: pages 28 and 29 KPIs: pages 30 and 31 Principal Risks: pages 50 to 54

Governance is an important element of our Board environment. To support how we do business and how we serve our stakeholders, it needs to be relevant, authentic and meaningful.

Company Leadership and Purpose

See pages 69 to 79 of the Corporate Governance Report.

Division of Responsibility

See pages 73 and 77 of the Corporate Governance Report.

Composition, Succession and Evaluation

See pages 80 to 82 of the Corporate Governance Report.

Audit, Risk and Internal Control

See pages 83 to 89 of the Corporate Governance Report.

Remuneration

See pages 90 to 111 of the Corporate Governance Report.

Report of the Directors

See pages 114 to 116 of the Corporate Governance Report.

Relations with Shareholders

See pages 112 and 113 of the Corporate Governance Report.

Company Leadership and Purpose

Chair's Introduction

The Corporate Governance Statement provides an insight into how the Board operated during the year.

Neil Carson
Non-Executive Chair

The Board is committed to conducting business responsibly and maintaining high standards of corporate governance. This commitment extends to driving the Group's long-term objectives and overseeing the Group's operations to ensure competent and prudent management, continuous leadership development and ongoing succession planning. Throughout the disruption, the Board and executive team have made it their priority to protect the health and wellbeing of our employees, support our customers and other stakeholders, and secure the long-term future of the business. Over the year end and into the new financial year, the governance model has stood up well to managing these challenges.

Dear Shareholders,

I am pleased to introduce the Group's Corporate Governance Report on behalf of the Board. The Corporate Governance Statement provides an insight into how the Board operated during the year. The Board is committed to conducting business responsibly and maintaining high standards of corporate governance and is collectively responsible for the long-term success of the Group. This will, when underpinned by our business strategy and close attention to operations, finance and risk, enhance performance and grow the business of Oxford Instruments. The Board remains committed to driving the Group's long-term objectives, overseeing the Group's operations to ensure competent and prudent management, and continuous leadership development and succession planning. The approach to governance is set by the Board and the Management Board ensures that the approach is effectively implemented across Oxford Instruments' businesses around the world.

The main Group-wide governance documents are the Oxford Instruments Code of Business Conduct and Ethics together with the policies which sit within our statement on Corporate and Social Responsibility. These can be found on our website at **www.oxinst.com/investors-content/corporate-social-responsibility**. The ethics programme is actively managed by a cross-functional team, the CBCE Forum, which regularly reviews the policies and works with the Group's businesses to ensure that employee communications relating to the ethics programme are delivered in a consistent and engaging manner. There is a policy portal on the intranet which makes it easy for employees to access those policies and procedures that are relevant to them.

These policies and statements set out the values and standards that we expect our employees to meet. These documents, together with our policies, govern how we conduct our business and set the standards that drive performance. Compliance training and, in some areas, standard procedures, help to enforce this. Board oversight, reviews and audits form part of the monitoring and supervision process. Risk processes are embedded and reviewed on an ongoing basis across the organisation.

During the year, I agreed with the Board that we would carry out an internal evaluation of the Board. I am pleased to confirm that we continue to have a committed, engaged and effective Board that is operating well. More details on the findings of the evaluation are outlined on pages 75 and 76.

The Board has visited a number of sites during the past year, meeting with management and staff and receiving in-depth presentations on the business operated from those sites. It was evident that we have committed, enthusiastic and knowledgeable teams of people who deliver leading-edge products that help their customers meet their varied needs. All businesses have strong new product pipelines and are fully committed to project Horizon and the advancement of the Oxford Instruments strategy. The Chief Executive's Review on pages 14 to 19 and the Operations Review on pages 32 to 41 give full details of the year's activities.

I encourage all Shareholders to engage with us ahead of the AGM which will be held on Tuesday 8 September 2020. Notice of, and details of the arrangements for, the AGM will be provided to Shareholders at the usual time and will take into account legislative requirements and the circumstances at the time.

Neil Carson
Chair

9 June 2020

Company Leadership and Purpose continued

Board of Directors

Neil Carson (63)
Non-Executive Chair

Appointed to the Board
December 2018

Appointed Chair
December 2018

N R

Background
Over 30 years' experience of operations management in the UK and the US, technical innovation and strategic planning, culminating in ten years as Chief Executive at the FTSE 100 science/R&D based company, Johnson Matthey. In 2016 he was awarded an OBE for services to the chemical industry.

External appointments
Non-Executive Director:
Royal Dutch Shell plc

Director:
The Goldsmiths' Company Charity

Previous experience
Chair:
TT Electronics plc

Deputy Chair:
TI Fluid Systems plc

Non-Executive Director:
Paypoint plc
Amec Foster Wheeler plc

Founder Member:
Prince of Wales' Corporate Leaders Group on Climate Change

Honorary President:
SCI (the Society of Chemical Industry)

Chief Executive:
Johnson Matthey plc

Ian Barkshire (54)
Chief Executive

Appointed to the Board
November 2015

Appointed Chief Executive
May 2016

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

Previous experience
Senior Principal Scientist:
GEC Marconi Materials Technology

Research Fellow:
University of York

Gavin Hill (52)
Group Finance Director

Appointed to the Board
May 2016

Background
Holds a BA in economics and agricultural economics from the University of Exeter. Gavin is a Chartered Accountant and an Associate Member of the Association of Corporate Treasurers.

Previous experience
Group Finance Director:
Synergy Health plc

Director, Corporate Finance:
Serco Group plc

Senior finance positions:
Syngenta AG and AstraZeneca plc

Steve Blair (60)
Independent Non-Executive Director and Senior Independent Director

Appointed to the Board
July 2017

A N R

Background
Holds an engineering degree from the University of Sheffield. Extensive experience in established and high-growth emerging markets, strategic planning and portfolio development.

External appointments
Chief Executive:
Ordnance Survey

Previous experience
Chief Executive:
e2v

Director:
Spectris plc

Mary Waldner (50)
Independent
Non-Executive Director

Appointed to the Board
February 2016

A N R

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

External appointments
Chief Financial Officer:
Lloyd's Register

Previous experience
Group Finance Director:
Ultra Electronics plc

Director, Group Finance:
QinetiQ plc

Thomas Geitner (65)
Independent
Non-Executive Director

Appointed to the Board
January 2013

A N R

Background
A graduate of the Technische Universität München and holds an INSEAD MBA. Extensive international experience in the technology and engineering sectors, having spent over 30 years in businesses operating across the globe.

External appointments
Chair:
Bibliotheca RFID Library Systems AG Switzerland

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

Non-Executive Director:
BBC Worldwide Limited
Constantia Flexibles GmbH
Supervisory Board of Haniel & Cie GmbH Duisburg

Professor Sir Richard Friend (67)
Independent
Non-Executive Director

Appointed to the Board
September 2014

A N R

Background
Richard's research encompasses the physics, materials science and engineering of semiconductor devices made with carbon-based semiconductors. He is a Fellow of the Royal Society and of the Royal Academy of Engineering and a Foreign Member of the US National Academy of Engineering.

External appointments
Cavendish Professor of Physics and a Fellow of St. John's College at the University of Cambridge

Non-Executive Director:
Cambridge Photon Technology Limited
Eight19 Limited
Helio Display Materials Limited

Previous experience
Council member:
The Engineering and Physical Sciences Research Council

Susan Johnson-Brett
Company Secretary

Committee membership
Secretary:
A N R

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

Key to Committees

A Audit and Risk
N Nomination
R Remuneration
Chair of Committee

Corporate Governance Report

Board priorities during the year

Strategic	• Annual strategy day and technology strategy session to consider progress and provide challenge on the Horizon strategy and next steps. • Reviewed, challenged and approved the strategic direction of the Group's medium-term plan. • Deep-dive reviews into aspects of the strategic plan.
Operations	• Received regular operational updates. • Site visits to Group manufacturing sites including meetings with employees and in-depth business unit reviews. • Monitored performance and provided challenge in key areas of operations, such as health and safety, operational excellence, human resources, innovation and business development.
Leadership and people	• Continued the focus on organisation capability and succession planning within the senior leadership teams and more generally across the organisation. • Reviewed output and actions from all-employee survey. • Commenced the search for a NED with remuneration committee experience.
Finance	• Monitored progress against the 2019/20 financial plan and considered the 2020/21 financial plan. • Reviewed and approved the financial elements of the Group's medium-term plan. • Continued to monitor the progress of Project Connect (the new ERP system) and its implementation. • Updates on major tax matters. • Approved the Annual Report, half-year results and presentations to analysts. • Considered and approved the Group's going concern and viability statements. • Review of the interim and final dividends.
Governance and ethics	• Carried out an internal Board evaluation, discussed the output openly and transparently and agreed opportunities for improvement. • Further developed employee engagement including Board-led focus groups with representative cohorts held at a number of sites around the world and site visits. • Reviewed feedback from institutional Shareholders. • Reviewed the new requirements introduced by the 2018 UK Corporate Governance Code. • Regular meetings of the Non-Executive Directors without management being present.

Compliance

The Board endorses the main and supporting principles and the provisions set out in the UK Corporate Governance Code (2018) ("the Governance Code") and considers that, throughout the period under review, the Group has complied with the provisions recommended in the Governance Code.

Taken together with the reports of the Nomination Committee, Audit and Risk Committee, and the reports on remuneration and corporate responsibility, this Statement explains how Oxford Instruments has applied the principles of good corporate governance as set out in the Governance Code.

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

Preservation of value

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

Board of Directors and management structure

Board of Directors

As at the date of this report, the Board comprises the Chair, four Non-Executive Directors and two Executive Directors. The Directors' biographies and details of length of service are shown on pages 70, 71 and 74. All the Directors have written letters of appointment that have been approved by the Board and which are available for inspection at the Company's Annual General Meeting.

The Chair is responsible for leadership of the Board and for ensuring its effectiveness in all aspects of its role. The division of responsibilities between the role of the Chair and the Chief Executive has been agreed by the Board and documented in the Board Reference File.

The Board is responsible to Shareholders for good corporate governance, setting the Group's strategic objectives, values and standards, and ensuring the necessary resources are in place to achieve the objectives.

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

Board members' length of service

Thomas Geitner	7 years
Richard Friend	5 years
Ian Barkshire	4 years
Mary Waldner	4 years
Gavin Hill	4 years
Steve Blair	3 years
Neil Carson	1 year

Management Board

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

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

Operation of the Board

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

The details of the way the Board operates, including a schedule of matters reserved to the Board for decision, are set out in the Board Reference File, which also includes the documented policies and procedures and sets out the roles and delegated authorities applying to the Directors, the Board and the Board Committees. The Board Reference File is reviewed annually as part of the annual governance review undertaken by the Chair.

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

Where the Board delegates authority to management it is on a structured basis, which requires that proper management oversight exists at the appropriate level. Compliance with the delegation of authorities is monitored by the Group's internal audit function.

The Board meets on a regular basis, at least seven times a year, and otherwise as required. Board meetings are held at a number of Group and other locations during the year. The Board holds one meeting specifically to discuss the Company's strategic direction during the year.

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

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

The Non-Executive Directors meet without the Executive Directors after most Board meetings, with the Chair leading these meetings. The Non-Executive Directors also meet annually without the Chair in attendance. The Senior Independent Director chairs these meetings.

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

Corporate Governance Report continued

Board balance and independence

The Governance Code requires the Board to be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and that there is a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making. The Board is committed to promoting diversity and inclusiveness of all kinds, both on the Board and throughout the Group.

The Board recognises that diversity, construed in its broadest sense and including gender, religious and ethnic diversity, social and economic backgrounds, age and cognitive and personal strengths, is an important factor in Board and, indeed, operational effectiveness. The way in which the Board manages diversity within the Board is reported on more fully in the Nomination Committee Report on page 81 and diversity is more generally reported on pages 59 and 60 in the Corporate Responsibility Report.

The composition of the Board and the combination of diverse backgrounds and expertise of the Non-Executive Directors meet these principles.

Neil Carson, Chair, was appointed to the Board as Non-Executive Chair in December 2018. Neil has a proven track record of delivering growth as a leader of Johnson Matthey, a FTSE 100 science/R&D based company, where he worked for over 30 years, including from 2004 until his retirement in 2014 as Chief Executive, gaining experience of operations management, technical innovation and strategic planning; all skills which are highly complementary to the Company's needs. He has also worked across a wide range of industry sectors, having served as a Non-Executive Director to a number of UK listed companies, on a number of Government bodies and has worked with the Corporate Leaders Group on Climate Change. In June 2019, Neil was appointed as a Non-Executive Director of the Board of Royal Dutch Shell plc.

Neil is also Chair of the Nomination Committee and a member of the Remuneration Committee.

Steve Blair was appointed to the Board in July 2017. Prior to his appointment, he was Chief Executive of Teledyne e2v Limited (previously e2v technologies plc), a manufacturer of sensors, radio frequency generators and semiconductors and a listed company until its acquisition by Teledyne Technologies in March 2017. Previously he was Business Group Director for Spectris plc. He has broad operational experience and a breadth of experience covering established and high-growth emerging markets, strategic planning and portfolio development.

Steve is Senior Independent Director and also a member of the Audit and Risk, Remuneration and Nomination Committees.

Richard Friend was appointed to the Board as an independent Non-Executive Director in September 2014. Richard is a Fellow of the Royal Society and Fellow of the Royal Academy of Engineering. He is also Cavendish Professor of Physics, a Fellow of St. John's College at the University of Cambridge and a Director of the Winton Programme for the Physics of Sustainability and of the Maxwell Centre. He was knighted for services to physics in the Queen's Birthday Honours List in 2003. He has also been directly involved in the commercialisation of technology through several spin-off companies from the University of Cambridge.

His research encompasses the physics, materials science and engineering of semiconductor devices made with carbon-based semiconductors, particularly polymers. His research advances have shown that these materials have significant applications in LEDs, solar cells, lasers, photovoltaics and electronics. Richard's knowledge and understanding of the science that underpins the Group's businesses and research and development programmes bring unique insights to the Board.

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

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

Thomas has extensive international experience in the technology and engineering sectors, having spent more than 30 years in businesses operating across the globe. Having worked in a number of global companies, he understands the importance of remuneration connecting with strategy to appropriately incentivise the executive team. The Board believes that his skills, experience and knowledge make Thomas well suited to chair the Remuneration Committee.

Thomas is Chair of the Remuneration Committee and also a member of the Audit and Risk and Nomination Committees.

Mary Waldner was appointed to the Board as an independent Non-Executive Director in February 2016. She is Chief Financial Officer at Lloyd's Register. She has a Masters degree in physics from Oxford University and is a Fellow of the Chartered Institute of Management Accountants.

Mary has a broad range of financial experience in high technology companies that operate internationally and has worked in a number of senior financial roles within major public limited companies, including as Group Finance Director of Ultra Electronics plc and Director, Group Finance, at QinetiQ Group plc. The Board believes that Mary's background gives her the various insights needed to be a well-qualified Chair of the Audit and Risk Committee.

Mary is Chair of the Audit and Risk Committee and also a member of the Remuneration and Nomination Committees.

Independence of Non-Executive Directors

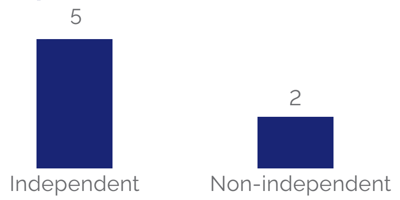
In the opinion of the Board, Steve Blair, Richard Friend, Thomas Geitner and Mary Waldner are independent and Neil Carson, Chair of the Board, was independent on appointment.

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

Term of appointment of Non-Executive Directors

Each Non-Executive Director was appointed for an initial term of three years. In line with Provision 18 of the Governance Code, the Board has determined that all Directors of the Board are to be subject to annual re-election by Shareholders and, accordingly, the appropriate resolutions will be put to Shareholders at the Company's forthcoming AGM.

Composition of the Board



Board development and evaluation

Board development

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

The operating businesses' senior management teams and functional leaders present to the Board on a regular basis. Non-Executive Directors are encouraged to meet individual members of the senior management team and are invited to participate in relevant events. This they have done during the year under review.

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

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

Board evaluation

To comply with the provisions of Principle L of the Governance Code, the Board expects to carry out an externally facilitated review of Board effectiveness at least triennially. It underwent such an externally facilitated evaluation of the Board in 2018, in which ICSA Board Evaluation carried out a full evaluation of the performance of the Board of the Company and concluded that: the Board was performing well in all areas that were reviewed; the Board comprised a strong team of Executive and Non-Executive Directors; the Committees of the Board were effective; and the Board has adopted high governance standards throughout.

This year, the Chair determined with the rest of the Board that the annual evaluation of the performance and effectiveness of the Board, its principal Committees and its Directors should be subject to an internal review. This exercise was under the control of the Chair, using detailed questionnaires completed by all Directors in relation to the key areas of Board accountability and the arrangements in place to enable effective focus on these areas. Topics covered included Group strategy, performance, delegation and accountability, success, development and reward, Board and Committee composition and Committee effectiveness, Board training, internal control and risk management. The output of the questionnaires was shared with all Directors. The Chair had one-to-one discussions with each Director at which they discussed individual performance and the operation of the Board and its Committees in some detail. Each Committee followed the same process and the Chair of each held similar meetings with members of their Committees. The Senior Independent Director discussed with the Non-Executive Directors the effectiveness of the Chair of the Board. The process culminated in a round table discussion, chaired by the Chair, at which each Chair reported on his/her findings and led an open and frank discussion on the effectiveness of the operation of the Board and Committees. The Board came to a collective view around what worked well and where there were areas for improvement. The process as a whole allows the Chair, with the Board, to objectively evaluate the overall balance and effectiveness of the Board and its Committees.

Board development and evaluation continued

Board evaluation continued

The Board concluded that it is operating in an open and transparent way with all Board members having freedom to express their opinions, which creates an appropriate environment to take effective decisions and provide appropriate challenge and support to the Executive Directors. The Board noted that good progress has been made on all the areas of attention identified as part of last year's effectiveness review and these were no longer identified as being of particular concern. In summary, this year's evaluation found that the Board and each Committee was considered to be working well and meeting its legal obligations. In terms of possible areas of attention in the future, the Board evaluation process highlighted the following as areas for improvement:

(i) to improve access of the Board to the views of customers;

(ii) further refinement in the reporting of ongoing activity and action against the strategic plan; and

(iii) there is more work to do on climate change and sustainability, including drawing together the part Oxford Instruments has to play in facilitating advances in climate change and sustainability and to communicate this more effectively to all stakeholders.

The Chair of the Audit and Risk Committee confirmed that she had concluded that her Committee is operating effectively, meeting its legal obligations and providing an appropriate focus on risk. The questionnaires and individual meetings put forward some helpful suggestions on how to further improve the effectiveness of the Committee:

(i) to take the opportunity when onboarding the new external auditor to take a fresh look at the way the Committee operates;

(ii) to look more holistically at Group-level risks; and

(iii) as the new ERP system is rolled out through the Group, to review the methods and reporting of controls.

The Chair of the Nomination Committee reported that there was consensus that the process for appointing a new NED was well run and had produced a well-qualified candidate who is now in the process of being appointed and that the Committee had carried out the rest of its duties effectively.

The Chair of the Remuneration Committee reported that there had been good progress on the suggestions for improvement made last year, that the members of the Committee considered they were better informed of market practices ahead of the process for determining the new Remuneration Policy, and the consultation process had been well run.

Overall, the Board concluded that it and its Committees had performed satisfactorily in the year under review.

To complete the internal Board evaluation, the Chair reviewed the performance of each Board member and has confirmed with the Nomination Committee that all Directors continue to perform effectively and demonstrate commitment to their roles. In May 2020, the Chief Executive, Ian Barkshire, was appraised by the Chair and the Non-Executive Directors and the Group Finance Director, Gavin Hill, was appraised by the Chair, the Non-Executive Directors and the Chief Executive. Led by the Senior Independent Director, Steve Blair, the Non-Executive Directors carried out an evaluation of the Chair's performance and concluded that they were satisfied with the Chair's commitment and performance.

Attendance at meetings

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

The following table sets out the frequency of, and attendance at, Board and principal Board Committee meetings for the year to 31 March 2020:

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Number of meetings held	9	7	6	3
Neil Carson	8	6[1]	6	3
Ian Barkshire	9	7[1]	4[1]	3[1]
Gavin Hill	9	7[1]	4[1]	3[1]
Steve Blair	9	7	6	3
Richard Friend	9	7	6	3
Thomas Geitner	9	7	6	3
Mary Waldner	9	7	5	3

1. Attended by invitation.

Board Committees

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

Membership of Board Committees, which is set out on pages 70 and 71 and above, is determined by the Board and is reviewed regularly. The written terms of reference of the Board Committees are reviewed annually by each Committee and the Board and are available on the Company's website at **www.oxinst.com/investors** and from the Company on request. They will be on display at the Annual General Meeting.

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

Nomination Committee

The Nomination Committee comprises all the Non-Executive Directors and is chaired by the Chair of the Board. The Nomination Committee is responsible for leading the process in the formal selection and appointment of Directors and ensures plans are in place for an orderly succession of Board and senior management positions and oversees the development of a diverse pipeline for succession.

Remuneration Committee

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

The Remuneration Committee has responsibility for determining the policy for the remuneration packages for Executive Directors and the bonus and share option strategy for the Group's executive management. Independent professional advice is sought when considered necessary. The Chair and the Executive Directors are responsible for fixing the remuneration of the Non-Executive Directors and the Remuneration Committee is responsible for fixing the remuneration of the Chair. No Director is involved in the process that sets his/her own remuneration.

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

Audit and Risk Committee

The Audit and Risk Committee comprises all the independent Non-Executive Directors and its Chair is Mary Waldner. Other members of the Board, senior management and the external auditor are invited to attend all or part of any meetings. The Board has determined that Mary, with her background in financial management, is the designated financial expert and is a well qualified Audit Committee Chair.

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

Full details of the operation and the work of the Audit and Risk Committee are included in the Audit and Risk Committee Report set out on pages 83 to 89.

Administration Committee

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

Annual General Meeting (AGM)

The AGM is an opportunity for the Board to meet Shareholders. At its AGM, the Group complies with the provisions of the Governance Code relating to the disclosure of proxy votes, the separation of resolutions and the attendance of Committee Chairs. The Group arranges for the Report and Financial Statements and related papers to be posted on its website and, where Shareholders have elected to receive paper copies, posted to Shareholders so as to allow at least 20 working days for consideration prior to the AGM.

The next AGM will be held on 8 September 2020.

Investor relations

The Group places considerable importance on regular communications with its Shareholders, with whom it has an ongoing programme of dialogue. All Shareholders are encouraged to participate in the AGM. This year, in light of the potential restrictions on movement and large-scale meetings, Shareholders are encouraged to raise questions in the period leading up to the AGM.

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

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

Corporate Governance Report continued

Risk management

Within the Group there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that is embedded in all business units. Day-to-day management of this process has been delegated by the Board to the Executive Directors. Details of the process are set out in the Audit and Risk Committee Report on page 84. This process has been in place throughout the financial year and up to the date of approval of the Report and Financial Statements. It is regularly reviewed by the Board of Directors and accords with the principles of the Governance Code.

The Board has carried out a robust assessment of the principal risks facing the Group, including those which threaten its business model, future performance, solvency and liquidity. Details of all major risks identified, and the mitigating actions adopted, are reported to and reviewed by the Board and the Audit and Risk Committee on at least a quarterly basis. The principal risks set out on pages 50 to 54 provide an overview of the major risks and uncertainties faced by the Group. All operating businesses follow a standard process for risk identification and reporting. The process is further described on page 84. On a regular basis, each business reviews and updates its risk register which is then reported to the Chief Executive. If a material risk changes or arises, the Managing Director of the business reports this to the Chief Executive, at which time there is a discussion on the adequacy of the mitigating actions taken. In addition, the Board and the Audit and Risk Committee consider risks to the Group's strategic objectives which arise at a Group level and develop appropriate actions to manage and mitigate these risks where possible.

Internal audit and assurance

The Group's internal audit function assesses the adequacy and effectiveness of the management of significant risk areas and provides oversight of operational management's front line and assurance activities. Further details of the scope of internal audit activities are set out in the Audit and Risk Committee Report on pages 88 and 89.

Internal control

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

The internal control framework includes central direction, oversight and risk management of the key activities within the Group. This framework includes a financial planning process which comprises a five-year planning model and a detailed annual budget which is subject to Board approval. All Group businesses' results are reported monthly and include variance analysis to budget and the prior year. Management also prepare monthly reforecasts.

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

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

The key components designed to provide effective internal control within the Group include the following:

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

- financial executives within Group businesses report to their own operational head but there is also a well-established and acknowledged functional reporting relationship through to the Group Finance Director;
- the Board reviews strategic issues and options formally once a year during the annual strategic planning process and during the year as appropriate. In addition, the Executive Directors maintain a five-year planning model of the Group and its individual businesses;
- annual budgets are prepared for each of the Group's businesses which include monthly figures for turnover, profit, capital expenditure, cash flow and borrowings. The budgets are reviewed through the Group management structure and result in a Group financial budget which is considered and approved by the Board;
- the businesses prepare monthly management accounts which compare the actual operating result with both the budget and the prior year. The businesses also prepare rolling reforecasts for orders, turnover, operating profit and cash. Both are reviewed by the Board at each of its scheduled meetings;
- the Board approves all acquisition and divestment proposals and there are established procedures for the planning, approval and monitoring of capital expenditure;
- for all major investments, the performance of at least the first twelve months against the original proposal is reviewed by the Board;
- an internal audit is carried out through a system of regular reviews of the financial and non-financial internal controls at each site. This is further reported on in the Audit and Risk Committee Report on pages 83 to 89. These reviews are co-ordinated by the Group Internal Audit and Risk Manager;
- the Board receives regular updates on pensions, corporate responsibility, business ethics and health and safety and the Audit and Risk Committee receives regular updates on treasury, tax, insurance and litigation;
- authorisation limits are set at appropriate levels throughout the Group; compliance with these limits is monitored by the Group Finance Director and the Group Internal Audit and Risk Manager;
- there is a detailed and risk-based delegation of authority structure in place for sales contracts and managing commercial risks. Contracts with onerous terms and conditions (such as unlimited liability contracts) require approval by either the Chief Executive or Group Finance Director;
- the International Trade Committee monitors, considers action and makes recommendations around the management of key risks relating to international trade, including sanctions, export controls and tariffs; and
- with respect to the UK pension scheme, the Group nominates half of the trustee directors of the corporate trustee to the pension scheme, involves as appropriate its own independent actuary to review actuarial assumptions, agrees the investment policy with the trustee, works with the trustee on its investment sub-committee to deal with day-to-day investment matters, ensures there is an independent actuarial valuation every three years and agrees funding levels to provide adequate funding to meet the benefit payments to the members as they fall due.

Susan Johnson-Brett
Company Secretary

9 June 2020

Composition, Succession and Evaluation

Nomination Committee Report

The Committee continues to focus on ensuring that the composition of the Board is appropriate for the delivery of the Group's strategy.

Attendance at meetings year ended 31 March 2020

	Nomination Committee	Date of appointment to Committee
Number of meetings held	3	
Number of meetings attended:		
Neil Carson (Chair)	3	1 December 2018
Steve Blair	3	1 July 2017
Richard Friend	3	1 September 2014
Thomas Geitner	3	15 January 2013
Mary Waldner	3	4 February 2016
Number of meetings in attendance:		
Ian Barkshire[1]	3	
Gavin Hill[1]	3	

1. Attended by invitation.

Key responsibilities

- The Committee is responsible for assisting the Board in the formal selection and appointment of Directors. It considers potential candidates and recommends appointments of new Directors to the Board.
- The Committee considers succession planning for the Board and the top level of senior management.
- Annual performance appraisal of the Chief Executive.
- Annual review of the Committee's terms of reference.

Dear Shareholder,

I am pleased to introduce the Nomination Committee Report for 2019/20. The Committee's key objective is to support the Board in fulfilling its responsibilities to ensure there is a formal, rigorous and transparent process for the appointment of new Directors to the Board and to ensure that effective succession planning processes are in place across the Group.

During the year, we reviewed the succession plan for the Board and identified a need to bring on board an additional Non-Executive Director with remuneration committee experience who has the appropriate skills to potentially take over from Thomas Geitner as Chair of the Remuneration Committee when he steps down in due course. The search went well and we met with some interesting, well qualified candidates. From our shortlist, we were able to recommend to the Board our preferred candidate, whom the Board agreed to appoint. I am pleased to confirm that Alison Wood, an experienced remuneration committee chair, will be joining the Board on 8 September 2020.

The Committee will continue to focus on ensuring that the present and future composition of the Board is appropriate for the delivery of the Group's strategy and to maintain and, where applicable, broaden, the range of expertise, experience and diversity of those serving on the Board.

Members of the Committee have been delighted to see the continuing development of leadership teams, succession planning and processes that encourage both the onboarding of new talent and further development of the careers and capabilities of employees across all businesses and functions. During the year, we have seen management focus on building an organisation with a broad range of perspectives and experiences where difference is valued and everyone can contribute to their full potential. Clear progress is being made in developing the pipeline of talent and capabilities throughout the Group that we will need to continue to be successful into the future.

The Committee will continue to work to ensure all relevant requirements in the UK Corporate Governance Code are met.

Our objective is to ensure that we have a high capability, diverse workforce that enables us to better understand our customers and markets. Building an organisation with a broad range of perspectives and experiences increases our ability to innovate, to make the right decisions and to exceed our customers' expectations. In order to retain, attract and enable the best people to perform, we work hard to create an inclusive environment and culture, where difference is valued and everyone can contribute to their full potential.

Neil Carson
Chair of the Nomination Committee

9 June 2020

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

The composition of the Committee is therefore compliant with Provision 17 of the UK Corporate Governance Code 2018 (the "Governance Code"). Full details of the Committee's responsibilities are set out in its terms of reference, which can be found on our website at **www.oxinst.com/investors-content/advisers-and-company-secretary**, and include all matters required by the Governance Code.

The main responsibilities of the Committee are summarised below:

- the Committee is responsible for assisting the Board in the formal selection and appointment of Directors. It considers potential candidates and recommends appointments of new Directors to the Board:
  - there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, the prime responsibility for which is delegated to the Committee;
  - the purpose of the Committee's selection process is to identify the most suitably qualified candidates who will complement and balance the current skills, knowledge and experience of the Board:
    - recommendations for appointments seek to strengthen the Board by selecting the best candidate based on merit and against objective criteria, including time available and the commitment that will be required of the potential Director;
    - each appointment process begins with an evaluation of the balance of skills, knowledge, experience and diversity existing on the Board that is drawn up through a series of meetings between the Committee Chair and Directors;
    - the Board recognises that diversity, construed in its broadest sense and including gender, religious and ethnic diversity, age, personality and background, is an important factor in Board and operational effectiveness;
    - in drawing up long and shortlists of potential candidates, the Committee considers not only relevant skills, experience and knowledge but also diversity; and
    - the Committee actively considers diversity, in all its forms, before making a recommendation to appoint to the Board;
  - the Committee takes external advice when considered appropriate and will only engage executive search firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice;
- the Committee considers succession planning for the Board and the top level of senior management;
- annual performance appraisal of the Chief Executive; and
- annual review of the Committee's terms of reference.

Composition, Succession and Evaluation continued

Nomination Committee Report continued

Principal activities of the Committee during the year

Succession planning

The Committee carried out its annual review of the succession plan for the Board, reviewing the balance of skills on the Board and those needed for the future, lengths of tenure and diversity, and determined that an additional NED was needed.

The Group HR Director and the Chief Executive presented the work that had been carried out within the business on succession planning, talent management, and leadership, including at Management Board and Executive Director level.

Constitution of the Board

The Committee undertook a search for, and appointed, a Non-Executive Director of the Board.

- The Committee set up a process to identify potential candidates and develop a shortlist for consideration by the Board.
  - The Committee established a sub-committee comprising the Chair, CEO and Group HR Director.
  - The sub-committee's work comprised:
    - establishing a clear specification of requirement and drawing up a description of the role and desired capabilities for candidates;
    - taking external advice on market conditions and expectations;
    - considering diversity, including gender, religion, ethnicity, age, personality and background, reviewing a longlist of potential candidates, whittling it down to a shortlist, undertaking interviews as appropriate;
    - drawing up a shortlist of candidates for discussion with the Committee; and
    - all members of the sub-committee met with the preferred candidates.
  - All members of the Committee met with, in person or by video conference, the final choice of candidate.
  - The Committee convened a meeting where it considered each Director's feedback and agreed its recommended candidate.
  - Appropriate references were taken up for the final shortlisted candidates.
- The Remuneration Committee convened a meeting to consider and agree the fees for the appointment.
- The Board convened a meeting at which the Committee's recommended candidate was considered and approval was given to appoint the preferred candidate at the level of fees agreed by the Remuneration Committee.
- Following successful completion of the search, on 8 June 2020, the Company announced that Alison Woods is to be appointed a Non-Executive Director with effect from 8 September 2020.
- A resolution will be put to Shareholders at the AGM in September 2020 to confirm the appointment.

The Committee, taking into account the performance and value that each Director brings to the Board, has considered whether each of the Non-Executive and Executive Director appointments should be renewed for a further year and has confirmed that this is indeed the case. Accordingly, a resolution to re-appoint each Director will be put to Shareholders at the Company's forthcoming AGM.

Performance review of Executive Directors

The members of the Committee also carried out their annual review of the performance of:

- the Chief Executive;
- with the help of the Chief Executive, the Group Finance Director; and
- excluding the Chair, reviewed the performance of the Chair.

Other

Annual review of the performance of the Nomination Committee and of its terms of reference.

Audit, Risk and Internal Control

Audit and Risk Committee Report

During the course of the year, the Committee has increasingly focused on key non-financial risk areas. The short-term focus for 2020/21 is on covid-19 risk mitigation actions.

Attendance at meetings year ended 31 March 2020

	Audit and Risk Committee	Date of appointment to Committee
Number of meetings held	7	
Number of meetings attended:		
Mary Waldner (Chair)	7	4 February 2016
Steve Blair	7	1 July 2017
Richard Friend	7	1 September 2014
Thomas Geitner	7	15 January 2013
Number of meetings in attendance:		
Neil Carson	6[1]	
Ian Barkshire	7[1]	
Gavin Hill	7[1]	

1. Attended by invitation.

Key responsibilities

- Financial reporting.
- External audit.
- Internal controls and risk management.
- Internal audit.
- Business malpractice reporting.

Dear Shareholder,

During the year, the Group has continued to develop its approach in managing the key risks it faces. In particular, the past year has seen improvements in the Group's policies and procedures for managing international trade risks relating to export controls and sanctions. Work in that respect has been a key element of the internal audit programme in 2019/20 and the focus on those risks will continue in the new financial year. In terms of the external environment at the year end, it should come as no surprise that covid-19 superseded Brexit as the most significant external risk faced by the Group. It has contributed to major global economic uncertainty and Oxford Instruments will not be immune from its effects. Our operations in California were temporarily shut down following the "stay at home" order issued in the state and we have already experienced a contraction in demand for our products as customers review their expenditure commitments. At the time of drafting this report, there remains considerable uncertainty regarding the duration and extent of restrictions to our key operations in the UK. It is incumbent on the Group to take prudent actions to mitigate the liquidity risks that arise from this uncertainty and Shareholders have already seen this, through actions designed to preserve cash in the short term. Equally, with a strong balance sheet, and net cash of some £67m at the year end, the Group is well placed to navigate the troubled waters of the current economic environment.

The composition of the Audit and Risk Committee has remained the same for a second consecutive year and the scope of the Committee's role and oversight has not changed significantly. However, as set out further on page 88, the Audit and Risk Committee has overseen the tendering process for the appointment of the external auditor. This led to the appointment of BDO with effect from the March 2021 year end.

During the year the Audit and Risk Committee fulfilled its core remit relating to corporate governance by, inter alia, evaluating key elements of accounting estimates and judgement, assessing the integrity of the Financial Statements and by considering whether the Financial Statements, taken as a whole, are fair, balanced and understandable. Further, the Committee has performed its annual evaluation of the effectiveness of the internal audit function and has reviewed external auditor independence through the monitoring of the provision of non-audit services.

The areas of continuing focus for the Audit and Risk Committee that are particularly relevant to the Group include the non-financial audit topics of new product innovation, human resources, health and safety, and IT and cyber-security. Further, in terms of the financial internal audit programme, the Committee has retained a balanced approach through the inclusion of a core financial controls review to complement a risk-based approach that is derived from

Audit and Risk Committee Report continued

the Group's risk register. The annual internal audit programme is reviewed and agreed by the Audit and Risk Committee. As set out further below, key risk areas of internal audit focus in the year included customs and export controls compliance and the implementation of the new ERP system, CSI, at the X-Ray Technology business unit.

In terms of risk management, the overall approach and methodology have been largely consistent with the prior year. At every meeting, the Committee reviews the Group's risk register, which is updated on a quarterly basis. Further, there are deeper dives into business unit specific areas of risk which are undertaken with the senior management of individual business units from time to time. These are typically performed by rotation so that the Committee benefits from first-hand experience of the operating sites in the UK.

In the forthcoming financial year, the risk-based audit topics will include two recurring elements of CSI implementation and export controls compliance. Further, the internal audit plan includes reviews of business continuity plans and Brexit readiness as risk areas that are considered to be particularly important in the current financial year.

Looking back at the past financial year, the main areas of recurring work are summarised below:

- review of the Financial Statements, the key accounting judgements used to compile them and an assessment as to whether, taken in entirety, they are fair, balanced and understandable;
- review of the viability statement issued by the Group, encompassing the methodology used in the supporting calculations;
- review of the statement issued at the AGM and the statements issued with results at the half year and year end;
- review and discussion of the Group risk register at each of its meetings;
- an annual review of treasury and tax matters;
- a bi-annual review of significant areas of ongoing litigation and potential litigation risks;
- assessment of internal audit's effectiveness; and
- review of external audit's effectiveness.

Further, the Committee has focused on the following specific subject areas during the last year:

- cyber-security and wider IT risks;
- export controls compliance;
- Brexit-related risks;
- business unit specific risks in NanoScience and Andor; and
- the implementation of CSI at X-Ray Technology.

The remainder of the Audit and Risk Committee Report is set out in the following sections:

- composition and terms of reference;
- role and responsibilities;
- summary of activities during the year;
- significant matters relating to the Financial Statements;
- external auditor and auditor independence;
- internal audit, internal control and risk management; and
- whistle-blowing.

As in previous years, I am planning to attend the AGM in September (subject to any covid-19-related constraints). In the meantime, if you have any questions or comments I would be delighted to hear from you.

Mary Waldner
Audit and Risk Committee Chair

9 June 2020

Composition and terms of reference

The four members of the Audit and Risk Committee have served throughout the year. Mary Waldner continues in the role of Chair. The other members are Richard Friend, Thomas Geitner and Steve Blair.

The FRC's guidance on the composition of audit committees requires that at least one member of the Committee has recent and relevant financial experience. In her current role, Mary Waldner is the Chief Financial Officer of Lloyd's Register. In the past she has held senior financial roles at several companies that are listed on the London Stock Exchange. Based on this experience, the Board considers that Mary meets the criterion of having recent and relevant financial experience and is also independent. With a broad range of experience in science and technology in both the academic and corporate worlds, Richard, Steve and Thomas bring valuable skills and experience to ensure that the Committee provides both insight and challenge.

The Committee has focused its activities on the areas that represent the most significant risks to the Group. These are informed through both the Group risk management processes and from wider experience gained outside the Group. The key risk areas reviewed during the past year have included international trade compliance, Brexit, new product innovation, financial reporting, pensions, tax and cyber-security. In evaluating the Group's response to these risk areas, the Committee has drawn on reports and presentations from a range of subject matter experts that include the Group head of internal audit and risk, the Group director of accounting, tax and treasury and the Group director of information technology. Further, to complement those reviews of risk areas, the Committee has conducted deeper dives into specific business units' risk areas through discussions with the senior management teams of certain business units. The Committee also meets regularly with the external auditor and at each meeting has the opportunity to meet the auditor without the Executive Directors in attendance.

Role and responsibilities

The Committee's responsibilities are set out in its terms of reference. These can be found on our website at **www.oxinst.com/investors-content/advisers-and-company-secretary**. The Committee periodically reviews both its terms of reference and its effectiveness and makes recommendations to the Board if it considers that any changes are required. The Committee's principal responsibilities are as follows:

Financial reporting

- The Committee reviews the Financial Statements and the results announcements at the half year and full year. It also advises the Board whether it considers that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable. Further, the Committee assesses whether there is sufficient information and disclosure for Shareholders to evaluate the Company's performance, business model, strategy and risks.
- As part of its review of the Financial Statements, the Committee considers areas that require significant financial reporting judgements, the accounting policies used, and compliance with accounting standards. The Committee's comments on the significant financial reporting judgements are set out on pages 87 and 88. The Committee also considers whether all material matters have been taken into account and treated appropriately.
- The Committee monitors compliance with relevant statutory and listing requirements.

External audit

- The Committee oversees the external audit relationship which includes making recommendations to the Board regarding the appointment of the external auditor.
- The Committee discusses external audit planning and strategy at regular meetings with the external auditor. This includes discussions around key areas of audit risk and financial reporting requirements. Following its review, the Committee approves the annual audit plan.
- At both the half year and year end the Committee reviews the key external audit findings and considers whether any adjustments to the Financial Statements are required as a result.
- The Committee performs an annual evaluation of the effectiveness of the external audit process.
- The Committee monitors and assesses the external auditor's independence and objectivity. This includes taking responsibility for the policy for non-audit services and review of all non-audit services provided.

Internal controls and risk management

- The Committee reviews the Group's risk register on a quarterly basis and performs an annual review of the risk management processes.
- The Committee also monitors the adequacy and effectiveness of the internal control environment.

Internal audit

- Undertakes an annual assessment of the effectiveness of the internal audit function and approves the annual internal audit programme.
- Reviews all financial internal audit reports and summaries of non-financial internal audit activities.

Business malpractice

- Reviews the adequacy of the Group's whistle-blowing procedures and the response to any reports of business malpractice.
- Reviews the Group's procedures and controls relating to the prevention of fraud and the detection of bribery.

Reporting

- Reports on the Committee's activities, in accordance with the UK Corporate Governance Code.
- Reports to the Board on any matter it considers requires action or improvement.
- Provides advice to the Board on Directors' responsibilities relating to the Financial Statements.

Audit, Risk and Internal Control continued

Audit and Risk Committee Report continued

Activities of the Committee during the financial year ended 31 March 2020

The Committee continues to oversee a range of risk areas that are key to the Group's long-term success or compliance with relevant regulations. In addition to its core remit regarding financial controls, the Committee also reviews assurance activities relating to key non-financial areas such as new product innovation, IT and cyber-security, HR and health and safety. Further, the Committee receives ad hoc reports on non-recurring areas of risk (e.g. Brexit) and regular reports on recurring matters such as treasury and tax, litigation and intellectual property disputes. Findings from Group financial internal audit reports are reported at every meeting, in addition to findings from the recurring health and safety audits. As the risk environment evolves, the Committee will continue to review its areas of focus so that its activities address the areas of greatest importance.

The majority of the Committee's work derives from a structured programme that is designed to fulfil its responsibilities as set out in the terms of reference. The table below summarises the key activities at each meeting since last year's Annual Report:

Agenda item	Jul 2019	Sep 2019	Nov 2019	Jan 2020	Mar 2020	Jun 2020
Review draft Financial Statements, appropriateness of accounting policies and going concern assumption (reports from management and KPMG)			●			●
Review and recommend for approval the half-year and year-end announcements, interim management and AGM statements and the Report and Financial Statements			●			●
Review of significant financial reporting issues and judgements			●			●
Review viability statement						●
Assess the effectiveness of the external audit process		●				
Consider the independence and objectivity of the external auditor				●		
Review internal management representation letters						●
Review and agree the internal audit plan					●	
Review the output of financial and non-financial internal audit work		●	●	●	●	
Review the effectiveness of the Audit and Risk Committee						●
Detailed report on business-specific risk areas	●		●			
Review of cyber-security			●			
Update on litigation				●		●
Evaluate the effectiveness of the internal audit function					●	
Review the internal control framework					●	
Review the risk management processes					●	
Review the Group risk register	●	●	●	●	●	●
Review of whistle-blowing arrangements						●
Review systems and controls for detecting fraud and the prevention of bribery and corruption					●	
Annual review of insurance			●			
Annual review and approval of policy relating to non-audit services					●	
Annual review of tax arrangements					●	
Annual review of treasury arrangements					●	

The UK Corporate Governance Code (2018) requires the Directors to prepare the Annual Report and Accounts and to state that they consider them, taken as a whole, to be fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group's position and performance, business model and strategy. The Board requested that the Committee advise it as to whether the Annual Report meets those requirements. This work formed part of the review of the draft Financial Statements that was undertaken by the Committee in May and June 2020.

Significant matters relating to the Financial Statements

The Committee performs a review of significant matters that relate to the Financial Statements. The matters that the Committee considers are significant in respect of the 2020 Financial Statements are set out below:

Revenue recognition

The Group adopted IFRS 15 Revenue from Contracts with Customers in the previous financial year and revenue is recognised in accordance with this standard. Revenue is recognised using principles based criteria and the trigger point for recognition is when the performance conditions in the contract with the customer are met. The Group applies prescriptive rules relating to revenue recognition that are appropriate to both products and services. As a result of the adoption of IFRS 15, revenue recognition is less subjective than in the past, although revenue cut-off remains an area of audit focus. The Committee has received no reports of any significant error in revenue recognition.

UK defined benefit pension scheme

Based on the requirements of IAS 19, the Group is required to value its pension deficit as the difference between the net present value of the pension scheme's assets and liabilities at 31 March 2020.

IAS 19 also requires the Group to appoint an external actuary to advise on suitable assumptions to adopt in calculating the net present value of the scheme's liabilities at the balance sheet date. The Group has retained the pension scheme's actuary, Aon Hewitt, to perform bi-annual valuations to satisfy this requirement.

For the year-end accounts, Aon Hewitt recommended assumptions on a consistent basis with those adopted at the previous year end. As in the prior year, there was a significant improvement in the value of the scheme assets, which has led to a balance sheet surplus over the net present value of the scheme's liabilities as at 31 March 2020. Another key factor in the calculated surplus arose as a result of reductions in the assumed levels of inflation (CPI and RPI) which have the effect of reducing the net present value of the scheme's liabilities. Mortality assumptions were also updated to use the latest CMI tables although the impact of this change was not significant. The valuation of the scheme assets was provided by River and Mercantile (the scheme's investment manager) in accordance with market practice for valuing investment assets.

As set out in Note 25 to the Financial Statements, the UK scheme now shows an actuarial surplus of £30.7m compared to a reported deficit of £3.5m at 31 March 2019. This was largely due to the reductions in inflation and the improvement in asset values set out above. The methodology used for calculating valuations has not changed.

Provisions for intellectual property claims

The Group faces potential exposure to third-party claims in relation to potential intellectual property infringement. Management provide updates and analysis in relation to potential claims to the Audit and Risk Committee twice a year. The Committee has reviewed the information and explanations provided by management in support of the amounts recognised in the Financial Statements and has also received reports from KPMG on the matter. As at 31 March 2020, the value of the provisions recognised in the Financial Statements is not material but, nonetheless, it remains an area of significant accounting judgement and estimation. The Committee has verified that the approach and calculations performed to estimate the level of provisions required is reasonable and consistent with the prior year. The Committee continues to recognise that the final outcome of each specific case is likely to vary from the amount provided. However, it takes the view that no adjustments to the provisions are required.

Adjusted profit and EPS

As explained in Note 1 to the Financial Statements, the Group applies adjustments to the statutory definition of profit and EPS to present adjusted profitability and earnings, as the Board believes they present a clearer picture of the financial performance of the Group. In the year ended 31 March 2020, adjustments to operating profit totalled £10.7m. In value terms, the largest adjusting item was the charge of £8.7m relating to the amortisation of acquired intangible assets. Further, there were impairment charges against the carrying value of capitalised development costs of £7.1m. The Group also realised a gain of £6.5m arising on the disposal of its shareholding in Scienta Omicron. The only other significant adjustment to operating results greater than £1.0m is the mark-to-market loss of £1.4m relating to currency hedging contracts. The Committee has considered a paper from management identifying the adjustments that have been applied and concluded that application of the Group's definitions has been consistent year-on-year. The nature of these adjustments requires appropriate judgement to be exercised and the Committee is satisfied with both the process adopted and their disclosure in the 2020 Financial Statements.

Audit and Risk Committee Report continued

Significant matters relating to the Financial Statements continued

Misstatements

The Committee received reports from Group management stating that they were not aware of any material misstatements or immaterial misstatements that had been made with the intent of achieving a particular presentation in the Financial Statements. Further, the external auditor also provided the Committee with its report on unadjusted audit differences. The Committee reviewed and discussed the schedule of unadjusted audit differences with both KPMG and Group management. Based on its review and discussions, the Committee concluded that the unadjusted audit differences were not material to the Financial Statements and therefore no adjustment was necessary. The Committee also concluded that the external auditor had fulfilled its duties with diligence and with a suitable level of professional scepticism.

On the basis of its discussions and the reports and presentations received from management and the external auditor, the Committee was satisfied that the key estimates and critical judgements required had been appropriately addressed in the Financial Statements both in terms of value and the supporting narrative. The Committee was also satisfied that there had been suitable scrutiny of, and challenge to, the key assumptions adopted in determining the value of assets and liabilities reported in the Financial Statements.

External auditor

The Committee monitors the performance, objectivity and independence of the external auditor and makes recommendations for its appointment or re-appointment. The Committee also bears the responsibility for approval of the external auditor's fees.

The Audit and Risk Committee received KPMG's presentation on its audit strategy and planning memorandum at its January 2020 meeting. The audit strategy and planning memorandum set out the proposed audit methodology, scope and planned materiality for its audit of the Financial Statements for the year ended 31 March 2020. It also identified the principal areas of audit risk and the planned approach for addressing them. The audit strategy was informed in part through meetings with various stakeholders such as the Chair of the Audit and Risk Committee, the Chair of the Board and the Group Finance Director. Following its review and discussion, the Committee approved the audit strategy and planning memorandum that KPMG presented.

The Committee continues to be responsible for evaluating the effectiveness of the external audit process. This review is based on reports from the external auditor at both the half year and year end and also on feedback from key members of the Group's finance team (both at Group and business unit level). The Committee plans to perform its review of the effectiveness of the process for the year ended 31 March 2020 in September 2020.

During the year ended 31 March 2020, the Committee oversaw the call for tender process for the appointment of a new external auditor. Following that process, BDO was selected to replace KPMG, effective for the year ending 31 March 2021.

Auditor independence

In order to assess auditor independence, the Committee obtains confirmation of any relationships between the Group and the external auditor that may have a bearing on its independence. It also receives confirmation that the external auditor is independent from the Group.

In order to mitigate the risk that the external auditor's independence might become compromised, the Committee operates a strict policy that governs the engagement of the external auditor to provide non-audit services. This policy is reviewed annually and sets out a list of prohibited services and a series of authority levels for permitted services. All non-audit related engagements over £50,000 require formal approval by the Committee. Note 4 (page 142) to the Financial Statements sets out the value of audit fees for the year, together with fees for non-audit services. In the year ended 31 March 2020, audit fees paid to KPMG were £502,000 and non-audit fees were £28,000 This represents a non-audit to audit fee ratio of 0.05:1.

Internal audit and internal control

The Committee seeks assurance over the effective design and operation of internal controls from the internal audit function. The Committee approves internal audit's annual programme which includes audits that consider the effectiveness of internal financial controls. Internal audit performs financial controls audits on a rotational basis across operational business units and the principal Regional Offices. The internal audit programme also includes non-recurring, risk-based audit topics which are derived from the Group's risk register.

The rollout of the new ERP system will continue at a number of sites in 2020/21, which includes the NanoAnalysis business unit. Therefore, the internal audit plan for the year includes an ongoing post-implementation audit programme to complement the recurring financial controls reviews. As a Group that relies on its ability to export, the internal audit programme includes further international trade compliance audits. The internal audit plan for 2020/21 was approved by the Committee at its meeting in March 2020, although it recognises that focus and scope may need to change in light of covid-19.

The head of internal audit has a direct reporting line to the Chair of the Audit and Risk Committee and they have regular discussions throughout the year. All reports issued by internal audit are provided to the external auditor once finalised.

The Committee's evaluation of the effectiveness of the internal control environment is derived from multiple sources that include internal assurance reports, discussions with the head of internal audit, and external audit reports. The Committee reviewed the system of internal financial control on behalf of the Board and satisfied itself that the Group is meeting the required standards both for the year ended 31 March 2020 and up to the date of approval of this Report and Financial Statements. No concerns were raised with the Committee in the year about possible improprieties in matters of financial reporting.

Risk management

Key risk management activities performed by the Group are summarised on page 84. The Committee also takes an active role in the risk management process that includes review and discussion of the Group risk register at every meeting. The Committee also obtains more detailed presentations on business unit specific risks from the UK operating business units on a regular basis.

The Group's principal risks and uncertainties are set out on pages 50 to 54. In the current climate, the potential impact of covid-19 is also disclosed as a key uncertainty. While many of the key risks identified recur from year to year, the relative importance evolves over time and may require the Group to refocus its assurance activities. In the year ahead, the Committee will continue to work with the Board and senior management teams to ensure that there is appropriate focus on the most significant risk areas together with the associated plans for mitigating their impact.

Whistle-blowing

The Group operates a confidential reporting mechanism, operated by a third-party provider, which enables employees to raise concerns of malpractice, non-compliance or unethical conduct. Other reporting channels are also available, including to the Senior Independent Director. The options for raising concerns are widely communicated to employees. These channels are clearly set out in the Code of Business Conduct and Ethics which was updated in July 2019. The Group's reporting policy and procedures provide a framework for protected disclosure. The Group also operates a formal protocol for the independent investigation of reports of malpractice that are received.

The Committee conducts an annual review of its Reporting a Business Malpractice Policy and the outcomes of the investigations into the reports received. It also receives a report from management on its activities in this area. The latest report and review took place in June 2020 and all matters raised in the year ended 31 March 2020 had been resolved. There were no significant matters arising.

Summary

The Committee concludes that, as a result of the work it has performed during the year, it has fulfilled its responsibilities and acted in accordance with its terms of reference. I will be available at the AGM in September to answer any questions.

Mary Waldner
Audit and Risk Committee Chair

9 June 2020

Remuneration

Directors' Remuneration Report

We have continued to make good progress with the implementation of our Horizon strategy, which is delivering tangible financial benefits to the Group.

We have adjusted our remuneration approach for the present circumstances on a consistent, Company-wide basis.

Attendance at meetings year ended 31 March 2020

	Remuneration Committee	Date of appointment to Committee
Number of meetings held	6	
Number of meetings attended:		
Thomas Geitner, Chair	6	15 January 2013
Neil Carson	6	1 December 2018
Steve Blair	6	1 July 2017
Richard Friend	6	1 September 2014
Mary Waldner	5	4 February 2016
Number of meetings in attendance:		
Ian Barkshire[1]	4	
Gavin Hill[1]	4	

1. Attended by invitation.

Key responsibilities

- Determining the Remuneration Policy for the Executive Directors and senior management.
- Determining the total executive remuneration packages.
- Designing effective performance-related incentive plans aligned to the business strategy and the wider workforce.
- Reviewing the Group's Remuneration Policy periodically (including in 2020).
- Determining the policy for pension arrangements, service agreements, recruitment terms and termination payments.

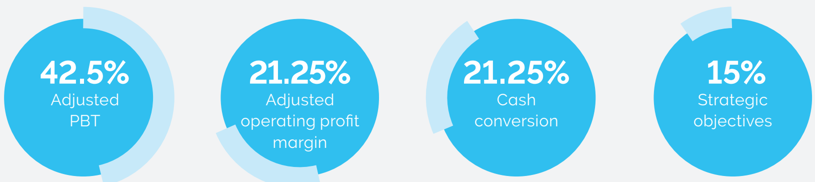
Executive Directors' remuneration at a glance

Total remuneration payable for 2019/20

	Base salary £'000	Benefits £'000	Pension £'000	Annual bonus £'000	LTIP £'000	Other £'000	**Total £'000**
Ian Barkshire	440	88	55	279	976	1	**1,839**
Gavin Hill	343	20	43	224	761	1	**1,392**

Annual bonus

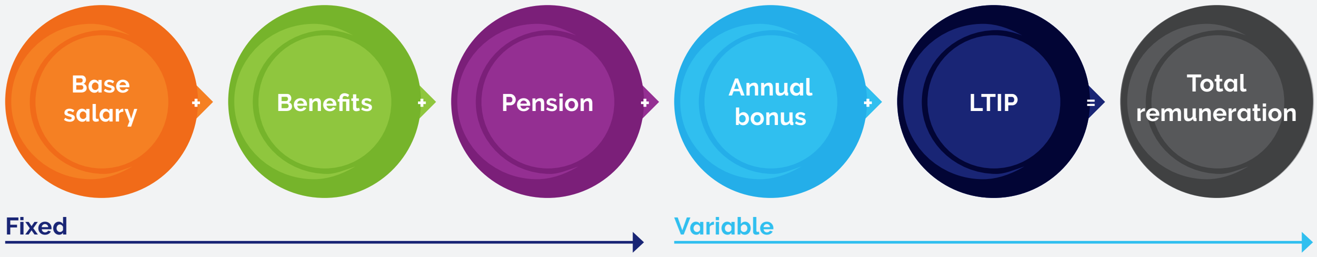
Link to strategy
As in previous years, the Committee set stretching performance targets for the annual bonus which are clearly linked to the strategy and financial performance of the Group (see page 72 for details).

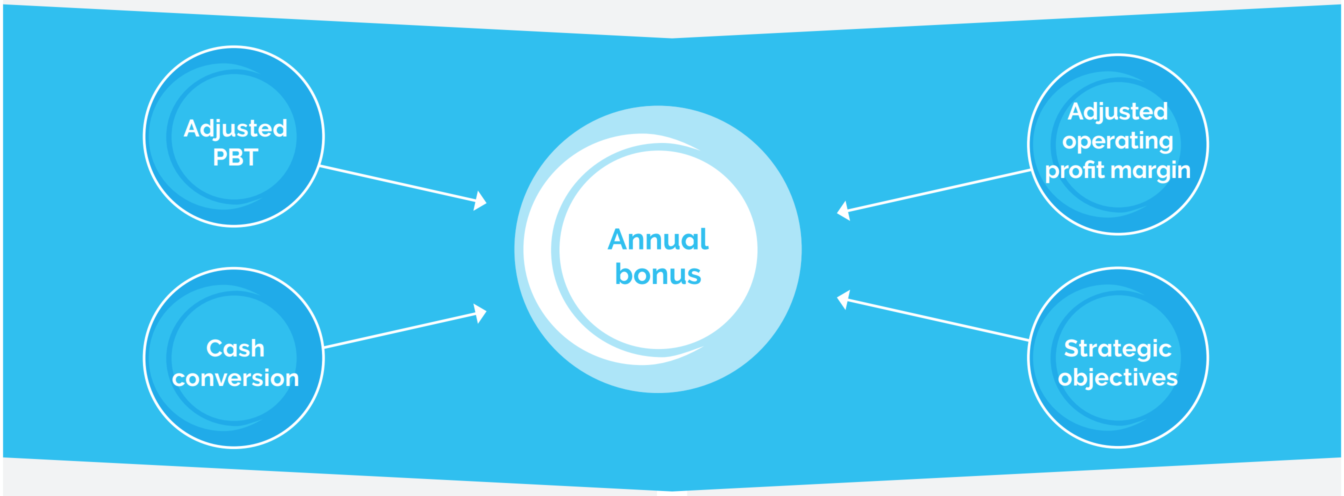


Performance Share Plan (three-year performance)

Link to strategy
The performance targets ensure a continued focus on growing profitability and a close link to the business strategy by rewarding efficient redeployment of capital for the performance period ending in the year under review.

Remuneration report at a glance





Adjusted PBT

Threshold: £48.6m
Target: £51.6m
Max: £53.6m

Actual: **£49.5m**

Adjusted operating profit margin

Threshold: 15.1%
Target: 15.6%
Max: 16.0%

Actual: **15.9%**

Cash conversion

Threshold: 77.5%
Target: 82.5%
Max: 87.5%

Actual: **124%**

Strategic objectives

Targets based on a range of objectives – see pages 104 and 105 for details

Actual: **Strong**

Earnings per share growth (% CAGR p.a.)

Threshold: 4% p.a. CAGR
Max: 10% p.a. CAGR

Actual : **19.5%**

Return on capital employed

Threshold: 13.0%
Max: 15.5%

Actual: **26.1%**

Directors' Remuneration Report continued

Dear Shareholder,

It has been another year of strong performance for Oxford Instruments, notwithstanding the impact of the covid-19 pandemic in the final quarter of the financial year, the impact of which was first felt in our Chinese operations in January. Performance against all of our internal financial KPIs improved and there was strong progress against the non-financial elements of the business strategy. We delivered order, revenue, profit and margin growth. Good underlying growth in orders and revenue (notwithstanding the early impact of covid-19) were underpinned by our chosen end markets and their attractive, fundamental growth drivers, combined with our relentless drive to enhance our market intimacy through a customer-centric approach. This strong performance has been reflected in the remuneration payable to executives and the rest of the workforce over the year, albeit with decisions around bonuses being paid delayed until after the summer.

Response in relation to covid-19

Our business performance was negatively impacted from January as a result of the lockdown in China and from mid-March by restrictions introduced across our European and American markets. Our priority has been the health and wellbeing of all of our employees and the prudent management of the business throughout this period of crisis. Recognising the need to conserve cash within the business, we announced on 30 March that the payment of the interim dividend, which was due to be paid on 14 April, had been suspended and we have taken advantage of Government support where appropriate. Any furloughed employees have continued to receive full pay.

Recognising the need to act with prudence, with effect from 6 April 2020, the Chief Executive and Group Finance Director, together with the rest of the Board, agreed that their base salary and fees be temporarily reduced by 20% for at least three months. We have also decided to defer the payout of the bonuses earned for 2019/20 and implementation of any pay increases for both the Executive Directors and most of the workforce until we have better visibility of the financial consequences for the Company. Finally, the Committee's consideration of the performance targets for the annual bonus and PSP awards for 2020/21 has been deferred until later in the year.

Corporate performance and annual bonus and PSP payments for 2019/20

The annual bonus for 2019/20 was determined by a combination of cash, operating margin and profit targets, and non-financial strategic targets. As in previous years, the Committee set stretching performance targets which were clearly linked to the strategy and financial performance of the Group. Group financial performance was again strong, as highlighted above, and the annual bonus payout was 63% and 65% of base salary for the CEO and GFD respectively. As noted above, payment of these cash bonuses has been delayed.

Awards granted under the Performance Share Plan (PSP) in 2017 were based on performance over the three years to 31 March 2020. The EPS performance condition, applied to 50% of the award, was met in full with compound EPS growth of 19.5%, resulting in 100% of this element vesting. The Company's ROCE was 26.1% for the year ended 31 March 2020, which exceeded the stretch target, resulting in 100% of this element vesting. Accordingly, across both measures, 100% of the total award vests.

Given the strong performance of the business over both 2019/20 and the longer three-year performance period of the PSP award, the Committee is comfortable that there has been a robust link between reward and performance and alignment with investor returns. Accordingly, the Committee is satisfied the policy has operated as intended and has concluded that there are no circumstances arising where it would need to exercise discretion to adjust any of the variable pay outcomes.

New three-year Remuneration Policy and application in 2020/21

At the 2020 AGM, the three-year life of our current policy will expire and will be replaced by a new policy, which must be approved by Shareholders. The current policy has supported the Horizon strategy, which has seen the business transition to a customer-centric, market focused group, capable of delivering sustainable revenue growth, improved margins and significantly improved cash flow performance. Three years into this strategy we are seeing the benefit in terms of an improved financial and stock market performance and, as mentioned elsewhere in this Annual Report, we remain well positioned to sustain this growth. The Committee has concluded that the current Remuneration Policy has supported the business strategy well and that only modest changes are needed. Predominantly these relate to changes which bring the policy into line with the UK Corporate Governance Code (2018) and the guidelines of our institutional Shareholders and include changes to increase the required level of executive shareholding. The changes are set out clearly, and in full, later in the Policy Report. A summary is set out below:

Base salary for the Chief Executive

We had consulted with our major Shareholders in relation to the base salary positioning of our Chief Executive and had initially proposed a one-off increase to recognise his development in role, the strong performance of the business under his leadership and his relatively low market positioning on and since his appointment. The Committee and the Chief Executive have both agreed that now is not the right time to propose a significant salary increase. The Committee intends to consult again with major Shareholders later in the year, with a view to implementing the salary increase from 2021/22 if business circumstances better support a salary increase.

Accordingly, for 2020/21, on the basis that the temporary reduction to base salaries will cease later in the year, the salary for our Chief Executive and Group Finance Director will increase in line with the proposed workforce average increase, currently budgeted for 2%, with the increase taking effect at the same time as any Company-wide salary increase.

Executive pension provision

We are aware that Shareholder views are evolving in line with the UK Corporate Governance Code which encourages companies to align pensions for Executive Directors to the average workforce rate over time. We propose to achieve this through the following changes to our pension policy.

New Executive Director recruits will have a pension contribution set in line with that applying to the majority of the UK workforce at that time.

The Committee has reviewed the current pension contribution for the CEO and GFD and has determined that, for the duration of this policy period, the "£ value" of the pension contribution will be frozen at the 2019/20 rate, so any salary increases from 2020/21 onwards would not result in payment of higher pension contributions.

Furthermore, the Committee has determined that, with effect from the start of the next policy period (2023/24), the pension contribution rate for incumbent Directors will be reduced so that it is the same as the percentage contribution applying to the majority of the workforce. This is currently 6% of salary.

Annual bonus

Currently, the annual bonus is capped at 100% of base salary, with 75% payable for achieving a target level of performance and payable all in cash. Under the new policy we will have the ability to increase the annual bonus opportunity to 125% of salary. Whilst the maximum opportunity under the bonus will increase as set out above, the Committee and the Executive Directors have agreed that for 2020/21 the annual bonus should remain capped at 100% of salary to ensure that there is no increase to potential remuneration at the current time. The Committee intends to consult again with major Shareholders later in the year, with a view to implementing the annual bonus increase from 2021/22 if business circumstances better support a bonus increase.

The target opportunity will remain unchanged at a maximum of 75% of salary (60% of the new maximum). This means that the additional bonus opportunity from 2021/22 would only be delivered in the event that above-target levels of performance are achieved. We have a demonstrable track record of setting stretching performance conditions with a strong link to improvements in financial performance and the overall shareholder experience and believe that a target bonus level of up to 60% of the new maximum remains appropriate in light of the current growth plans, but we will review the position each year and set the sliding scale range as appropriate.

The threshold level of payment will be 15% of salary (increased from 0%) so as to provide a modest bonus amount for achieving the threshold goal, which will continue to be stretching in its own right.

Under the new policy a deferred share-based element will be introduced whereby, for any bonus paid above the target bonus level, half of the bonus will be paid in shares which must be held for at least three years. This feature will apply from the 2020/21 bonus (even though there is no increased bonus opportunity until the following year).

We currently intend that performance measures for 2020/21 will continue to be based on profit growth (42.5%), cash generation (21.25%), operating margin improvement (21.25%) and strategic objectives (15%) but will review the choice of measures later in the year when the targets are due to be finalised.

Overall, the changes to the policy in respect of the annual bonus will ensure that the plan is in line with market norms and appropriately structured to reward management for the successful execution of the next phase of the business strategy and further growth in shareholder value.

Executive shareholding

The shareholding guideline level will increase from 150% to 200% of base salary to provide greater alignment of interest between investors and executives. Until this level is achieved, there is a requirement to retain not less than 50% of the net of tax value of any vested PSP award and any deferred annual bonus (after the holding period in each case).

Post cessation of employment there will be a new requirement to retain the lower of the level of shareholding at that time, or 200% of base salary, for two years (unless by genuine exception, for example serious ill health). This will provide a longer performance perspective for the Directors beyond their tenure.

Performance Share Plan awards

There are no changes to the PSP under the new policy. In 2020/21 we anticipate that PSP awards will continue to be based 50% on ROCE and 50% on earnings per share. EPS will ensure a continued focus on growing profitability and ROCE provides a close link to the business strategy over the next few years to support and incentivise management to continue to make the changes needed to our business portfolio by ensuring that there is efficient redeployment of our capital into higher margin and growth businesses. We intend to delay the grant of all long-term incentive awards until the second half of the financial year when we should have better visibility of our long-term financial performance and will consider the grant levels and targets at that time. There will be full details of the grant and the performance conditions in the RNS announcement and in next year's Directors' Remuneration Report.

Non-Executive Directors' fees

The Chair's fee and the Non-Executive Directors' fees will increase in line with the proposed workforce average increase, currently budgeted for 2%, with the increase taking effect at the same time as any Company-wide salary increase.

Conclusion

I hope you will be supportive of the binding resolution to approve our new Remuneration Policy and the annual advisory vote to approve the Annual Report on Remuneration (ARR), which sets out the remuneration outcomes for the year under review and how the policy will be operated for the year ahead. I look forward to our AGM on 8 September 2020.

Thomas Geitner
Chair of the Remuneration Committee

9 June 2020

PART A: Directors' Remuneration Policy

This part of the Director's Remuneration Report sets out the Group's Remuneration Policy for its Directors. The policy is subject to a binding Shareholder vote at our AGM on 8 September 2020. The policy will take effect from that date and, unless changed with Shareholders' prior agreement, will stay in place until September 2023.

Policy overview

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

The Company seeks to reward executives fairly and responsibly based on Group performance and their individual contribution. The Company has a strategy aimed at delivering significant, balanced and sustainable long-term growth and it is important for motivation and retention that the remuneration of the executives reflects this.

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

The Committee's approach to determining the new policy

The Committee has considered the following factors when determining the new policy:

Principle	Committee approach
Clarity – remuneration arrangements should be transparent and promote effective engagement with Shareholders and the workforce.	• The metrics used in our annual bonus have a direct link to our Company KPIs, which are familiar to our Shareholders and the workforce. • Performance Shares are linked to our long-term business strategy, familiar to our Shareholders and the workforce. • The Remuneration Committee consults with Shareholders to explain and clearly set out any proposed changes to the policy and is committed to having an open and constructive dialogue with Shareholders.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	• Our Remuneration Policy is in line with market norms. • The application of the policy is described clearly each year in this report with a clear link between reward and performance.

Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	• The Committee has ensured that risks are identified and mitigated by:
	  • introducing discretion to override the formulaic outturn of incentives; and
	  • enhancing clawback and malus provisions.
	• Performance Shares (with holding periods), annual bonus deferral, together with stretching share ownership requirements, including post-employment share ownership requirements, ensure executives are not encouraged to make short-term decisions but to deliver sustainable shareholder returns over the long term.

Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	• The scenario chart on page 100 sets out the potential rewards available to the Executive Directors under three different performance scenarios. • Limits to incentive plans and the basis for the Committee to use discretion are clearly set out.

Principle	Committee approach
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	• Variable pay comprises the majority of the Executive Directors' packages, with the individual limits and payout for different levels of performance set out in the policy on pages 96 to 98 and the scenario chart on page 100. • The performance conditions are aligned to strategy and the targets are set to be stretching to reward for delivering above-market returns. • The Committee retains discretion to override the formulaic outturns of incentives if the payout does not reflect broader Company performance and other factors.
Alignment to culture – incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	• The alignment of metrics to the medium and long-term strategy ensures behaviours consistent with the Company's purpose and values are being encouraged. • The presence of clawback and malus provisions discourages behaviours that are not consistent with the Company's purpose, values and strategy. • The Committee reviews the wider workforce pay and policies to ensure there is alignment with the Executive Directors' Remuneration Policy and that remuneration is designed to support the Company's people-centric culture. There is a broadly consistent cascade of the Remuneration Policy throughout the senior management team.

Consideration of Shareholder views

The Committee considers feedback from Shareholders received at each AGM, together with any feedback from additional meetings, as part of any review of Executive Director remuneration. In addition, the Committee engages proactively with Shareholders and their proxy advisers where any material changes to the Remuneration Policy are proposed and has done so during the year. During the period of consultation on revisions it wished to make to the Remuneration Policy, the Committee listened to the views of those it consulted with and amended the proposals put forward to address concerns raised.

Remuneration Policy

Subject to approval by Shareholders at the 2020 AGM, the Remuneration Policy of the Company is set out in the following table and will be applicable for three years commencing from the date of the AGM, 8 September 2020. Explanations of how each element operates and how each part links to the corporate strategy have been provided.

The changes to the new policy are as follows:

Pension

- The pension rate for new joiners will be aligned to the rate applying to the majority of the workforce.
- Current Executive Directors will have their pension value frozen at the equivalent of 14% of their 2019/20 base salary (so that any future salary increases will not result in higher pension contributions).
- Current Executive Directors will have their pension rate reduced to the percentage rate applying to the majority of the workforce at the end of the policy period.

Annual bonus

- Currently, the annual bonus is capped at 100% of base salary. The maximum opportunity has been increased to 125% of salary.
- The threshold level of payment will be at 15% of salary, increased from 0%.
- A deferred shares element has been added whereby, for any bonus paid above the target level of 75% of salary, half of the bonus will be deliverable in shares which must be held for at least three years.

Performance Share Plan

- The maximum limit in exceptional circumstances has been reduced from 250% to 200% of base salary.

Executive shareholding

- The shareholding guideline level will increase from 150% to 200% of base salary. Until this level is achieved, there is a requirement to retain not less than 50% of the net of tax value of any vested Performance Shares and any deferred annual bonus (after the holding period in each case).
- Post cessation of employment there will be a requirement to retain the lower of the level of shareholding at that time, or 200% of base salary, for two years (unless by genuine exception e.g. serious ill health). At the Committee's discretion, shares which have been purchased voluntarily may be excluded, so as not to discourage further self-purchases.

Remuneration continued

Directors' Remuneration Report continued

Remuneration Policy continued

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

Benefits	• Provided on a market-competitive basis, aids retention and follows the reward structure for all employees.	• Currently include, but are not limited to, the cost of:
		  • life assurance;
		  • private medical insurance;
		  • company car benefit (car, driver, car allowance, fuel); and/or
		  • overnight hotel accommodation where necessary to enable the executive to carry out his duties efficiently at the Head Office and other Company sites.
		• The benefits provided may be subject to amendment from time to time by the Committee within this policy.
		• Relocation costs and other incidental expenses may be provided as necessary and reasonable.
		• Benefits are not part of pensionable earnings.
			• The value of benefits varies from year to year depending on the cost to the Company and is not subject to a specific cap.
			• Benefit costs are monitored and controlled and represent a small element of total remuneration costs.

Pension	• To contribute towards the cost of living in retirement .	• Company contributions to a money purchase pension scheme. • Salary supplement where HMRC annual or lifetime allowances are exceeded.	• 14% of base salary based on the 2019/20 salaries for incumbents, which represents £61,964 and £48,363 per year for the CEO and GFD respectively. • Pension contributions for incumbents will reduce to the rate applying to the majority of the workforce at the end of the policy period. • Newly recruited Directors will receive a pension contribution in line with the rate applying to the majority of the workforce.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Annual bonus	• Drives and rewards the successful achievement of annual targets set at the start of the year.	• Performance targets based on the key performance indicators and strategic objectives of the business. • At least 70% of the bonus is based on financial metrics and the balance on non-financial strategic metrics. • Clawback and malus provisions apply for misstatement, error, misconduct, corporate failure or reputational damage. • For any bonus earned in excess of the target level, 50% will be paid in shares, which are beneficially owned and which must be held by the Executive Director for at least three years. • The Committee may use discretion to override the result of any formula-driven bonus payment.	• 75% of salary at year end payable at target performance. • 125% of salary at year end payable for maximum performance. • Bonuses start to be earned from 15% of salary for achieving threshold performance.
Long-term incentive (Performance Share Plan)	• To incentivise the executives and reward them for meeting stretching long-term targets linked to the business strategy. • To align the Directors' interests with those of Shareholders. • Facilitates share ownership to provide further alignment with Shareholders.	• Annual awards of Performance Shares with vesting subject to achievement of performance targets. Both the vesting and performance period will be over a minimum of three years. • The Committee will set targets each year based on long-term financial performance and/or a stock market-based metric. • 25% of the awards will vest at threshold performance under each performance condition. • Clawback and malus may be applied for misstatement, error, misconduct, corporate failure or reputational damage. • Vested awards must be held for a further two years before sale of the shares (other than to pay tax). • The Committee may use discretion to override the result of any formula-driven payment.	• The maximum normal award limit is 150% of salary. This limit may be exceeded in exceptional circumstances, e.g. recruitment, up to a limit of 200% of base salary. • Dividend equivalents may accrue on the PSP awards over the vesting period and would normally be paid out as shares in respect of the number of shares that have vested.
All-employee share schemes	• To encourage employee share participation.	• The Company may from time to time operate tax-approved share schemes (such as the HMRC-approved Share Incentive Plan (SIP)) for which Executive Directors could be eligible. • The SIP is open to all UK permanent staff employed for at least six months.	• The schemes are subject to the limits set by tax authorities.

Directors' Remuneration Report continued

Remuneration Policy continued

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Shareholding guideline	• To further align Executive Directors' interests with Shareholders'.	• The Committee has established shareholding guidelines which encourage the Executive Directors to build and retain a holding of Company shares equivalent to 200% of base salary. • Until the guideline is met in full, Executive Directors are expected to retain or acquire shares equivalent to the value of 50% of the net amount realised from exercise/vesting of share awards as appropriate after allowing for tax payable. • Post cessation of employment there will be a requirement to retain the lower of the level of shareholding at that time, or 200% of base salary, for two years (unless by genuine exception e.g. serious ill health). At the Committee's discretion, shares which have been purchased voluntarily may be excluded, so as not to discourage further self-purchases.	• Not applicable.
Non-Executive Director fees	• To remunerate the Chair and Non-Executive Directors.	• Reviewed annually. • Determined and reviewed taking into account time commitment, experience, knowledge and responsibilities of the role as well as market data for similar roles in other companies of a similar size and/or business to Oxford Instruments. • Out-of-pocket expenses including travel may be reimbursed by the Company in accordance with the Company's expenses policy including tax thereon "grossed up" as appropriate.	• There is no prescribed maximum or maximum annual increase.

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

There are no material differences in the structure of remuneration arrangements for the Executive Directors and senior management population, aside from quantum and participation levels in incentive schemes, which reflect the fact that a greater emphasis is placed on performance-related pay for Executive Directors and the most senior individuals in the management team. Outside the senior management team, the Company aims to provide remuneration structures for employees which reflect market norms, business and personal performance. The Committee is regularly apprised of the remuneration policy throughout the Company to ensure that decisions in relation to executive pay are considered in the round.

The objectives and targets for all employees are cascaded through the organisation each year to ensure alignment with the Company strategy. The bonus plans for the workforce are designed around the same performance metrics as those set for the Executive Directors. The structure of senior management bonuses and long-term incentive plans directly reflects those of the Executive Directors, with some measures being Group-wide and others specific to their areas of control. This alignment is explained to the workforce at the time that objectives and targets are set each year.

Choice of performance measures and approach to setting targets

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

The Committee sets appropriate and demanding targets for variable pay in the context of the Company's trading environment and strategic objectives. The targets for the annual bonus plan will be set each year with reference to the Company's budget and business and strategic plan. The Committee will review the performance conditions and targets for awards under the PSP each year prior to awards being made, taking account of the Company's internal financial planning, market forecasts and the business environment.

Discretions retained by the Committee in operating its incentive plans

The Committee may adjust the formula-driven outturn for an annual bonus or PSP performance condition in the event that the Committee considers that the quantum would be inappropriate in light of wider Company performance or overall Shareholder experience. Any such use of discretion would be detailed in the Annual Report on Remuneration in Part B and in the annual statement from the Chair of the Committee.

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

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

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

Legacy arrangements

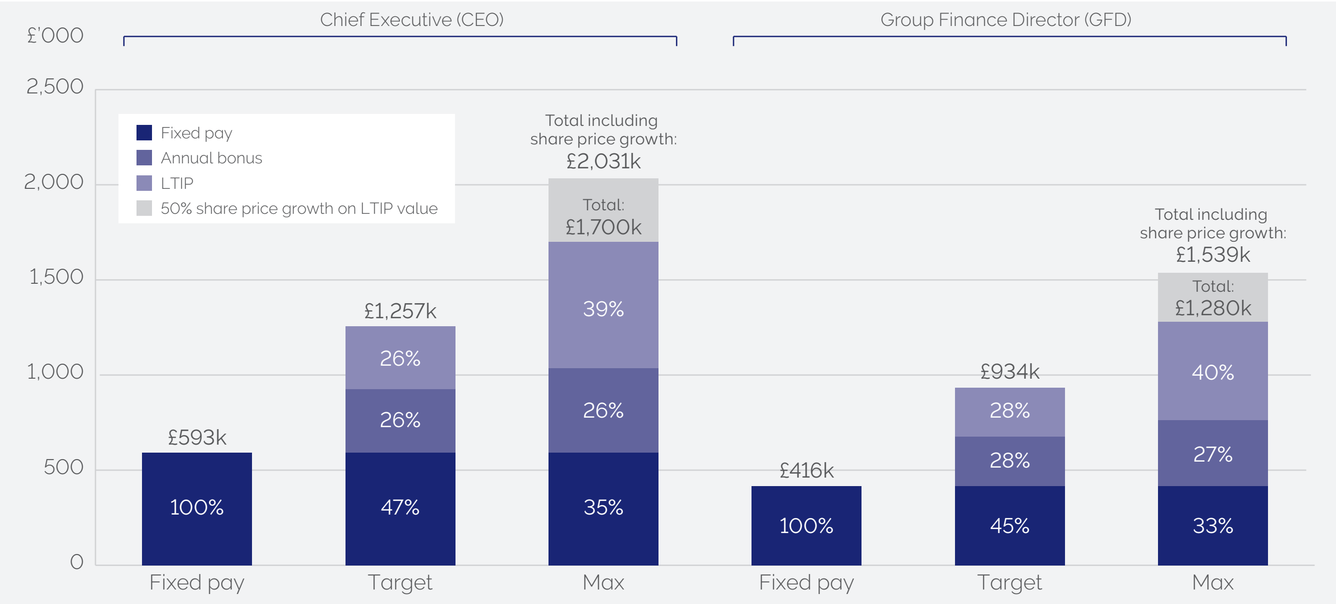
In approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting or exercise of past share awards) that have been disclosed to and approved by Shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

Directors' Remuneration Report continued

Remuneration scenarios for Executive Directors

The charts below show the level of remuneration potentially payable to Executive Directors under different performance scenarios for the financial year 2020/21 (see notes for assumptions):

Remuneration scenarios



Assumptions for charts above:

- Fixed pay comprises salary levels as at 1 July 2020, pension contribution of 14% and the value of benefits received in 2019/20.
- The on-target level of bonus is 75% of salary.
- The on-target level of vesting under the annual PSP is taken to be 50% of the face value of the award at grant, i.e. 75% of salary.
- The maximum level of bonus and vesting under the PSP is 100% of the bonus opportunity for 2019/20 and 100% of the face value of the PSP award at grant, i.e. 100% and 150% of salary, respectively.
- To show the impact of potential share price growth on the value of an Executive Director's package, the impact of share price growth of 50% on the PSP is used.

Recruitment and promotion policy for Executive Directors

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

The Company seeks to align the remuneration package with the Remuneration Policy approved by Shareholders, including the maximum plan limit for the long-term incentives and an annual bonus entitlement in line with that of the other Executive Directors. Salary is provided at such a level as required to secure the most appropriate candidate. For new appointments, base salary and total remuneration may be set initially at below normal market rates on the basis that it may be increased once expertise and performance has been proven and sustained.

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

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

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

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

Executive Directors' service contracts and policy on cessation

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

	Contract date	Unexpired term of contract
Ian Barkshire	11 May 2016	12-month rolling contract
Gavin Hill	9 February 2016	12-month rolling contract

Details of contractual terms and the policy on cessation of employment are summarised in the table below. Payments to departing Directors can only be made in line with this Shareholder-approved policy:

Contractual provision	Detailed terms
Notice period	Twelve months by the Company or by the Director.
Termination payment	A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, in the event of gross misconduct. For termination in other circumstances, the Company has a right to pay salary in lieu of the notice period (or part thereof) if it so determines. In addition, any statutory entitlements in connection with the termination would be paid as necessary, and, at the Committee's discretion if deemed necessary and appropriate, outplacement, legal fees and settlement of claims or potential compensation claims.
Remuneration entitlements	Pro-rata bonus may also become payable for the period of active service along with vesting for outstanding share awards or deferred bonus shares (in certain circumstances – see below).
Change of control	No Executive Director's contract contains additional provisions in respect of a change of control.

Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. The default treatment for existing awards is that any unvested awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, injury, ill health, disability, retirement or other circumstances at the discretion of the Committee, "good leaver" status may be applied. Under the 2014 PSP, awards to good leavers will vest on the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and normally be scaled back to reflect the proportion of the original vesting period actually served. In the event of a good leaver there would be no early release from a post-vest holding period (again, unless by genuine exception, for example serious ill health). The Committee has discretion in exceptional circumstances to disapply time pro-rating, to measure performance to, and vest awards at, the date of cessation. Vesting at cessation would be the default position where a participant dies. Deferred bonus shares are beneficially owned by the executive from the time of the bonus payment, so are not at risk of forfeiture (other than in relation to clawback).

External appointments

The Board encourages Executive Directors to accept one appropriate external non-executive appointment provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Director concerned may retain fees paid for these services, which will be subject to approval by the Board. Currently, the Executive Directors do not hold any outside directorships.

Non-Executive Directors

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

Non-Executive Directors do not have service contracts but are appointed under letters of appointment for an initial period of three years with subsequent reviews. Non-Executive Director appointments are now renewed for periods of one year, terminating at the next AGM. Their appointment can be terminated without notice and with no compensation payable on termination, other than accrued fees and expenses.

	Date of last appointment	Notice period
Neil Carson	1 December 2018	Rolling six months
Richard Friend	1 September 2014	None
Thomas Geitner	13 March 2017	None
Mary Waldner	4 February 2016	None
Steve Blair	1 July 2017	None

Directors' Remuneration Report continued

PART B: Annual Report on Remuneration

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

The Remuneration Committee (unaudited)

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

The role of the Committee includes:

- considering and determining the Remuneration Policy for the Executive Directors;
- within this agreed policy, considering and determining the various elements and total remuneration packages of each Executive Director of the Company;
- approving the structure and targets for all performance-related remuneration plans for executives as well as the overall payments made under such plans;
- reviewing and noting remuneration policy and trends across the Group and considering the Executive Directors' remuneration within this context; and
- determining the policy for pension arrangements, service agreements, recruitment terms and termination payments to Executive Directors.

The members of the Committee are appointed by the Board and currently comprise all the independent Non-Executive Directors: Thomas Geitner, Steve Blair, Richard Friend, Mary Waldner, and the Chair of the Board, Neil Carson. Thomas Geitner is the Chair of the Committee. All members served throughout the year.

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

The Committee acts within its agreed written terms of reference (which are published on the Company's website: **www.oxinst.com/investors**) and complies with the provisions of the 2018 UK Corporate Governance Code regarding remuneration.

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

During the year, the Committee fulfilled its duties, as laid down in the Committee's terms of reference, in line with the normal annual cycle of remuneration-related matters. In particular, there was a detailed review of the Remuneration Policy and consultation with major Shareholders and proxy agencies to ensure that they were supportive of our approach. At the end of the year, in light of the impact of the covid-19 pandemic on the business, there was significant thought given to whether the proposed new policy should be amended and how the previous and the new policy should be applied for the period that the business was being impacted.

Korn Ferry (KF) was the Committee's independent remuneration consultant during the year and continues with this appointment in 2020/21. KF is appointed by the Committee to provide advice on all aspects of executive remuneration as required by the Committee.

During the year KF also provided executive search related services to the Company through a separate part of the business. The Committee was comfortable that the controls in place at KF do not result in the potential for any conflicts of interest to arise.

KF is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres to the Code. During the year, KF had discussions with the Committee Chair on remuneration matters relevant to the Company and on how best their team can work with the Committee to meet the Company's needs.

Fees are charged predominately on a "time spent" basis. The total fees paid to KF for the advice provided to the Committee during the year were £55,783.25.

Directors' remuneration (audited)

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

Executive		Salary and fees £'000	Benefits[1] £'000	Pension[2] £'000	Annual bonus[3] £'000	Long-term incentive awards[4] £'000	Other[5] £'000	Total £'000
Ian Barkshire	**2020**	**440**	**88**	**55**	**279**	**976**	**1**	**1,839**
	2019	428	88	54	407	980	1	1,958
Gavin Hill	**2020**	**343**	**20**	**43**	**224**	**761**	**1**	**1,392**
	2019	334	22	42	324	765	1	1,488
Total	**2020**	**783**	**108**	**98**	**503**	**1,737**	**2**	**3,231**
	2019	762	110	96	731	1,765	2	3,446

1. "Benefits" comprise provision of a car or car allowance, health insurance, life assurance, overnight hotel accommodation where necessary to carry out duties at the Head Office of the Company and, for Ian Barkshire, provision of a driver to allow him to make best use of his commuting time. For the year to 31 March 2020, provision of a driver accounted for £66,534 (2019: £67,687) of the total benefits for Ian Barkshire.
2. Each Executive Director is entitled to receive a contribution to a money purchase pension scheme worth 14% of salary. Where the contractual pension contribution exceeds the annual or lifetime allowance, any balancing payment is made by the Company as a cash allowance which, in line with the policy for all UK employees, is paid net of employer's national insurance contributions.
3. "Annual bonus" represents the full annual bonus, payable in cash, for the year to 31 March 2020 and would usually be paid in the July 2020 payroll. In light of the current uncertainties around covid-19, the Committee has calculated the outturn of the bonus but has determined that it will only pay the bonus later in the year if the circumstances then merit it. The amount payable cannot be higher than this amount and if the amount is lower, this would be updated in next year's report.
4. "Long-term incentive awards" are those awards where the vesting is determined by performance periods ending in the year under review and therefore reports the value of the PSP award granted on 25 September 2017. The value has been determined using the average share price over the three months to 31 March 2020, £14.357. Further details of how these sums are arrived at are set out on pages 105 and 106. The share price used on grant of the 2017 PSP award was £9.605 and the total face value at grant of the vested number of shares is £630,374 for the CEO and £492,000 for the GFD. On vesting (based on an average share price for the last three months of the financial year) the share price was £14.357, giving a total vested award value of £942,250 for the CEO and £735,409 for the GFD. The value of the PSP award that has been attributable to share price growth is, therefore, £311,876 and £243,409 for the CEO and GFD respectively. Dividend equivalents have been added to arrive at the total figure included in the table above. The value of the prior year awards has been restated using the share price on the vesting date of 21 June 2019 of £12.10, giving a total vested award value, including dividend equivalents, of £979,773 (before restatement £778,960) for the CEO and £764,696 (before restatement £607,965) for the GFD.
5. The Company operates a Share Incentive Plan (SIP) which is open to all UK permanent staff employed for at least six months. "Other" is the value of matching SIP shares attributable to the year. In 2019/20, Ian Barkshire and Gavin Hill participated in the SIP up to the maximum extent permitted by HMRC. The Company offers a 1:5 match for partnership shares purchased by employees and this amounted to £360 each of matching shares for Ian Barkshire and Gavin Hill.

Non-Executive		Fees £'000	Benefits £'000	Pension £'000	Annual bonus £'000	Long-term incentive awards £'000	Total £'000
Neil Carson[1]	**2020**	**180**	**—**	**—**	**—**	**—**	**180**
	2019	60	—	—	—	—	60
Alan Thomson[2]	**2020**	**—**	**—**	**—**	**—**	**—**	**—**
	2019	57	—	—	—	—	57
Steve Blair[3]	**2020**	**57**	**—**	**—**	**—**	**—**	**57**
	2019	82	—	—	—	—	82
Richard Friend	**2020**	**50**	**—**	**—**	**—**	**—**	**50**
	2019	48	—	—	—	—	48
Thomas Geitner	**2020**	**57**	**—**	**—**	**—**	**—**	**57**
	2019	56	—	—	—	—	56
Mary Waldner	**2020**	**57**	**—**	**—**	**—**	**—**	**57**
	2019	56	—	—	—	—	56
Total	**2020**	**401**	**—**	**—**	**—**	**—**	**401**
	2019	359	—	—	—	—	359

1. Neil Carson was appointed Non-Executive Director and Chair of the Board on 1 December 2018.
2. Alan Thomson, Chair of the Board, passed away on 22 July 2018.
3. Steve Blair was Interim Chair of the Board from 23 July 2018 until 30 November 2018. His fees were uplifted to £130,000 per annum for this period.

Remuneration continued

Directors' Remuneration Report continued

External appointments (unaudited)

The Board encourages Executive Directors to accept one appropriate external non-executive appointment provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Director concerned may retain fees paid for these services, which will be subject to approval by the Board. There were no such appointments during the year.

Details of annual bonus earned in year (audited)

As in previous years, the Committee set stretching performance targets for the annual bonus which are clearly linked to the strategy and financial performance of the Group. The targets set and the achievement against them are set out in the table below. All financial targets are based on the numbers in the Financial Statements and have not been adjusted to exclude the impact of currency movements:

	Percentage of salary payable			Targets				
Measure	Threshold	On target	Maximum	Threshold £m	On target £m	Maximum £m	Actual[1] £m	Payout % of salary
Adjusted PBT	0%	30%	42.5%	48.6	51.6	53.6	49.5	9%
Adjusted operating profit margin	0%	15%	21.25%	15.1%	15.6%	16.0%	15.9%	19.69%
Cash conversion	0%	15%	21.25%	77.5%	82.5%	87.5%	124%	21.25%
Strategic objectives	0%	—	15%	—	—	—	See below	CEO 13% GFD 15%
								CEO 62.94%
								GFD 64.94%

1. The actual numbers reported for adjusted PBT and organic sales are adjusted for the impact of currency as described above.

The non-financial strategic objectives were set at the start of the year. Performance against them is set out. The Committee in its review noted the exceptional performance in achieving the Horizon strategy objectives, laying the foundations for future growth and agreed that, when taking into account all the circumstances, a bonus of 13% out of the total 15% of salary available was appropriate for Ian Barkshire and 15% out of the total 15% of salary available was appropriate for Gavin Hill. Details of the objectives and an assessment as to their achievement are set out below:

CEO objectives	Weighting	Achievements towards objectives/performance
Establish a sustainable leadership style, commensurate with higher capability management teams across the Group, to empower and enable a culture of accountability whilst ensuring the correct governance processes are in place to drive and improve Group performance.	2/3	• Upgraded the leadership talent pool with strong appointments to business unit senior leadership teams. • Developed personal leadership style significantly to enhance the effectiveness of the Group's organisational design and operational efficiency. 9 out of 10
Build on and expand effective investor relations across a range of relevant communities and geographies.	1/3	• The investor base is better addressed. • First investor roadshow held in US. 4 out of 5
Total	**100%**	**86.7%**

GFD objectives	Weighting	Achievements towards objectives/performance
Deliver the successful implementation of Connect in full within NanoAnalysis and X-Ray Technology. Complete the full business preparation for Connect to enable implementation in NanoScience in Q1 2021; and complete scoping, planning and begin business preparation for implementation at Plasma and Asylum in 2021.	1/2	• Good progress against timetable of implementation in a number of businesses and progress made in others. • All business information systems are aligned significantly, reducing the accounting and reporting effort. 7.5 out of 7.5
Continue to drive and lead the Equinox programme to deliver sustainable improvements in operational efficiency, strategic procurement and working capital; expand the project to deliver operational improvements in Asylum and XT.	1/2	• There has been a significant reduction in the number of suppliers, considerably improving efficiency and delivering enduring cost savings. • Operations across businesses have been made sustainable. • The work carried out under the Equinox programme put the Group in a better position to deal with the covid-19 pandemic. 7.5 out of 7.5
Total	**100%**	**100%**

The on-target and maximum bonus potentials for the Executive Directors, as well as the amounts actually payable for the year ended 31 March 2020, are set out below. The Committee has calculated the outturn of the bonus; however, in light of the current uncertainties around covid-19, it has determined that the bonus will only be paid later in the year if the circumstances then merit it. The amount payable cannot be higher than this amount and if the amount is lower, this would be updated in next year's report.

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2019/20 (% of salary)[1]	Actual bonus payable[1] for 2019/20 (£'000)
Ian Barkshire	75%	100%	62.94%	279
Gavin Hill	75%	100%	64.94%	224

1. Bonus is calculated on salary as at 31 March 2020.

Long-term incentive plans (audited)

The performance targets, performance against them and the resulting value in respect of the long-term incentive awards where vesting is determined by a performance period ending in 2019/20 are as follows:

Performance Share Plan (PSP)

The performance targets which applied to the awards made on 25 September 2017 for the performance period ending in the year under review and actual performance achieved against them were as follows:

50% of the award is based on EPS measured over a three-year performance period starting 1 April 2017:

Performance level	EPS growth required	% of award that will vest
Below threshold	Less than 4% per annum over three years	0%
Threshold	4% per annum over three years	25%
Between threshold and maximum	4% to 10% per annum over three years	25%-100%
Maximum	10% per annum and above over three years	100%
Actual EPS	70.2p	
Actual growth achieved over the period (per annum)	**19.5%**	**100%**

Directors' Remuneration Report continued

Long-term incentive plans (audited) continued

50% of the award is based on the Company's return on capital employed in the final year of the three-year performance period:

Performance level	ROCE[1] for the final year of the performance period	% of award that will vest
Below threshold	Less than 13%	0%
Threshold	13%	25%
Between threshold and maximum	Between 13% and 15.5%	25%-100%
Maximum	15.5% per annum and above	100%
Actual ROCE achieved in 2019/20	**26.1%[2]**	**100%**

1. ROCE is calculated as EBIT/average capital employed where EBIT is adjusted operating profit less amortisation of acquired intangibles, acquisition-related costs and changes in the mark-to-market values of financial instruments, and capital employed is the sum of net working capital and net book value of fixed assets, goodwill, intangible assets, investments in associates and excluding cash.
2. Actual ROCE achieved has been adjusted from 27.2% to remove the benefit from impairment of development intangibles.

Based on the performance against targets as set out above, the PSP awards will vest on 25 September 2020 as follows:

	Date award granted	Total number of shares granted	Percentage of award vesting	Number of shares vesting	Value[1] of shares vesting (£'000)	Number of shares awarded as dividend equivalent[2]	Value[1] of shares vesting including dividend equivalent (£'000)
Ian Barkshire	25 September 2017	65,630	100%	65,630	942	2,368	976
Gavin Hill	25 September 2017	51,223	100%	51,223	735	1,848	762

1. As the awards vest after the date of this report, value has been calculated using the average mid-market closing price of the Company's shares over the three-month period ending 31 March 2020, £14.357. This will be restated for the actual value on vesting in next year's report.
2. Dividend equivalents have been calculated based on dividends paid up until the date of this report. If dividends are payable between the date of this report and the vesting date, additional dividend equivalents will be awarded.

Performance Share Plan awards made in the year and outstanding share incentive awards (audited)

Awards made under the PSP on 15 July 2019 were as follows:

	Total number of shares granted	Percentage of salary	Share price on day before award date	Vesting date
Ian Barkshire	48,319	150%	£13.74	15 July 2022
Gavin Hill	37,713	150%	£13.74	15 July 2022

The awards are subject to two performance conditions measured over a three-year period commencing 1 April 2019. One half of each award is subject to a performance condition based on the Company's compound annualised earnings per share (EPS) growth. The other half of each award is subject to a performance condition based on the Company's return on capital employed in the final year of the performance period.

Vesting of 50% of the award is based on EPS measured over a three-year performance period starting 1 April 2019 as follows:

Performance level	EPS growth required	% of award that will vest
Below threshold	Less than 4% per annum over three years	0%
Threshold	4% per annum over three years	25%
Between threshold and maximum	4% to 12% per annum over three years	25%-100%
Maximum	12% per annum and above over three years	100%

Vesting of the other 50% of the award is based on return on capital employed (ROCE) for the final year of the three-year performance period starting 1 April 2019:

Performance level	ROCE[1] for the final year of the performance period	% of award that will vest
Below threshold	Less than 20.5%	0%
Threshold	20.5%	25%
Between threshold and maximum	Between 20.5% and 23.4%	25%-100%
Maximum	23.4% per annum and above	100%

1. ROCE is calculated as EBIT/average capital employed where EBIT is adjusted operating profit less amortisation of acquired intangibles, acquisition-related costs and changes in the mark-to-market values of financial instruments, and capital employed is the sum of net working capital and net book value of fixed assets, goodwill, intangible assets, investments in associates and excluding cash.

As at 31 March 2020, the outstanding options for Ian Barkshire and Gavin Hill under the Executive Share Option Scheme (ESOS) and the PSP[1] were as follows:

Name	Scheme	March 2020	Movements during the year: Granted	Exercised	Lapsed	Dividend equivalents[1]	March 2019	Exercise price	Share price on date of grant	Date of grant	Earliest exercise	Latest exercise
Ian Barkshire[2]	ESOS	**37,549**					37,549	£10.28	£10.31	15/06/15	15/06/18	14/06/25
	ESOS	**15,000**					15,000	£9.90	£9.87	14/12/11	14/12/14	13/12/21
	PSP	**80,973**			(6,005)	3,588	83,390	Nil	£7.34	21/06/16	21/06/19	20/06/26
	PSP	**65,630**					65,630	Nil	£9.58	25/09/17	25/09/20	24/09/27
	PSP	**64,613**					64,613	Nil	£10.10	03/07/18	03/07/21	02/07/28
	PSP	**48,319**	48,319				—	Nil	£14.00	15/07/19	15/07/22	14/07/29
Gavin Hill	PSP	**63,198**			(4,687)	2,800	65,085	Nil	£7.34	21/06/16	21/06/19	20/06/26
	PSP	**51,223**					51,223	Nil	£9.58	25/09/17	25/09/20	24/09/27
	PSP	**50,430**					50,430	Nil	£10.10	03/07/18	03/07/21	02/07/28
	PSP	**37,713**	37,713				—	Nil	£14.00	15/07/19	15/07/22	14/07/29

1. Dividend equivalents are awarded on PSP shares vesting, for the period to vesting, in respect of the actual number of shares vesting.
2. Ian Barkshire was appointed to the Board on 10 November 2015. His ESOS options were granted to him as an employee of the Company prior to his appointment to the Board.

The market price of the shares at 31 March 2020 was £12.80 (2018: £9.77) and the range during the year was £9.55-£16.54 (2019: £7.41-£10.96).

Performance conditions for outstanding awards are described below:

PSP	50% of award	50% of award
25 September 2017[2]	EPS growth – 4% p.a. (25% vesting) to 10% p.a. (100% vesting)	ROCE[1] in the final year of the performance period – 13% (25% vesting) to 15.5% (100% vesting)
3 July 2018[2]	EPS growth – 4% p.a. (25% vesting) to 12% p.a. (100% vesting)	ROCE[1] in the final year of the performance period – 16% (25% vesting) to 20% (100% vesting)
15 July 2019[2]	EPS growth – 4% p.a. (25% vesting) to 12% p.a. (100% vesting)	ROCE[1] in the final year of the performance period – 20.5% (25% vesting) to 23.4% (100% vesting)

1. ROCE is calculated as EBIT/average capital employed where EBIT is adjusted operating profit less amortisation of acquired intangibles, acquisition-related costs and changes in the mark-to-market values of financial instruments, and capital employed is the sum of net working capital and net book value of fixed assets, goodwill, intangible assets, investments in associates and excluding cash.
2. Three-year performance period commencing 1 April prior to date of grant.

Achievement of performance conditions (unaudited)

EPS and ROCE performance targets are tested using the audited accounts of the Company. Performance against targets and the resulting level of vesting is then verified by the Remuneration Committee.

Dilution limits (unaudited)

The Company's share plans provide that overall dilution through the issuance of new shares for employee share schemes should not exceed an amount equivalent to 10% of the Company's issued share capital over a ten-year period. The SIP scheme only uses market-purchased shares.

The Committee monitors the position prior to the making of any award under these share schemes to ensure that the Company remains within this limit. As at the date of this report, the Company's utilisation remains at 2.5%, within the available 10% headroom position.

Remuneration continued

Directors' Remuneration Report continued

Shareholding requirements (audited)

The Executive Directors are required to build and retain a shareholding in the Company equivalent in value to 150%[1] of basic salary. Until the requirement is met, the Executive Directors are expected to retain or purchase shares equivalent to the value of 50% of the net amount realised on exercise of long-term incentive awards after allowing for tax payable. The value of vested but unexercised PSP awards may count towards the shareholding level, calculated at the net of tax value.

Executive Directors' shareholdings as at 31 March 2020[1] are shown in the table below.

	Legally owned	PSP and ESOS awards vested but unexercised	Percentage of salary held in shares under shareholding guideline[2]	Guideline met as at 31 March 2020	Subject to performance conditions under the PSP unvested
Ian Barkshire	12,528	133,522	160%	Yes	178,563
Gavin Hill	6,046	63,198	147%	No	139,366

1. The Remuneration Policy being put to Shareholders at the 2020 AGM includes increasing the shareholding requirement from 150% to 200%.
2. The tax rate used to determine the net value of the vested PSP awards is 47%. Value of vested ESOS options excluded from percentage of salary held calculation.
3. Shares valued using the market price of the shares on 31 March 2020: £12.80.

Pension arrangements

Executive Director pension arrangements (audited)

Executive Directors can decide to contribute to a pension plan of their choice. The Company contributes a maximum of 14% of base salary. Only base salary is pensionable and contributions are not included in the calculation of bonus and share award entitlements. Where the Company's pension contribution exceeds the annual allowance, a balancing payment is paid by the Company to the Director, which is taxed as income. In line with the policy for all UK employees, this cash payment is reduced by 12.1% to cover employer's national insurance costs.

During the year, the Company contributed £10,000 (2019: £10,000) into the Company's Group Personal Pension Plan in respect of Ian Barkshire and £10,000 (2019: £10,000) into a personal defined contribution plan in respect of Gavin Hill. Balancing payments to 14% of base salary (net of employer's national insurance contributions) were paid as cash.

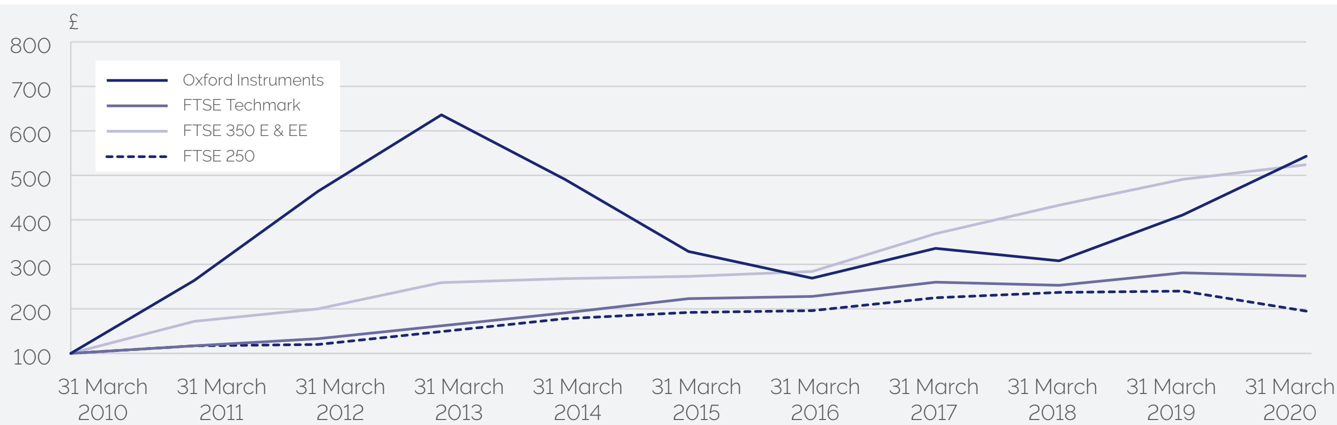
Ian Barkshire is a deferred member of the defined benefit pension scheme and is no longer accruing benefits in the scheme. In accordance with the rules of the scheme, his deferred benefits are subject to increases in line with statutory revaluation. The transfer value of his accrued benefits at 31 March 2020 was £958,367 (2019: £788,549).

Payments to past Directors and for loss of office (audited)

There were no payments to Directors for loss of office or any payments to past Directors.

Performance graph and CEO's remuneration (unaudited)

The graph below shows for the ten years ended 31 March 2020 the total shareholder return (TSR) on a holding of the Company's ordinary shares compared with a hypothetical holding of shares made up of shares of the same kind and number as those by reference to which the FTSE 250, FTSE Techmark and FTSE 350 Electronic and Electrical Equipment indices are calculated. These indices have been chosen as they are considered to be the most appropriate comparator groups for the Company. TSR has been calculated by reference to the relevant share price for each constituent company assuming dividends are reinvested.



This graph shows the value, by 31 March 2020, of £100 invested in Oxford Instruments plc on 31 March 2010 compared with the value of £100 invested in the FTSE 250, FTSE Techmark and FTSE 350 Electronic and Electrical Equipment indices. The other points plotted are the values at intervening financial year ends.

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

Year ending 31 March	2011	2012	2013	2014	2015	2016	2017[1] DJF	2017[1] IRB	2018	2019	**2020**
Total remuneration (£'000)	2,596	3,464	2,348	1,179	579	743	64	620	791	1,957	**1,839**
Annual bonus outcome (%)	100%	100%	69.1%	15.0%	7.5%	38.6%	0%	56.3%	63.7%	94.4%	**62.9%**
ESOS[2] vesting (%)	100%	100%	100%	100%	0%	0%	0%	N/A	N/A	N/A	**N/A**
SELTIS/PSP[2] vesting (%)	50%	100%	100%	100%	0%	0%	0%	N/A	N/A	92.8%	**100%**

1. 2016/17 financial year: remuneration shown separately for Jonathan Flint (DJF) who was CEO from 1 April to 11 May 2016 and Ian Barkshire (IRB) who was CEO from 12 May 2016 to 31 March 2017.
2. Executive Directors were last granted ESOS (market value share options) and SELTIS (nil cost options) in June 2014. PSP awards have been granted after June 2014 as the sole long-term incentive.

Ratio of Chief Executive pay to that of employees generally

The Chief Executive to employee pay ratio for 2019/20 is set out below:

Financial year	Method	25th percentile	50th percentile	75th percentile
2019/20	A	62.5:1	47.8:1	33.3:1

The pay for the CEO and the employees at the percentiles are set out below:

	CEO	25th percentile	50th percentile	75th percentile
Salary	£439,637	£27,364	£35,483	£51,187
Total pay	£1,838,605	£29,396	£38,502	£55,148

The ratios have been calculated in accordance with Option A under the relevant regulations, as this is the most statistically accurate method. The CEO pay is compared to the pay of our UK employees at the 25th, 50th and 75th percentile, calculated based on full-time equivalent pay data for the full financial year to 31 March 2020. All UK employees employed at the end of the financial year who had worked the full year have been included, part-time employees have been included and pay has been converted to a full-time equivalent number by calculating total part-time pay and grossing up to the full-time equivalent for the role. Accordingly, any employees that left the Company or joined during the year have been excluded.

The calculations use the pay for Ian Barkshire as disclosed in the single figure table. The pay for all UK employees comprises salary, benefits, pension and annual bonus payments due for 2019/20. None of the employees at the percentiles received share awards.

The Committee is satisfied the pay of the employees identified for the quartiles appropriately reflects the employee pay structure in each quartile and the resulting pay ratios are consistent with the pay, reward and progression policies in place for all employees.

Percentage change in the remuneration of the Executive Directors (unaudited)

The table below shows the percentage change in each of the CEO's and GFD's salaries, taxable benefits and annual bonus earned between 2018/19 and 2019/20, compared to that for the average UK-based employee of the Group (on a per capita full-time equivalent basis).

	CEO			GFD			Average employee pay[1]		
£'000	**2019/20**	2018/19	% change	**2019/20**	2018/19	% change	**2019/20**	2018/19	% change
Salary[2]	**439.6**	428.1	2.7%	**343.1**	334.1	2.7%	**42.0**	41.0	2.4%
Benefits	**87.9**	88.5	(0.7)%	**20.8**	22.3	(6.7)%	**1.5**	1.9	(21.1)%
Bonus[3]	**278.6**	406.8	(31.5)%	**224.3**	324.2	(30.8)%	**Not known[4]**	2.6	

1. Average employee includes all UK employees in service on 1 April 2018 and 31 March 2020 but excludes those who were on maternity leave, long-term sick leave and those who started or ended employment within the period.
2. The average pay increase across all employees in the UK in 2019/20 was 2.75%.
3. In light of the current uncertainties around covid-19, the Committee has calculated the outturn for the annual bonus for the Executive Directors but has determined that it will only pay the bonus later in the year if the circumstances then merit it, and this value is used in the table.
4. The Company has decided to defer the decision on when and to what extent it will pay bonuses to employees for the year to 31 March 2020 until after the printing of this report. It has therefore not been possible to calculate the value for the average employee.

Remuneration continued

Directors' Remuneration Report continued

Relative importance of the spend on pay

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

	Year ended 31 March 2020	Year ended 31 March 2019	% change
Employee costs (£m)[1]	**100.3**	93.6	7.2%
Dividends (£m)[2]	**0**	7.6	(100)%
Share buybacks (£m)	**0**	0.0	0%

1. Employee costs excludes those related to OI Service LLC, which was sold during the year. Last year's number has been restated.
2. On 30 March 2020, as part of the measures taken to mitigate the risks presented by the continued spread of covid-19, the Board announced the suspension of the interim dividend that was due to be paid on 14 April 2020 and that, at the time that this report was signed off, no final dividend has been declared.

Statement of Shareholder voting (unaudited)

At last year's AGM, the resolution to approve the Annual Report on Remuneration received the following votes from Shareholders:

Resolution	Votes for	Votes against	% for	% against	Votes marked as abstain
To approve the Annual Report on Remuneration	48,664,847	429,389	99.1	0.9	3,464

The resolution to approve the Directors' Remuneration Policy was passed at the AGM held in 2017 and received the following votes from Shareholders:

Resolution	Votes for	Votes against	% for	% against	Votes marked as abstain
To approve the Directors' Remuneration Policy	48,991,763	548,614	98.9	1.1	19,533

How the policy will be applied in 2020/21 (unaudited)

Base salaries

As set out in the Chair's Statement, at the time of writing, the Board, including the Executive Directors, has elected to take a temporary 20% salary or fee reduction. For the remainder of 2020/21, if the Committee and the Board consider that it is prudent to reinstate the full base pay for the Board, the Committee intends to increase the base salary for the CEO and GFD, in line with the average increase for the workforce generally, currently budgeted at 2%. The base salary increase for Executive Directors would be made at the same time as the increase for the wider workforce. The decision for a 2020/21 workforce increase has been similarly deferred, other than for those employees earning below a certain threshold.

Accordingly, the base salary levels will be as follows:

	Salary from 1 April – 5 April 2020	Temporarily reduced salary from 6 April 2020	Salary assuming a 2% increase is given alongside workforce increase
Ian Barkshire	£442,600	£354,080	£451,452
Gavin Hill	£345,450	£276,360	£352,359

Benefits and pension

These will be awarded in accordance with the approved policy. Benefits will be in line with those received in 2019/20. Pension will be 14% of the level of the (normal) salary rate for 2019/20.

Annual bonus

The maximum opportunity under the annual bonus plan for 2020/21 will remain at 100% of base salary for both the CEO and GFD, payable in cash up to the target level and then 50% in shares for any bonus earned in excess of the target payout level. Shares must be held for three years.

At the time of writing, it is intended that a combination of financial (85%) and non-financial strategic (15%) metrics will be used to determine the level of payment under the annual bonus for the CEO and GFD as detailed in the table below:

	Weighting as a % of opportunity	
Measure	On target	Maximum
Adjusted operating profit margin (%)	15%	21.25%
Profit (£m)	30%	42.5%
Cash conversion (%)	15%	21.25%
Strategic objectives	Up to 15%	

The performance targets will be determined later in the year and disclosed fully in next year's Annual Report on Remuneration.

Non-financial strategic targets have been agreed. For the CEO and GFD, these objectives are linked to providing agile leadership through and after the covid-19 pandemic and, for the CEO, developing engagement with progressive ESG standards and, for the GFD, delivering tangible improvements through operational excellence.

Long-term incentives in respect of the 2020/21 financial year

We anticipate that PSP awards will continue to be based 50% on ROCE and 50% on earnings per share. EPS will ensure a continued focus on growing profitability and ROCE provides a close link to the business strategy over the next few years to support and incentivise management to make the changes needed to our business portfolio by ensuring that there is efficient redeployment of our capital into higher margin and growth businesses. We intend to delay the grant of all long-term incentive awards until the second half of the financial year, once we have better visibility of our long-term financial performance, and will consider the grant levels and targets at that time. There will be full details of the grant and the performance conditions in the RNS announcement and in next year's Directors' Remuneration Report.

Non-Executive Directors' fees

The Chair's fee and the Non-Executive Directors' fees have been subject to the same 20% temporary reduction as the Executive Directors. At the time of writing, it is intended that the basic fee for Non-Executive Directors and the Chair will be increased in line with the average increase for the workforce generally and would be applied at the same time as for the workforce.

Accordingly, the fees will be as follows:

	Fees from 1 April-5 April 2020	Temporarily reduced fees from 6 April 2020	Fees assuming a 2% increase is given alongside workforce increase[1]
Board Chair	£180,000	£144,000	£183,600
Additional fee for Deputy Chair	£5,000	£4,000	£5,100
Basic fee	£50,050	£40,040	£51,050
Additional fee for Senior Independent Director	£7,500	£6,000	£7,650
Additional fee for Committee Chair	£7,500	£6,000	£7,650

1. As noted above, any increase will be applied later in the year, at the same time as for the workforce generally, and will be in line with the workforce increase, currently budgeted at 2%.

Approval

This report was approved by the Committee on 9 June 2020 and has been approved subsequently by the Board for submission to Shareholders at the Annual General Meeting to be held on 8 September 2020.

Thomas Geitner
Chair of the Remuneration Committee

9 June 2020

Relations with Shareholders

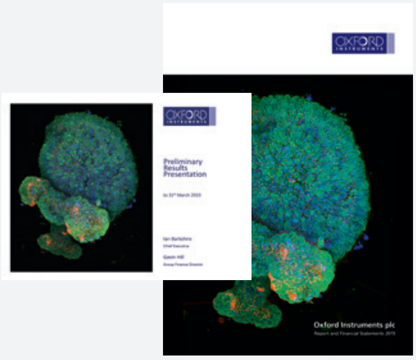
Financial calendar

31 March 2020	Financial year end
9 June 2020	Announcement of preliminary results
July 2020	Publication of Annual Report
8 September 2020	Annual General Meeting
10 November 2020	Announcement of half-year results
March 2021	Ordinary shares quoted ex-dividend
March 2021	DRIP last date for election
March 2021	Record date for interim dividend
31 March 2021	Financial year end

Investor publications

The Group website provides up-to-date information on corporate and investor news, as well as a wide range of additional supporting documentation.

The Company's Annual and Interim Reports are available to download from the website, alongside recent recordings of the City results presentations. Find out more online at **www.oxinst.com/investors**



Administrative enquiries concerning shareholdings

You may view your shareholding and dividend history, register to receive your dividends direct to your bank account or elect to re-invest your dividends and register a change of address online at **www.signalshares.com**. To register to use this facility you will need your Investor Code (IVC), which can be found on your share certificate, dividend confirmation statement or proxy card.

Administrative enquiries concerning shareholdings in Oxford Instruments plc, such as the loss of a share certificate, dividend payments, or a change of address, should be directed, in the first instance, to the Registrar, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Tel: +44 (0)371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales).

Email: shareholder.enquiries@linkgroup.co.uk

Website: **www.signalshares.com**

Correspondence should refer to Oxford Instruments plc and state clearly the registered name and address of the Shareholder. Please notify the Registrar promptly of any change of address.

Dividend bank mandates

If you wish dividends to be paid directly into a bank or building society account and notification to be sent to your Shareholder register address, please update your details via **www.signalshares.com** (you will need your Investor Code if you have not registered before). Alternatively, you can contact the Company's Registrar at the address given above for a dividend mandate form. Overseas holders can also choose to receive payment directly into their bank account or can be sent a draft in local currency. Further details on international payments are available at **http://ips.linkassetservices.com.**

Tel: +44 (0)371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales).

Website: **www.signalshares.com**

Duplicate share register accounts

If you are receiving more than one copy of our report, it may be that your shares are registered in two or more accounts on our register of members. If that was not your intention you might consider merging them into one single entry. Please contact Link Asset Services, who will be pleased to carry out your instructions.

Shareholder communications

Unless you have elected to continue to receive Shareholder communications by post, you will be notified by post or, where you have given us an email address for electronic notification, by email that Shareholder communications are available for viewing on the Company's website at **www.oxinst.com/investors**. The Company reserves the right to distribute any communication in hard copy if it deems this necessary.

Shareholder enquiries

Shareholders who have questions relating to the Group's business or who wish to have additional copies of the Report and Financial Statements should apply to:

Company Secretary

Oxford Instruments plc, Tubney Woods, Abingdon, Oxfordshire OX13 5QX
Tel: 01865 393200 Fax: 01865 393442
Email: info.oiplc@oxinst.com

Website: **www.oxinst.com**

Company registration

Registered office: Tubney Woods, Abingdon, Oxfordshire OX13 5QX
Registered in England number: 775598

Website: **www.oxinst.com**

Oxford Instruments has an extensive website which gives details of all its products and services, contact information, vacancies and latest news announcements. An interactive investor relations section gives information on recent trading reports, share price data and forthcoming events.

Link Share Dealing Services

A quick and easy share dealing service to either sell or buy shares in many leading UK companies is provided by Link Share Dealing Services. An online and telephone facility is available, providing our Shareholders with an easy-to-access and simple-to-use service. There's no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade "real time" at a known price which will be given to you at the time you give your instruction. To deal online or by telephone all you need is your surname, Investor Code (IVC) reference number, full postcode, your date of birth and National Client Identifier. Your Investor Code can be found on a recent share certificate, statement or tax voucher. Should you not be able to locate your IVC number, please contact Link Asset Services on +44 (0)371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales). Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service, or to buy and sell shares, please contact **www.linksharedeal.com** (online dealing) or +44 (0)371 664 0445 (telephone dealing). (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales). Full terms, conditions and risks apply and are available on request or by visiting **www.linksharedeal.com**.

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

Analysis of Shareholders as at 31 March 2020

Size of shareholding	Number of holders	% of total	Total holding	% of total
Up to 5,000 shares	1,816	86.35	1,074,206	1.87
5,001 to 50,000 shares	164	7.80	2,866,212	4.99
50,001 to 200,000 shares	36	1.71	2,505,801	4.36
Over 200,000 shares	87	4.14	50,988,544	88.77
Total	**2,103**	**100%**	**57,434,763**	**100%**

Report of the Directors

The Directors present their Report and the Financial Statements of Oxford Instruments plc for the year ended 31 March 2020.

Principal activity and business reviews

The Company is the ultimate holding company of a group of subsidiary undertakings (the "Group") engaged in the research, development, manufacture, rental, sale and service of high technology tools and systems and is a leading provider of high technology products, systems and tools to the world's leading industrial companies and scientific communities. The Company is required to set out in this report a true and fair view of the business of the Group during the financial year ended 31 March 2020, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group. The information which fulfils these requirements includes the Operations Review and Finance Review on pages 32 to 49 and the report on Corporate Responsibility on pages 56 to 67, which are incorporated in this report by reference. The operations, the strategic review, the Research and Development activities and likely future prospects of the Group are reviewed in the Strategic Report on pages 2 to 41.

Results and dividends

The results for the year are shown in the Consolidated Statement of Income on page 124. Following the uncertainty created by covid-19, the Board suspended the payment of the interim dividend of 4.1p. As a result of continued uncertainty, the Board has deferred a decision on payment of the interim dividend and proposal to declare a final dividend until the outcome of the disruption caused by covid-19 has been fully assessed. The dividend paid in 2018/19 was 14.4p per share.

Risks and uncertainties

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

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

There are a number of risks and uncertainties which may have a material effect on the Oxford Instruments Group. These are described in Principal Risks on pages 50 to 54.

Directors

Biographies of all the Directors at the date of this report, including the Non-Executive Directors, appear on pages 70 and 71. There have been no changes to the Board during the year to 31 March 2020.

Directors' conflicts of interest

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

Directors' interests

The beneficial interests of the Directors in the Company's share capital, all in fully paid up shares at 31 March 2020, are shown below.

Details of share options for the Executive Directors are shown in the Remuneration Report on pages 105 to 107.

	31 March 2020 Shares	31 March 2019 Shares
Ian Barkshire	**12,528**	12,388
Neil Carson	**8,000**	—
Steve Blair	**—**	—
Richard Friend	**—**	—
Thomas Geitner	**—**	—
Gavin Hill	**6,046**	5,906
Mary Waldner	**1,000**	1,000

No Director was beneficially interested in the shares of any subsidiary company at any time during the year.

In the year to 31 March 2020, no Director had a material interest in any contract of significance with the Company or any of its subsidiaries. Since the year end, there have been no changes to the above shareholdings apart from for Ian Barkshire and Gavin Hill, who each participate in the Oxford Instruments Share Incentive Plan and since the year end have each increased their beneficial holding by 24 shares.

Insurance cover and Directors' indemnities

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

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

Share capital

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

During the year to 31 March 2020, the Board issued 59,159 new shares (2019: nil) following the exercise of options under the Company's share option schemes. At 31 March 2020, the issued share capital of the Company was 57,434,763 ordinary shares of 5p each. In connection with the Company's equity incentive plans, a separately administered trust held 72,121 ordinary shares at 31 March 2020 (representing 0.13% of the total issued share capital of the Company). No shares in the Company were acquired by the Company during the year (2019: nil). Details of the share capital and options outstanding as at 31 March 2020 are set out in Notes 23 and 12 respectively to the Financial Statements.

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

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

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

Substantial shareholdings

The following are beneficial interests of 3% or more (where the holding is direct), or of 5% or more (where the holding is indirect), which have been notified to the Directors of the Company, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the Company's issued ordinary share capital, the only class of voting capital, at 2 June 2020:

Tax strategy

The Group's tax strategy supports the strategic objectives of the Group and applies equally to both UK and non-UK taxes and to all forms of tax. The Group pays a significant amount of tax to national and local governments, including taxes on employment, corporate taxes on profits, customs and excise duty on purchases, withholding taxes and environmental taxes. We also administer VAT and similar sales taxes charged to our customers and withholdings on payments made to our employees. The Group's tax strategy is published on the Group's website at **www.oxinst.com/investors-content/tax-strategy.**

Payment of suppliers

The Group does not follow a standard payment practice but agrees terms and conditions for its business transactions with each of its suppliers. Payment is then made in accordance with these terms. At 31 March 2020, trade creditors of the Company and the Group's UK subsidiaries were equivalent to 15 days (2019: 35) and 45 days (2019: 47) of purchases respectively, based on the amounts invoiced by suppliers during the year and the amounts owed to trade creditors at the end of the year.

	Direct/ indirect	Shares '000	% of total
Ameriprise Financial	Indirect/direct	7,484,658	13.0
BlackRock Investment Management (UK) Limited	Indirect	3,225,962	5.6
Sir MF and Lady KA Wood	Direct	3,015,530	5.3
Baillie Gifford & Co	Indirect	2,917,516	5.1
Artemis Investment Management LLP	Indirect	2,885,051	5.0

Report of the Directors continued

Charitable donations
During the year, the Group made charitable donations of £11,986 (2019: £3,441). There have been no political donations during the year.

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

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

Annual General Meeting
The Notice of the Annual General Meeting to be held on 8 September 2020 is set out in a letter to Shareholders together with explanatory notes relating to the resolutions.

External auditor
During the year, the Board undertook a competitive retender exercise for external audit services, following which it was determined that BDO LLP would be appointed for the financial year 2020/21 onwards. Further information on the tender exercise is in the Audit and Risk Committee Report on page 88. KPMG's appointment will cease following the report on the 2019/20 financial statements at the 2020 AGM. A resolution to appoint BDO LLP as auditor and to authorise the Directors to set their remuneration will be proposed at the Annual General Meeting.

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

Corporate governance
The Board reviews its work on corporate governance in the Corporate Governance Report on pages 69 to 79.

Financial risk management
Details of the Group's financial risk management objectives and policies, including the exposure to price, credit and liquidity risk, are set out in Note 21 to the Financial Statements.

Diversity and inclusion
The Board recognises that its employees are fundamental to the Group's success. The Group's aim is to ensure there are equal opportunities for all employees and that there is an inclusive culture where differences are valued and people are given the environment in which they can do their best work. Corporate Responsibility on pages 59 and 60 further describes how diversity and inclusion is managed within Oxford Instruments.

Greenhouse gas emissions
To meet the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, CO_2 emissions are reported on as part of our reporting on greenhouse gas emissions in Corporate Responsibility on page 64.

Material events
There were no material events since the year end to report.

By order of the Board

Susan Johnson-Brett
Company Secretary

9 June 2020

Directors' Responsibilities

in relation to the Report and Financial Statements

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

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU") and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

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

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

Signed on behalf of the Board

Ian Barkshire
Chief Executive

Gavin Hill
Group Finance Director

9 June 2020

Independent Auditor's Report

to the members of Oxford Instruments plc

1. Our opinion is unmodified

We have audited the financial statements of Oxford Instruments plc ("the Company") for the year ended 31 March 2020 which comprise the Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Parent Company Statement of Financial Position, Parent Company Statement of Changes in Equity, and the related notes, including the accounting policies set out on pages 130 to 136.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors in 1984. The period of total uninterrupted engagement is for the 37 financial years ended 31 March 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£1.7m (2019: £1.5m) 4.2% (2019: 4.0%) of Group normalised profit before tax from continuing operations	
Coverage	79% (2019: 81%) of Group profit before tax[1]	
Key audit matters		**vs 2019**
Recurring risks	The impact of uncertainties due to the UK exiting the European Union, on our audit	◀▶
	Completeness and accuracy of provisions in respect of intellectual property claims	◀▶
	Parent Company Recoverability of investments held by the parent company	◀▶
New risks	**New:** Going Concern – Disclosure quality	

1. This is the profit and losses as a percentage of total profits and losses that made up the Group profit before tax

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union, on our audit Refer to page 52 (principal risks), page 55 (viability statement) and page 83 (Audit Committee Report).	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks and uncertainties disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. **Sensitivity analysis:** When addressing areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. **Assessing transparency:** We considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** We found the resulting estimates and related disclosures, including disclosures in relation to going concern, to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.
Going Concern Refer to page 83 (Audit Committee Report), page 130 (accounting policy).	**Disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and Company's available financial resources over this period were: • A fall in demand due to reduced funding for academic customers in key markets and a deferral of capex for industrial customers as a result of covid-19; • The impact of covid-19 and Brexit on the Group's supply chain. There are also less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	**Our procedures included:** **Funding assessment:** Assessing the forecast cash position and the available committed facilities to understand the financial resources available to the Group and assessing the ability to comply with covenants during the forecast period. **Sensitivity analysis:** Considering sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively resulting from covid-19 and Brexit. **Historical comparisons:** Assessing historical forecasting accuracy, by comparing forecast cash flows to those actually achieved by the Group. **Assessing transparency:** Assessing the completeness and accuracy of the matters covered in the going concern disclosure by considering whether they reflect the position of the Group's financing and the risk associated with the Group's ability to continue as a going concern. **Our results** We found the disclosure without any material uncertainty to be acceptable.

	The risk	Our response
Completeness and accuracy of provisions in respect of intellectual property claims (£1.2 million; 2019: £1.8 million) Refer to page 83 (Audit Committee Report), page 130 (accounting policy) and page 165 (financial disclosures).	**Subjective estimate:** As a result of the complexity of products sold by the Group and regulations such as patent law and software licensing, the Group may infringe third party intellectual property resulting in claims arising. This could result in a material unrecorded provision for compensation required to be paid to third parties. Settling disputes between parties can take a number of years with outcomes difficult to predict. The effect of these matters is that, as part of our risk assessment, we determined that provisions in respect of intellectual property claims have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 27) disclose the sensitivity estimated by the Group.	**Our procedures included:** **Personnel interviews:** Enquiring with the Group's internal legal counsel and business unit managers regarding new and previously unrecorded intellectual property claims and the likelihood of the claims requiring a provision. **Compliance data scrutiny:** Inspecting the Group's litigation register and correspondence between the group and other parties, including legal advisers, for claims where no provision is recognised and assessing whether a provision is required for these claims. **Our sector experience:** Challenging the reasonableness of the key assumptions made by the Group and likelihood of an outflow of resources against our own expectations based on our historical knowledge, experience and understanding and our review of correspondence with third parties. **Enquiry of lawyers:** Enquiring with the Group's external legal advisers, having assessed their experience and competence, in respect of open matters of litigation regarding the likelihood of an outflow of resources. **Assessing transparency:** Assessing whether the Group's disclosures regarding the range of possible outcomes appropriately reflect the risks identified. **Our results** We found the level of provisions in respect of intellectual property claims to be acceptable (2019: acceptable).
Recoverability of investments held by the parent Company (£322.2 million; 2019: £321.1 million) Refer to page 175 (accounting policy) and page 176 (financial disclosures).	**Low risk/high value:** The carrying amount of the parent Company's investments in subsidiaries represents 68% (2019: 83%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	**Our procedures included:** **Tests of detail:** Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit team for a sample of subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. **Comparing valuations:** For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on a suitable multiple of the subsidiaries' profit. **Our results** We found the Group's assessment of the recoverability of the investment in subsidiaries to be acceptable (2019: acceptable).

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

Materiality for the Group financial statements as a whole was set at £1.7m (2019: £1.5m), determined with reference to a benchmark of profit before tax from continuing operations normalised to exclude profit on disposal of associate, adjustments relating to defined benefit pension schemes, impairment of capitalised development costs and the fair value movement on financial derivatives as disclosed in Note 1 (2019: with reference to a benchmark of profit before tax from continuing operations normalised to exclude restructuring costs – relating to associate, share of impairment reversal recognised by associate, past service costs, loan note make-whole payment and mark to market movements in respect of derivative financial instruments as disclosed in Note 1). Total profits and losses that made up normalised Group profit before tax from continuing operations is calculated as £39.5m (2019: £37.9m) of which materiality represents 4.2% (2019: 4.0%).

Materiality for the parent Company financial statements as a whole was set at £1.1m (2019: £1.0m), determined with reference to a benchmark of Company total assets, of which it represents 0.2% (2019: 0.3%).

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £85,000 (2019: £75,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 72 (2019: 74) reporting components, we subjected 9 (2019: 11) to full scope audits for group purposes and 2 (2019: 3) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

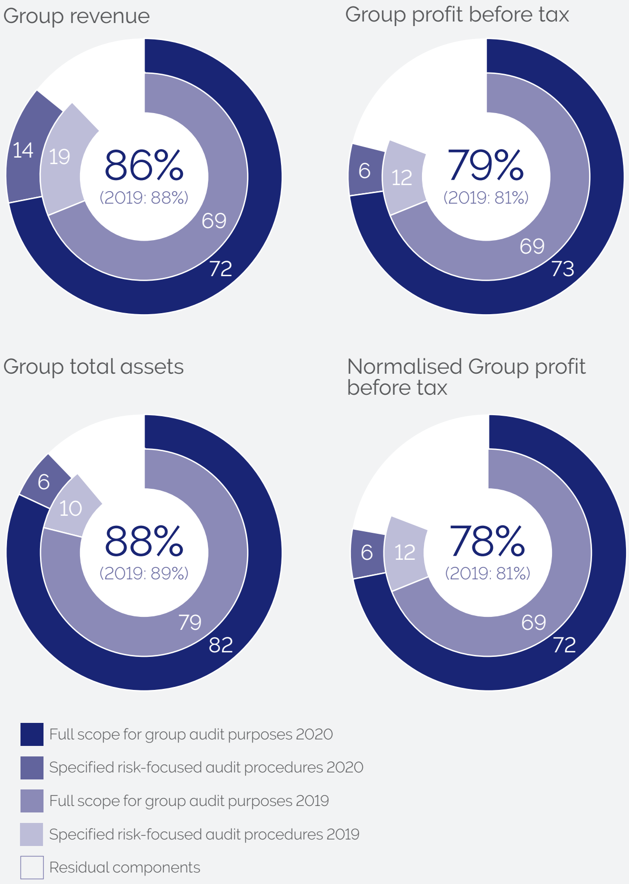
The Group team performed procedures on the items excluded in determining normalised Group profit before tax.

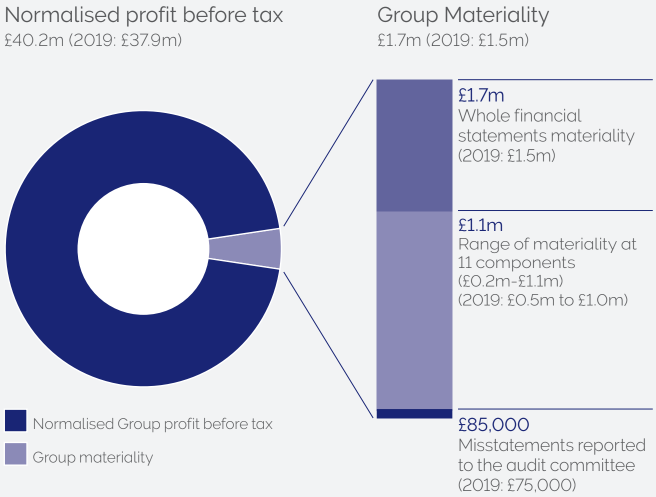
The components within the scope of our work accounted for the percentages indicated opposite.

The remaining 14% of total Group revenue, 21% of Group profit before tax, 12% of total Group assets and 22% of normalised Group profit before tax is represented by 61 (2019: 60) reporting components, none of which individually represented more than 4% of any of total Group revenue, Group profit before tax, total Group assets or normalised Group profit before tax. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.2m to £1.1m (2019: £0.5m to £1.0m), having regard to the mix of size and risk profile of the Group across the components. The work on 5 of the 11 components (2019: 7 of the 14 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

The Group team visited 0 (2019: 1) component locations (2019: UK) to confirm appropriate execution of the audit strategy and plan and inspect their findings. Telephone conference meetings were held with these component auditors and all others that were not physically visited. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.





4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

4. We have nothing to report on going concern continued

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 49 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and uncertainties and longer-term viability

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

- the directors' confirmation within the viability statement on page 55 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 117, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities.**

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements, including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines. We identified the following areas as those most likely to have such an effect: international trading regulations, health and safety, anti-bribery and employment law, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mike Barradell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

9 June 2020

Consolidated Statement of Income

Year ended 31 March 2020

	Note	2020 Adjusted £m	2020 Adjusting items[1] £m	2020 Total £m	2019 as restated[2] Adjusted £m	2019 as restated[2] Adjusting items[1] £m	2019 as restated[2] Total £m
Revenue	3	**317.4**	**—**	**317.4**	314.0	—	314.0
Cost of sales		**(158.6)**	**(0.4)**	**(159.0)**	(154.7)	—	(154.7)
Gross profit		**158.8**	**(0.4)**	**158.4**	159.3	—	159.3
Research and Development	5	**(26.6)**	**(7.1)**	**(33.7)**	(24.8)	—	(24.8)
Selling and marketing		**(47.7)**	**—**	**(47.7)**	(48.5)	—	(48.5)
Administration and shared services		**(34.7)**	**(8.3)**	**(43.0)**	(37.3)	(9.1)	(46.4)
Share of profit of associate, net of tax		**0.7**	**6.5**	**7.2**	0.2	0.3	0.5
Foreign exchange loss		**—**	**(1.4)**	**(1.4)**	(1.2)	(1.5)	(2.7)
Operating profit		**50.5**	**(10.7)**	**39.8**	47.7	(10.3)	37.4
Financial income		**0.3**	**—**	**0.3**	0.3	—	0.3
Interest charge on pension scheme net liabilities		**—**	**—**	**—**	(0.3)	—	(0.3)
Other financial expenditure		**(1.3)**	**—**	**(1.3)**	(2.2)	(0.9)	(3.1)
Financial expenditure		**(1.3)**	**—**	**(1.3)**	(2.5)	(0.9)	(3.4)
Profit/(loss) before income tax	3	**49.5**	**(10.7)**	**38.8**	45.5	(11.2)	34.3
Income tax (expense)/credit	13	**(9.3)**	**2.5**	**(6.8)**	(9.9)	3.4	(6.5)
Profit/(loss) for the year from continuing operations		**40.2**	**(8.2)**	**32.0**	35.6	(7.8)	27.8
(Loss)/profit from discontinued operations after tax	7	**(0.5)**	**2.3**	**1.8**	1.5	0.7	2.2
Profit/(loss) for the year attributable to equity holders of the parent		**39.7**	**(5.9)**	**33.8**	37.1	(7.1)	30.0

Earnings per share	Note	2020 Adjusted pence	2020 Total pence	2019 Adjusted pence	2019 Total pence
Basic earnings per share	2				
– From continuing operations		**70.2**	**55.9**	62.3	48.6
– From discontinued operations		**(0.9)**	**3.1**	2.6	3.8
From profit for the year		**69.3**	**59.0**	64.9	52.4
Diluted earnings per share	2				
– From continuing operations		**69.5**	**55.3**	61.7	48.2
– From discontinued operations		**(0.9)**	**3.1**	2.6	3.8
From profit for the year		**68.6**	**58.4**	64.3	52.0
Dividends per share	14				
– Dividends paid			**14.4**		13.3
– Dividends proposed[3]			**—**		14.4

1. Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in Note 1.
2. Details of restatement of prior period numbers can be found in the Accounting Policies.
3. Payment of the interim dividend which was proposed by the Board on 12 November 2019 has been suspended until further notice.

The attached notes form part of these Financial Statements.

Consolidated Statement of Comprehensive Income

Year ended 31 March 2020

	2020 £m	2019 £m
Profit for the year	**33.8**	30.0
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange translation differences	**2.5**	4.2
Net cumulative foreign exchange gain on disposal of subsidiaries recycled to the Income Statement	**(4.4)**	—
Items that will not be reclassified to profit or loss		
Remeasurement gain in respect of post-retirement benefits	**26.8**	2.5
Tax charge on items that will not be reclassified to profit or loss	**(5.1)**	(0.5)
Total other comprehensive income	**19.8**	6.2
Total comprehensive income for the year attributable to equity Shareholders of the parent	**53.6**	36.2

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 £m	2019 £m
Assets			
Non-current assets			
Property, plant and equipment	15	**21.8**	24.2
Right-of-use assets	28	**8.2**	8.8
Intangible assets	16	**135.5**	152.5
Investment in associate	6	**—**	4.6
Long-term receivables	19	**—**	0.3
Retirement benefit asset	25	**30.7**	—
Deferred tax assets	17	**17.3**	15.3
		213.5	205.7
Current assets			
Inventories	18	**58.8**	60.8
Trade and other receivables	19	**71.1**	78.3
Current income tax receivable		**0.2**	2.4
Derivative financial instruments	22	**0.9**	1.1
Cash and cash equivalents	20	**95.4**	35.2
		226.4	177.8
Total assets		**439.9**	383.5
Equity			
Capital and reserves attributable to the Company's equity Shareholders			
Share capital	23	**2.9**	2.9
Share premium		**62.2**	61.7
Other reserves		**0.2**	0.2
Translation reserve		**11.5**	13.4
Retained earnings		**174.8**	124.0
		251.6	202.2
Liabilities			
Non-current liabilities			
Bank loans	24	**—**	27.9
Lease payables	28	**6.5**	6.0
Retirement benefit obligations	25	**—**	6.5
Derivative financial instruments	22	**0.9**	—
Provisions	27	**0.9**	1.1
Deferred tax liabilities	17	**10.2**	6.3
		18.5	47.8
Current liabilities			
Bank loans and overdrafts	24	**27.9**	0.6
Trade and other payables	26	**125.1**	116.9
Lease payables	28	**2.1**	3.0
Current income tax payables		**4.6**	4.3
Derivative financial instruments	22	**2.6**	1.1
Provisions	27	**7.5**	7.6
		169.8	133.5
Total liabilities		**188.3**	181.3
Total liabilities and equity		**439.9**	383.5

The Financial Statements were approved by the Board of Directors on 9 June 2020 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 2020

	Share capital £m	Share premium £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
As at 1 April 2019	2.9	61.7	0.2	13.4	124.0	202.2
Total comprehensive income/(expense):						
Profit for the year	**—**	**—**	**—**	**—**	**33.8**	**33.8**
Other comprehensive income/(expense):						
– Foreign exchange translation differences	**—**	**—**	**—**	**2.5**	**—**	**2.5**
– Net cumulative foreign exchange gain on disposal of subsidiaries recycled to the Income Statement	**—**	**—**	**—**	**(4.4)**	**—**	**(4.4)**
– Remeasurement gain in respect of post-retirement benefits	**—**	**—**	**—**	**—**	**26.8**	**26.8**
– Tax charge on items that will not be reclassified to profit or loss	**—**	**—**	**—**	**—**	**(5.1)**	**(5.1)**
Total comprehensive (expense)/income attributable to equity Shareholders of the parent	**—**	**—**	**—**	**(1.9)**	**55.5**	**53.6**
Transactions with owners recorded directly in equity:						
– Proceeds from exercise of share options	**—**	**—**	**—**	**—**	**0.2**	**0.2**
– Credit in respect of employee service costs settled by award of share options	**—**	**—**	**—**	**—**	**3.1**	**3.1**
– Tax credit in respect of share options	**—**	**—**	**—**	**—**	**0.2**	**0.2**
– Proceeds from shares issued	**—**	**0.5**	**—**	**—**	**—**	**0.5**
– Dividends	**—**	**—**	**—**	**—**	**(8.2)**	**(8.2)**
Total transactions with owners recorded directly in equity:	**—**	**0.5**	**—**	**—**	**(4.7)**	**(4.2)**
As at 31 March 2020	**2.9**	**62.2**	**0.2**	**11.5**	**174.8**	**251.6**
As at 1 April 2018	2.9	61.7	0.2	9.2	105.6	179.6
Impact of adoption of IFRS 15	—	—	—	—	(7.2)	(7.2)
	2.9	61.7	0.2	9.2	98.4	172.4
Total comprehensive income/(expense):						
Profit for the year	—	—	—	—	30.0	30.0
Other comprehensive income/(expense):						
– Foreign exchange translation differences	—	—	—	4.2	—	4.2
– Remeasurement gain in respect of post-retirement benefits	—	—	—	—	2.5	2.5
– Tax charge on items that will not be reclassified to profit or loss	—	—	—	—	(0.5)	(0.5)
Total comprehensive income attributable to equity Shareholders of the parent	—	—	—	4.2	32.0	36.2
Transactions with owners recorded directly in equity:						
– Proceeds from exercise of share options	—	—	—	—	0.2	0.2
– Credit in respect of employee service costs settled by award of share options	—	—	—	—	0.8	0.8
– Tax credit in respect of share options	—	—	—	—	0.2	0.2
– Proceeds from shares issued	—	—	—	—	—	—
– Dividends	—	—	—	—	(7.6)	(7.6)
Total transactions with owners recorded directly in equity:	—	—	—	—	(6.4)	(6.4)
As at 31 March 2019	2.9	61.7	0.2	13.4	124.0	202.2

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.

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 72,121 (2019: 152,710) of its own shares in an employee benefit trust. The cost of these shares is included within retained earnings.

Consolidated Statement of Cash Flows

Year ended 31 March 2020

	Note	2020 £m	2019 £m
Profit for the year		**33.8**	30.0
Profit for the year from discontinued operations	7	**(1.8)**	(2.2)
Profit for the year from continuing operations		**32.0**	27.8
Adjustments for:			
Income tax expense	13	**6.8**	6.5
Net financial expense		**1.0**	3.1
Fair value movement on financial derivatives		**1.4**	1.5
Restructuring costs		**0.2**	—
Restructuring costs – relating to associate		**—**	0.3
Adjustments relating to defined benefit pension schemes		**(0.6)**	0.3
Share of impairment recognised by associate		**—**	(0.6)
Profit on disposal of associate	6	**(6.5)**	—
Impairment of inventory		**0.4**	—
Impairment of capitalised development costs		**7.1**	—
Amortisation of acquired intangibles	16	**8.7**	8.8
Depreciation of right-of-use assets	28	**3.4**	2.7
Depreciation of property, plant and equipment	15	**3.5**	3.0
Amortisation of capitalised development costs	16	**2.7**	3.5
Amortisation of capitalised software costs	16	**0.3**	0.3
Adjusted earnings before interest, tax, depreciation and amortisation		**60.4**	57.2
Loss on disposal of plant, property and equipment		**—**	0.2
Charge in respect of equity settled employee share schemes	12	**3.1**	0.8
Share of profit of associate		**(0.7)**	(0.2)
Restructuring costs paid		**(0.6)**	(0.7)
Cash payments to the pension scheme more than the charge to operating profit		**(10.0)**	(7.1)
Operating cash flows before movements in working capital		**52.2**	50.2
Increase in inventories		**(2.3)**	(5.4)
Decrease/(increase) in receivables		**3.3**	(3.6)
Increase in payables and provisions		**2.5**	4.7
Increase in customer deposits		**6.6**	7.1
Cash generated from operations		**62.3**	53.0
Interest paid		**(1.0)**	(3.5)
Income taxes paid		**(6.1)**	(8.7)
Net cash from operating activities – continuing operations		**55.2**	40.8
Net cash from operating activities – discontinued operations	7	**—**	3.3
Net cash from operating activities		**55.2**	44.1

	Note	2020 £m	2019 £m
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**0.1**	—
Acquisition of property, plant and equipment		**(4.4)**	(4.9)
Acquisition of intangible assets		**—**	(2.2)
Net cash flow on disposal of associate		**11.7**	—
Capitalised development expenditure		**(2.8)**	(3.5)
Decrease in long-term receivables		**1.4**	1.1
Interest received		**—**	0.3
Net cash generated from/(used in) investing activities – continuing operations		**6.0**	(9.2)
Net cash generated from investing activities – discontinued operations	7	**8.7**	0.8
Net cash generated from/(used in) investing activities		**14.7**	(8.4)
Cash flows from financing activities			
Proceeds from issue of share capital		**0.5**	—
Proceeds from exercise of share options		**0.2**	0.2
Payments made in respect of lease liabilities	28	**(3.3)**	(2.7)
Repayment of borrowings		**(0.6)**	(11.5)
Dividends paid		**(8.2)**	(7.6)
Net cash used in financing activities – continuing operations		**(11.4)**	(21.6)
Net cash used in financing activities – discontinued operations	7	**—**	(0.5)
Net cash used in financing activities		**(11.4)**	(22.1)
Net increase in cash and cash equivalents		**58.5**	13.6
Cash and cash equivalents at beginning of the year		**35.2**	20.7
Effect of exchange rate fluctuations on cash held		**1.7**	0.9
Cash and cash equivalents at end of the year	20	**95.4**	35.2

Accounting Policies

Year ended 31 March 2020

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

The Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). The Company has elected to prepare its Parent Company Financial Statements in accordance with FRS 101; these are presented on pages 169 to 179.

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

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

The relatively diverse nature of the Group, together with its current financial strength, provides a solid foundation. In particular, as at 31 March 2020, the Group had net cash of £67.5m and undrawn committed banking facilities of £105m which expire in June 2023. The Group has prepared a downside risk profit and cash flow forecast on a monthly basis covering the period to 30 September 2021. The risks applied include uncertainty due to covid-19 in addition to those risks identified during the Group's ongoing risk management process. This analysis showed that the Group would be able to operate well within its cash balance with no need to draw on the committed facilities. Those facilities are expected to remain available and the modelling confirms that covenants will not be breached. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. Further information on the Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategy section on pages 2 to 67. The financial position of the Group, its cash flows, liquidity position and borrowing facilities, are described in the Finance Review on pages 42 to 49 and in the Viability Statement on page 55.

During the year, the Directors reviewed the classification of costs in the Income Statement with a particular focus on whether items are reported within cost of sales or operating expenses. As a result of this review a number of reclassifications were made, the most significant being that outward freight costs and commissions paid to employees and external agents are better presented within cost of sales rather than within selling and marketing expenses. The Directors consider this to be a better presentation since gross margin is now a clearer indicator of commercial performance and overheads a clearer indicator of cost control. Consequently, the previously published figures for the year to 31 March 2019 have been restated. The effect on the year to 31 March 2019 has been to increase cost of sales by £10.0m and reduce research and development costs by £0.6m, selling and marketing costs by £9.2m and administration and shared services by £0.2m. There is no impact on any other primary statement at any reporting date.

The Financial Statements were authorised for issuance on 9 June 2020.

(a) New accounting standards

No new accounting standards have been adopted during the year.

(b) Significant estimates and judgements

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Significant judgements

In the opinion of the Group there are no judgements made in the preparation of the Financial Statements in respect of which taking a different view would have a material impact on the Financial Statements.

Significant estimates

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Two key areas where estimates have been used and assumptions applied have been identified as follows.

Measurement of defined benefit pension scheme liabilities

The Group recognises and measures costs relating to defined benefit pension schemes in accordance with IAS 19 (Revised) Employee Benefits. In applying IAS 19 (Revised) the costs are assessed in accordance with the advice of independent qualified actuaries. The significant assumptions in determining the IAS 19 liability include the selection of an appropriate discount rate, inflation and mortality rates. The factors affecting these assumptions are influenced by wider macro-economic factors that are largely outside of the Group's control. A sensitivity analysis is set out in Note 25.

Provisions for IP-related claims

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

Key assumptions surrounding estimation uncertainty relate to licence fees surrounding any product-related intellectual property claims (see Note 27).

(c) Basis of preparation and consolidation

The Financial Statements are presented in Sterling, rounded to the nearest £0.1m and are prepared on the historical cost basis except as described below under the heading "(e) Financial instruments".

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

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

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

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

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

(d) Foreign currency

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

(e) Financial instruments

Financial assets and liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Derivative financial instruments of the Group are used to hedge its exposure to foreign currency risks arising from operational, financing and investment activities.

The Group does not hold or issue derivative financial instruments for trading purposes. All derivatives are initially recognised at fair value; attributable transaction costs are recognised in profit or loss as incurred. Foreign exchange contracts are classified as "fair value through profit and loss" under IFRS 9. Subsequent to initial recognition, derivatives are measured at fair value and gains or losses on the settlement of such derivatives are recognised in operating expenses. Where such derivatives relate to the following year's exposure, any gains or losses resulting from the change in fair value are recognised as an adjusting item in operating expenses.

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

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

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

(f) Property, plant and equipment

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

Freehold buildings, long leasehold land and buildings	50 years
Furniture and fittings	10 years
Machinery and other equipment	5 to 10 years
Computer equipment	4 years
Vehicles	4 years

For leasehold improvements, where the length of the lease is less than the principal estimated economic lives noted above, the length of the lease is used.

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

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

(g) Intangible assets

(i) Goodwill

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

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

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

(ii) Development costs

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

(iii) Acquired intangible assets

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

(iv) Amortisation

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

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

(h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently stated at their amortised cost less appropriate provision for impairment. The provision for impairment of receivables is based on lifetime expected credit losses. Lifetime expected credit losses are calculated by assessing historic credit loss experience. The movement in the provision is recognised in the Consolidated Income Statement.

(i) Inventories

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

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

(j) Cash and cash equivalents

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

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

(k) Impairment of non-current assets

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

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

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

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

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

(l) Employee benefits

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

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

(iii) Share-based payment transactions

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

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

Accounting Policies continued

Year ended 31 March 2020

(m) Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for warranty and product-related liability is recognised when the underlying products are sold.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

A provision for a claim or dispute is made when it is considered probable that an adverse outcome will occur and the amount of the loss can be reasonably estimated.

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

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

(n) Trade and other payables

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

(o) Government grants

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

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

(p) Interest-bearing borrowings

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

(q) Revenue

Revenue is recognised in the Consolidated Statement of Income when the performance conditions in the contract with the customer are met.

In most cases where the contract includes the sale of both a product and installation then the sale of the product and the related installation are treated as two separate performance conditions. This is because the Group considers that the customer is able to benefit from the product even if the Group does not supply installation, i.e. it would be possible for them to arrange installation by a third party. Revenue in respect of the product is recognised when control passes to the customer, which is normally upon shipment of the product. Revenue in respect of installation is recognised when the customer confirms acceptance of the installation.

Revenue is allocated between the product and installation based on the margin expected for each component. In general, a higher margin will be applied to the product since the greater value add to the customer is in the design and manufacture of the product.

In the NanoScience business certain contracts for the sale of more complex systems are deemed to comprise just one performance condition, which is met when the customer confirms acceptance of the installed product at their premises. Accordingly, revenue is recognised in its entirety on completion of installation.

In the Service & Healthcare segment, revenue for maintenance and support is recognised on a pro-rata basis over the length of the contract period. Revenue relating to the rental of machinery is recognised on a straight-line basis over the life of the lease. Where the Service & Healthcare segment makes asset sales, similar considerations as those set out for the Materials & Characterisation and Research & Discovery segments are applied.

Revenue excludes value added tax and similar sales-based taxes and is stated before commission payable to agents.

(r) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Tax positions are reviewed to assess whether a provision should be made based on prevailing circumstances. Tax provisions are included within current taxation liabilities.

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

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

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

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

(s) Leases

Leases under which the Group acts as lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of twelve months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases under which the Group acts as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

(t) Segment reporting

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

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

(u) Dividends

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

(v) New standards and interpretations not yet adopted

There are no standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements

Year ended 31 March 2020

1 Non-GAAP measures

In the preparation of adjusted numbers, the Directors exclude certain items in order to assist with comparability between peers and to give what they consider to be a better indication of the underlying performance of the business. These adjusting items are excluded in the calculation of adjusted operating profit, adjusted profit before tax, adjusted profit for the year from continuing operations, adjusted EBITDA, adjusted EPS, adjusted cash conversion and adjusted effective tax rate. Details of adjusting items are given below.

Adjusted EBITDA is calculated by adding back depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets to adjusted operating profit, and can be found in the Consolidated Statement of Cash Flows. The calculation of adjusted EPS can be found in Note 2. Adjusted effective tax rate is calculated by dividing the share of tax attributable to adjusted profit before tax by adjusted profit before tax. The definition of cash conversion is set out in the Finance Review.

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

	2020		2019	
	Operating profit £m	Profit before income tax £m	Operating profit £m	Profit before income tax £m
Statutory measure from continuing operations	39.8	38.8	37.4	34.3
Restructuring costs	0.2	0.2	—	—
Restructuring costs – relating to associate	—	—	0.3	0.3
Business reorganisation items	0.2	0.2	0.3	0.3
Adjustments relating to defined benefit pension schemes	(0.6)	(0.6)	0.3	0.3
Impairment of inventory	0.4	0.4	—	—
Impairment of capitalised development costs	7.1	7.1	—	—
Share of impairment recognised by associate	—	—	(0.6)	(0.6)
Profit on disposal of associate	(6.5)	(6.5)	—	—
Amortisation of acquired intangibles	8.7	8.7	8.8	8.8
Fair value movement on financial derivatives	1.4	1.4	1.5	1.5
Loan note make-whole payable	—	—	—	0.9
Total non-GAAP adjustments	10.7	10.7	10.3	11.2
Adjusted measure from continuing operations	50.5	49.5	47.7	45.5
Income tax expense		(9.3)		(9.9)
Adjusted profit for the year from continuing operations	50.5	40.2	47.7	35.6
Adjusted effective tax rate		18.8%		21.8%

Restructuring costs

These represent the costs of one-off changes to senior management within the Research & Discovery segment.

Restructuring costs – relating to associate

These represent the Group's share of mergers and acquisitions costs and other one-off items incurred by the associate in the prior year.

Adjustments relating to defined benefit pension schemes

During the year, the Group recognised a one-off accounting gain on the termination of its US defined benefit pension scheme. See Note 25 for further details.

During the prior year, a charge of £0.3m was recognised in respect of the expected cost of equalising Guaranteed Minimum Pension (GMP) between males and females.

GMP is a portion of pension that was accrued by individuals who were contracted out of the UK State Second Pension prior to 6 April 1997. Historically, there was an inequality of benefits between male and female members who have GMP. A High Court case concluded on 26 October 2018 and confirmed that GMPs need to be equalised.

Impairment of inventory

During the year, the Group implemented a new ERP system at a site within the Research & Discovery division. In reconciling the inventory on the new system, a need for an impairment in respect of certain historic inventory differences was identified. This has been treated as an adjusting item due to its one-off nature.

Impairment of capitalised development costs

During the year, the Group reviewed the capitalised development costs to ensure they remained directly related to targeted product or software developments. The one-off non-cash impairment relates to the Materials & Characterisation segment; comprising software intangibles in Asylum Research, historical balances on general process development in Plasma Technology and product development in NanoAnalysis that has been affected by a reduction in orders as a result of covid-19.

Share of impairment recognised by associate

During the year to 31 March 2018, the Group's equity accounted associate recognised an impairment relating to the disposal of its Vacgen subsidiary. The Group's share of this impairment was £2.0m. Following the completion and finalisation of the transaction, a one-off impairment of £0.6m was reversed in the year to 31 March 2019.

Profit on disposal of associate

During the year, the Group made a profit on disposal of its shareholding in Scienta Scientific AB; see Note 6. This has been treated as an adjusting item due to its non-recurring nature.

Amortisation and impairment of acquired intangibles

Adjusted profit excludes the one-off non-cash amortisation and impairment of acquired intangible assets and goodwill.

Fair value movement on financial derivatives

Under IFRS 9, 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 IFRS 9 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.

Loan note make-whole payable

During the year to 31 March 2019, the Group repaid £11.6m of the principal outstanding on its loan notes. This payment was necessary due to material changes to the Group's structure following the disposal of its Industrial Analysis business during July 2017. The one-off costs of £0.9m relate to the make-whole balance payable upon settlement of the £11.6m principal.

Share of taxation

Adjusting items include the income tax on each of the items described above.

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

	2020 £m	2019 £m
Net increase in cash and cash equivalents	**58.5**	13.6
Effect of exchange rate fluctuations on cash held	**1.7**	0.9
	60.2	14.5
Repayment of borrowings	**0.6**	11.5
Movement in accrued interest	**—**	0.4
Movement in net cash in the year	**60.8**	26.4
Net cash/(debt) at start of the year	**6.7**	(19.7)
Net cash at the end of the year	**67.5**	6.7

Reconciliation of net cash to Statement of Financial Position

	Note	**2020 £m**	2019 £m
Loan notes – unsecured	24	**(27.9)**	(28.5)
Cash and cash equivalents	20	**95.4**	35.2
Net cash at the end of the year		**67.5**	6.7

Notes to the Financial Statements continued

Year ended 31 March 2020

2 Earnings per share

Basic and diluted EPS from continuing operations are based on the result for the year from continuing operations, as reported in the Group Income Statement. Basic and diluted EPS from total operations are based on the result for the year attributable to equity Shareholders of the parent. Adjusted and diluted adjusted EPS are based on adjusted profit for the year from continuing operations. The profit measures noted above are divided by the weighted average number of ordinary shares outstanding during the year, excluding shares held by the Employee Share Ownership Trust. The table below reconciles these different profit measures.

	2020 £m	2019 £m
Profit for the year attributable to equity Shareholders of the parent	**33.8**	30.0
Discontinued operations	**(1.8)**	(2.2)
Adjusting items:		
Business reorganisation items	**0.2**	0.3
Adjustments relating to defined benefit pension schemes	**(0.6)**	0.3
Impairment of inventory	**0.4**	—
Impairment of capitalised development costs	**7.1**	—
Share of impairment recognised by associate	**—**	(0.6)
Profit on disposal of associate	**(6.5)**	—
Amortisation of acquired intangibles	**8.7**	8.8
Fair value movement on financial derivatives	**1.4**	1.5
Loan note make-whole payable	**—**	0.9
Adjusted income tax expense	**(2.5)**	(3.4)
Adjusted profit for the year from continuing operations	**40.2**	35.6

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

	2020 Shares million	2019 Shares million
Weighted average number of shares outstanding	**57.4**	57.4
Less: weighted average number of shares held by Employee Share Ownership Trust	**(0.1)**	(0.2)
Weighted average number of shares used in calculation of basic earnings per share	**57.3**	57.2

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

	2020 Shares million	2019 Shares million
Number of ordinary shares per basic earnings per share calculations	**57.3**	57.2
Effect of shares under option	**0.6**	0.5
Number of ordinary shares per diluted earnings per share calculations	**57.9**	57.7

For the purposes of calculating diluted and diluted adjusted EPS, the weighted average number of ordinary shares is adjusted to include the weighted average number of ordinary shares that would be issued on the conversion of all potentially dilutive ordinary shares expected to vest, relating to the Company's share-based payment plans. Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease EPS or increase loss per share.

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 aggregated operating segments are as follows:

- the Materials & Characterisation segment comprises a group of businesses focusing on applied R&D and commercial customers, enabling the fabrication and characterisation of materials and devices down to the atomic scale;
- the Research & Discovery segment comprises a group of businesses providing advanced solutions that create unique environments and enable measurements down to the molecular and atomic level which are used in fundamental research; and
- the Service & Healthcare segment provides customer service and support for the Group's products and the service, sale and rental of third-party healthcare imaging systems.

The Group's internal management structure and financial reporting systems have been amended to differentiate the three aggregated operating segments based on the economic characteristics discussed above.

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.

Results from continuing operations

Year to 31 March 2020	**Materials & Characterisation £m**	**Research & Discovery £m**	**Service & Healthcare £m**	**Total £m**
Total segment revenue	**137.6**	**126.0**	**53.8**	**317.4**
Segment adjusted operating profit from continuing operations	**21.0**	**14.5**	**15.0**	**50.5**

Year to 31 March 2019	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Total £m
Total segment revenue	137.9	125.2	50.9	314.0
Segment adjusted operating profit from continuing operations	21.2	12.9	13.6	47.7

The adjusted profit after tax of £0.7m (2019: £0.2m) from the Group's associate is reported within the Research & Discovery segment.

Revenue in the Materials & Characterisation and Research & Discovery segments represents the sale of products. Revenue in the Service & Healthcare segment relates to service income,

As at 31 March 2020, the Group had unfulfilled performance obligations under IFRS 15 of £175.0m.

3 Segment information continued

Reconciliation of reportable segment profit from continuing operations

Year to 31 March 2020	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
Segment adjusted operating profit from continuing operations	**21.0**	**14.5**	**15.0**	**—**	**50.5**
Restructuring costs	**(0.1)**	**(0.1)**	**—**	**—**	**(0.2)**
Adjustments relating to defined benefit pension schemes	**—**	**—**	**—**	**0.6**	**0.6**
Impairment of inventory	**—**	**(0.4)**	**—**	**—**	**(0.4)**
Impairment of capitalised development costs	**(6.3)**	**(0.8)**	**—**	**—**	**(7.1)**
Profit on disposal of associate	**—**	**6.5**	**—**	**—**	**6.5**
Amortisation of acquired intangibles	**(2.3)**	**(6.4)**	**—**	**—**	**(8.7)**
Fair value movement on financial derivatives	**—**	**—**	**—**	**(1.4)**	**(1.4)**
Financial income	**—**	**—**	**—**	**0.3**	**0.3**
Financial expenditure	**—**	**—**	**—**	**(1.3)**	**(1.3)**
Profit/(loss) before income tax from continuing operations	**12.3**	**13.3**	**15.0**	**(1.8)**	**38.8**

Year to 31 March 2019	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
Segment adjusted operating profit from continuing operations	21.2	12.9	13.6	—	47.7
Restructuring costs – relating to associate	—	(0.3)	—	—	(0.3)
Adjustments relating to defined benefit pension schemes	—	—	—	(0.3)	(0.3)
Share of impairment recognised by associate	—	0.6	—	—	0.6
Amortisation of acquired intangibles	(2.4)	(6.4)	—	—	(8.8)
Fair value movement on financial derivatives	—	—	—	(1.5)	(1.5)
Financial income	—	—	—	0.3	0.3
Financial expenditure	—	—	—	(3.4)	(3.4)
Profit/(loss) before income tax from continuing operations	18.8	6.8	13.6	(4.9)	34.3

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

Depreciation	2020 £m	2019 £m
Materials & Characterisation	**2.9**	2.5
Research & Discovery	**1.4**	1.3
Service & Healthcare	**1.1**	1.0
Unallocated Group items	**1.5**	1.4
Total	**6.9**	6.2

Capital expenditure	2020 £m	2019 £m
Materials & Characterisation	**2.7**	4.5
Research & Discovery	**1.1**	1.1
Service & Healthcare	**0.1**	0.1
Unallocated Group items	**0.5**	1.3
Total	**4.4**	7.0

Amortisation and impairment of intangibles	2020 £m	2019 £m
Materials & Characterisation	**10.5**	4.6
Research & Discovery	**8.0**	7.7
Service & Healthcare	**—**	—
Unallocated Group items	**0.3**	0.3
Total	**18.8**	12.6

Capitalised development costs	2020 £m	2019 £m
Materials & Characterisation	**1.8**	2.7
Research & Discovery	**1.0**	0.8
Service & Healthcare	**—**	—
Unallocated Group items	**—**	—
Total	**2.8**	3.5

The Group's reportable segments are located across a number of geographical locations and make sales to customers in countries across the world.

The analysis below shows revenue and non-current assets (excluding deferred tax) for individual countries or regions that represent more than 5% of revenue.

Revenue from continuing operations from external customers by destination	2020 £m	2019 £m
UK	**13.4**	14.2
China	**69.7**	70.0
Japan	**38.5**	38.7
USA	**83.5**	80.2
Germany	**26.7**	28.3
Rest of Europe	**44.8**	38.7
Rest of Asia	**28.4**	34.4
Rest of World	**12.4**	9.5
Total	**317.4**	314.0

Non-current assets (excluding deferred tax)	2020 £m	2019 £m
UK	**170.2**	157.4
Germany	**4.0**	3.9
USA	**9.7**	15.4
Japan	**1.4**	1.7
China	**0.5**	0.5
Rest of Europe	**8.8**	9.4
Rest of Asia	**0.3**	0.4
Rest of World	**1.3**	1.7
Total	**196.2**	190.4

Notes to the Financial Statements continued

Year ended 31 March 2020

4 Auditor's remuneration

	2020 £'000	2019 £'000
Audit of these Financial Statements	**215**	199
Amounts received by the auditor and its associates in respect of:		
– Audit of Financial Statements of subsidiaries pursuant to legislation	**287**	270
– Taxation compliance services	**—**	10
– Audit-related assurance services	**28**	26
– Other assurance services	**—**	6
Total fees payable to the auditor and its associates	**530**	511

5 Research and Development (R&D)

The total adjusted Research and Development spend by the Group is as follows:

Year to 31 March 2020	**Materials & Characterisation £m**	**Research & Discovery £m**	**Total £m**
R&D expense charged to the Consolidated Statement of Income	**15.3**	**11.3**	**26.6**
Add: amounts capitalised as fixed assets	**0.1**	**—**	**0.1**
Less: amortisation of R&D costs previously capitalised as intangibles	**(1.9)**	**(0.8)**	**(2.7)**
Add: amounts capitalised as intangible assets	**1.8**	**1.0**	**2.8**
Total cash spent on R&D during the year	**15.3**	**11.5**	**26.8**

Year to 31 March 2019 as restated[1]	Materials & Characterisation £m	Research & Discovery £m	Total £m
R&D expense charged to the Consolidated Statement of Income	14.3	10.5	24.8
Less: depreciation of R&D-related fixed assets	(0.1)	—	(0.1)
Add: amounts capitalised as fixed assets	—	0.1	0.1
Less: amortisation of R&D costs previously capitalised as intangibles	(2.2)	(1.3)	(3.5)
Add: amounts capitalised as intangible assets	2.7	0.8	3.5
Total cash spent on R&D during the year	14.7	10.1	24.8

1. Details of restatement of prior period numbers can be found in the Accounting Policies section.

6 Investment in associate

The Group held a 47% interest in the ordinary share capital of Scienta Scientific AB. Scienta Scientific AB is registered, and has its principal place of business, in Sweden. On 28 January 2020, the Group sold its holdings in Scienta Scientific AB for £11.7m in cash. The investment has been accounted for as an associate taking into account the following factors:

- the Group held substantial, but minority, voting rights (47%). All other rights were controlled by a single shareholder;
- the Group had a minority number of non-executive Board seats (two of five), with the remaining seats held by representatives of the other shareholder; and
- whilst the Group had certain veto rights in respect of certain decisions, it could not unilaterally direct the activities of the Scienta Scientific AB Group.

The Group's share of profit in its equity accounted associate for the period to 28 January 2020 was £0.7m (2019: £0.5m for the year). The Group did not receive any dividend from the associate in either period.

	Period to 28 January 2020 £m	Year to 31 March 2019 £m
Income	**37.4**	36.5
Expenses	**(35.9)**	(35.4)
Profit for the period	**1.5**	1.1
Group's share of profit	**0.7**	0.5

The profit on disposal of the associate was determined as follows:

	£m
Cash consideration	11.7
Carrying value of investment	(5.2)
Transaction costs	—
Profit on disposal	**6.5**

Cash flows:

	£m
Cash consideration	11.7
Transaction costs paid	—
Cash inflow	**11.7**

7 Disposal of subsidiary and discontinued operations

On 21 February 2020, the Group disposed of its OI Healthcare business in the US for a final consideration of $14.9m, of which $1.5m is held in escrow for twelve months pending any claims from the purchaser.

Effect of the disposal on the financial position of the Group

	£m
Acquired intangible assets	(1.3)
Property, plant and equipment	(3.3)
Right-of-use assets	(2.7)
Inventory	(3.1)
Trade and other receivables	(2.4)
Cash and cash equivalents	(0.3)
Trade and other payables	1.4
Lease liabilities	2.9
Net assets divested	(8.8)
Consideration receivable	11.5
Deferred consideration	(1.2)
Consideration received, satisfied in cash	10.3
Cash disposed of	(0.3)
Transaction expenses – paid	(2.6)
Net cash inflow	7.4
Carrying value of net assets disposed of (excluding cash and cash equivalents)	(8.5)
Deferred consideration	1.2
Recognition of provision on disposal	(1.4)
Currency translation differences transferred from translation reserve	4.4
Gain on disposal	**3.1**
Tax (charge)/credit on gain on disposal	—
Gain on disposal net of tax	**3.1**

The recognition of provision on disposal relates to obligations of the business which the Group expects to remain liable for.

Notes to the Financial Statements continued

Year ended 31 March 2020

7 Disposal of subsidiary and discontinued operations continued

Discontinued operations

In the year to 31 March 2020, the OI Healthcare business was classified as a discontinued operation. It was considered a major class of business on the basis of its size and that it was previously an operating segment and referred to in the Group's Strategic Report.

The 2019 Financial Statements have been re-presented to reflect the classification of the OI Healthcare business as a discontinued operation.

During the prior year the Group recognised £1.6m of income representing additional proceeds due in respect of the sale of the Industrial Analysis business in July 2017 and an associated tax charge of £0.3m. The cash was received during the current year.

	2020		2019	
Results of discontinued operations	OI Healthcare £m	Industrial Analysis £m	OI Healthcare £m	Industrial Analysis £m
Revenue	14.8	—	19.6	—
Expenses	(15.5)	—	(17.6)	—
Adjusted (loss)/profit before tax	(0.7)	—	2.0	—
Income tax credit/(charge)	0.2	—	(0.5)	—
Adjusted (loss)/profit after tax	(0.5)	—	1.5	—
Adjusting items:				
Restructuring costs	(0.1)	(0.2)	—	—
Amortisation of acquired intangibles	(0.8)	—	(0.8)	—
Income tax on adjusting items	0.3	—	0.2	—
(Loss)/profit after tax	(1.1)	(0.2)	0.9	—
Gain on disposal	3.1	—	—	1.6
Tax on gain on disposal	—	—	—	(0.3)
Profit from discontinued operations after tax	2.0	(0.2)	0.9	1.3
Cash flows from discontinued operations				
Net cash generated from operating activities	—	—	3.3	—
Net cash generated from investing activities	7.4	1.3	0.8	—
Net cash used in financing activities	—	—	(0.5)	—

Earnings per share from discontinued operations

	2020 pence	2019 pence
Adjusted basic (loss)/earnings per share	(0.9)	2.6
Adjusted diluted (loss)/earnings per share	(0.9)	2.6
Total basic earnings per share	3.1	3.8
Total diluted earnings per share	3.1	3.8

8 Financial income

	2020 £m	2019 £m
Interest receivable	**0.3**	0.3
	0.3	0.3

9 Financial expenditure

	2020 £m	2019 £m
Interest payable	**1.3**	2.2
Interest charge on pension scheme net liabilities	**—**	0.3
Loan note make-whole payable	**—**	0.9
	1.3	3.4

10 Personnel costs

	2020 £m	2019 £m
Wages and salaries	**87.8**	84.5
Social security costs	**10.8**	10.3
Contributions to defined contribution plans	**3.6**	3.3
Charge in respect of employee share options	**3.1**	0.8
	105.3	98.9

Directors' emoluments are disclosed in the Directors' Remuneration Report on pages 90 to 111 of this Report and Financial Statements.

Included in the total above is £5.0m (2019: £5.3m) in respect of discontinued operations.

11 Employees

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

	2020 Number	2019 Number
Production	**611**	620
Sales and marketing	**394**	386
Research and development	**365**	355
Administration and shared services	**215**	218
	1,585	1,579

12 Share option schemes

The Group operates three share option schemes:

All-employee Share Incentive Plan (SIP)

All UK employees are eligible to participate in the Group's HM Revenue and Customs-approved SIP. Participating employees make a cash contribution to the plan each month. The Group contributes a further amount equal to 20% of the employee's contribution. Independent trustees then purchase matching shares in the market on behalf of the employees. The matching shares vest on the completion by the participating employee of a further three years' service and can be withdrawn from the plan tax-free after five years' service.

Medium-Term Incentive Plan (MTIP)

Options awarded under the Medium-Term Incentive Plan are made annually to certain senior managers. The exercise prices are £nil. Options have a life of ten years and a vesting period of three years.

Performance Share Plan (PSP)

Under the Performance Share Plan awards of performance shares (or nil-cost options) are made annually to certain senior managers. Awards have a life of ten years with vesting subject to achievement of performance targets and a vesting period of a minimum of three years (but may be up to five years).

Share option schemes that have been discontinued but for which options were outstanding at the year end include the following:

Executive Share Option Scheme (ESO)

Options awarded under the Executive Share Option Scheme were made annually to certain senior managers. The exercise prices were determined according to the mid-market closing share price on the day before the date of grant. Options have a life of ten years and a vesting period of three years.

The ESO, MTIP and PSP schemes are subject to performance conditions which can be found in the Directors' Remuneration Report on pages 90 to 111.

Administrative expenses include a charge of £3.1m (2019: £0.8m) in respect of the cost of providing share-based remuneration. The cost of share options is calculated by estimating the fair value of the option at grant date and spreading that amount over the vesting period after adjusting for an expectation of non-vesting.

During the year an error was discovered in the estimation of the fair value of the PSP and MTIP options issued during the 2018 and 2019 years. The effect of this error was that profit was understated by £0.2m in 2018 and £0.8m in 2019. The cumulative amount has been charged to the Income Statement in 2020. There was no impact on the Statement of Financial Position at any reporting date. The table below includes the corrected valuations in respect of these options.

Fair values are determined using an internal valuation model based on a modified Black-Scholes model. Expected volatility has been based on historical volatility over a period of time of the same length as the expected option life and ending on the grant date. Some of the ESO and PSP options use total shareholder return (TSR) as a performance condition. As TSR is a market-based performance condition, the accounting treatment differs from that for options subject to non-market performance conditions. This means that the TSR performance conditions have been incorporated into the calculation of the fair value as a discount in calculating the fair value.

For options granted in the years ended 31 March 2020 and 2019, the fair value per option granted and the assumptions used in the calculation are as follows:

	Medium-Term Incentive Plan July 2019	Performance Share Plan July 2019	Medium-Term Incentive Plan July 2018	Performance Share Plan July 2018
Fair value at measurement date	£13.58	£13.58	£9.71	£9.71
Share price at grant date	£14.00	£14.00	£10.10	£10.10
Exercise price	£nil	£nil	£nil	£nil
Expected volatility	38.2%	38.2%	46.9%	46.9%
Expected option life (expressed as weighted average life used in the modelling)	3 years	3 years	3 years	3 years
Expected dividend yield	1.0%	1.0%	1.3%	1.3%
Risk-free interest rate	0.5%	0.5%	1.0%	1.0%

The options existing at the year end were as follows:

	2020			2019
	Number of shares	Exercise price	Period when exercisable	Number of shares
Options subsisting at the year end on unissued ordinary shares:				
Executive Share Option Scheme				
December 2009	—	£2.04	17/12/12 – 16/12/19	1,500
January 2011	2,700	£7.05	07/01/14 – 06/01/21	13,726
December 2011	34,945	£9.90	14/12/14 – 13/12/21	97,500
June 2015	164,181	£10.28	15/06/18 – 14/06/25	347,729
June 2016	18,000	£7.38	21/06/19 – 20/06/26	18,000
November 2016	49,750	£6.27	29/11/19 – 28/11/26	142,071
Total options subsisting on existing ordinary shares	269,576			620,526
Percentage of issued share capital	0.5%			1.1%
Medium-Term Incentive Plan				
September 2017	99,398	£nil	25/09/20 – 24/09/27	107,982
July 2018	91,867	£nil	03/07/21 – 02/07/28	101,720
July 2019	97,514	£nil	15/07/22 – 14/07/29	—
Total options subsisting on existing ordinary shares	288,779			209,702
Percentage of issued share capital	0.5%			0.4%
Performance Share Plan				
June 2016	148,475	£nil	21/06/19 – 20/06/26	148,475
September 2017	116,853	£nil	25/09/20 – 24/09/27	116,853
July 2018	115,043	£nil	03/07/21 – 02/07/28	115,043
July 2019	86,032	£nil	15/07/22 – 14/07/29	—
	466,403			380,371
Percentage of issued share capital	0.8%			0.7%

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

	2020		2019	
	Weighted average exercise price	Number of options	Weighted exercise average price	Number of options
Outstanding at the beginning of the period	£4.68	1,210,599	£7.69	1,217,155
Granted during the year	£nil	188,660	£nil	218,558
Forfeited during the year	£3.26	(41,051)	£5.62	(38,805)
Exercised during the year	£9.03	(307,450)	£8.15	(93,120)
Lapsed during the year	£9.83	(26,000)	£10.14	(93,189)
Outstanding at the year end	£2.44	1,024,758	£4.68	1,210,599
Exercisable at the year end	£5.97	418,051	£10.08	460,455

The weighted average share price at the time of exercise of the options was £13.55 (2019: £10.01).

The total consideration received from exercise of options in the year was £0.7m (2019: £0.2m).

Notes to the Financial Statements continued

Year ended 31 March 2020

13 Income tax expense

	2020 £m	2019 £m
Recognised in the Consolidated Statement of Income		
Current tax expense		
Current year	**9.1**	8.1
Adjustment in respect of prior years	**(0.8)**	(0.7)
	8.3	7.4
Deferred tax expense		
Origination and reversal of temporary differences	**(1.6)**	(1.2)
Adjustment in respect of prior years	**0.1**	0.3
	(1.5)	(0.9)
Total tax expense	**6.8**	6.5
Reconciliation of effective tax rate		
Profit before income tax	**38.8**	34.3
Income tax using the weighted average statutory tax rate of 22% (2019: 22%)	**8.5**	7.5
Effect of:		
Tax rates other than the weighted average statutory rate	**0.1**	(0.2)
Change in rate at which deferred tax is recognised	**0.1**	(1.2)
Profit on disposal	**(1.3)**	—
Transaction costs, deferred consideration and impairments not deductible for tax	**—**	0.7
Non-taxable income and expenses	**0.6**	—
Movement in unrecognised deferred tax	**—**	0.1
Adjustment in respect of prior years	**(1.2)**	(0.4)
Total tax expense	**6.8**	6.5
Taxation charge recognised directly in other comprehensive income		
Deferred tax – relating to employee benefits	**5.1**	0.5
Taxation credit recognised directly in equity		
Current tax on adoption of IFRS 15	**—**	(0.9)
Deferred tax on adoption of IFRS 15	**—**	(0.9)
Deferred tax – relating to share options	**(0.2)**	(0.2)

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. However, in the Budget on 11 March 2020, it was announced that this reduction would be reversed, which was substantively enacted on 17 March 2020. Consequently, the UK corporation tax rate will remain at 19%. The UK deferred tax liability at 31 March 2020 has been calculated based on that rate. The Group carries tax provisions in relation to uncertain tax positions 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.

On 2 April 2019, the EU Commission announced that it believes that in certain circumstances the UK's Controlled Foreign Company (CFC) regime (introduced in 2013) for certain finance income constituted State Aid. The Commission instructed the UK Government to recover any such aid from affected parties. The Group has claimed the benefit of this exemption, and therefore may be required to repay State Aid. The maximum amount of State Aid repayable as at 31 March 2020 was £1.2m in respect of tax and £0.1m in respect of interest, unless the decision is successfully challenged in the EU Courts. The Group believes that £0.2m may ultimately be payable and a provision has been made for that amount.

14 Dividends per share

The following dividends per share were paid by the Group:

	2020 pence	2019 pence
Previous period interim dividend	**3.8**	3.7
Previous period final dividend	**10.6**	9.6
	14.4	13.3

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

	2020 pence	2019 pence
Interim dividend	**—**	3.8
Final dividend	**—**	10.6
	—	14.4

Payment of the interim dividend which was proposed by the Board on 12 November 2019 has been suspended until further notice.

15 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
Balance at 1 April 2018	14.6	45.3	9.9	69.8
Additions – external	0.2	4.8	0.2	5.2
Disposals – other	—	(1.8)	(0.3)	(2.1)
Effect of movements in foreign exchange rates	0.1	0.8	0.1	1.0
Balance at 31 March 2019	14.9	49.1	9.9	73.9
Balance at 1 April 2019	**14.9**	**49.1**	**9.9**	**73.9**
Additions – other	**0.2**	**4.2**	**0.7**	**5.1**
Disposals – sale of businesses	**(0.5)**	**(9.9)**	**(0.1)**	**(10.5)**
Disposals – other	**—**	**(8.5)**	**(2.7)**	**(11.2)**
Effect of movements in foreign exchange rates	**(0.1)**	**0.5**	**—**	**0.4**
Balance at 31 March 2020	**14.5**	**35.4**	**7.8**	**57.7**
Depreciation and impairment losses				
Balance at 1 April 2018	4.7	34.4	7.9	47.0
Depreciation charge for the year	0.4	3.2	0.3	3.9
Disposals – other	—	(1.7)	(0.2)	(1.9)
Effect of movements in foreign exchange rates	—	0.7	—	0.7
Balance at 31 March 2019	5.1	36.6	8.0	49.7
Balance at 1 April 2019	**5.1**	**36.6**	**8.0**	**49.7**
Depreciation charge for the year	**0.4**	**3.5**	**0.4**	**4.3**
Disposals – sale of businesses	**(0.2)**	**(6.9)**	**(0.1)**	**(7.2)**
Disposals – other	**—**	**(8.4)**	**(2.8)**	**(11.2)**
Effect of movements in foreign exchange rates	**(0.2)**	**0.4**	**0.1**	**0.3**
Balance at 31 March 2020	**5.1**	**25.2**	**5.6**	**35.9**
Carrying amounts				
At 1 April 2018	9.9	10.9	2.0	22.8
At 31 March 2019 and 1 April 2019	9.8	12.5	1.9	24.2
At 31 March 2020	**9.4**	**10.2**	**2.2**	**21.8**

As at 31 March 2020, the net book value of plant and equipment included £0.8m (2019: £1.6) of assets under construction.

16 Intangible assets

	Goodwill £m	Customer-related acquired intangibles £m	Technology-related acquired intangibles £m	Development costs acquired intangibles £m	Development costs internally generated £m	Software £m	Total £m
Cost							
Balance at 1 April 2018	107.1	48.9	91.0	1.8	45.8	3.3	297.9
Additions – external	—	1.3	—	—	—	—	1.3
Additions – internally generated	—	—	—	—	3.5	0.9	4.4
Effect of movements in foreign exchange rates	1.2	2.4	2.5	—	—	—	6.1
Balance at 31 March 2019	108.3	52.6	93.5	1.8	49.3	4.2	309.7
Balance at 1 April 2019	**108.3**	**52.6**	**93.5**	**1.8**	**49.3**	**4.2**	**309.7**
Additions – internally generated	**—**	**—**	**—**	**—**	**2.8**	**—**	**2.8**
Disposals – sale of businesses	**(5.9)**	**(22.0)**	**—**	**—**	**—**	**—**	**(27.9)**
Effect of movements in foreign exchange rates	**0.9**	**0.7**	**2.1**	**—**	**(0.1)**	**—**	**3.6**
Balance at 31 March 2020	**103.3**	**31.3**	**95.6**	**1.8**	**52.0**	**4.2**	**288.2**
Amortisation and impairment losses							
Balance at 1 April 2018	26.8	37.6	41.1	0.7	30.7	2.3	139.2
Amortisation and impairment charged	—	1.7	7.7	0.2	3.5	0.3	13.4
Effect of movements in foreign exchange rates	1.2	2.2	1.2	—	—	—	4.6
Balance at 31 March 2019	28.0	41.5	50.0	0.9	34.2	2.6	157.2
Balance at 1 April 2019	**28.0**	**41.5**	**50.0**	**0.9**	**34.2**	**2.6**	**157.2**
Amortisation and impairment charged	**—**	**1.8**	**7.5**	**0.2**	**9.8**	**0.3**	**19.6**
Disposals – sale of businesses	**(5.9)**	**(20.7)**	**—**	**—**	**—**	**—**	**(26.6)**
Effect of movements in foreign exchange rates	**0.8**	**0.6**	**1.3**	**—**	**(0.1)**	**(0.1)**	**2.5**
Balance at 31 March 2020	**22.9**	**23.2**	**58.8**	**1.1**	**43.9**	**2.8**	**152.7**
Carrying amounts							
At 1 April 2018	80.3	11.3	49.9	1.1	15.1	1.0	158.7
At 31 March 2019 and 1 April 2019	80.3	11.1	43.5	0.9	15.1	1.6	152.5
At 31 March 2020	**80.4**	**8.1**	**36.8**	**0.7**	**8.1**	**1.4**	**135.5**

During the year, the Group made impairments of £7.1m in respect of capitalised development costs. Further information can be found in the Finance Review section of the Strategic Report.

The £1.3m addition to customer-related acquired intangible assets in the prior year relates to the acquisition by the Group of a customer list from a third party.

16 Intangible assets continued

The following intangible assets are considered material by the Directors as they represent 93% (2019: 91%) of total acquired intangible assets:

	2020 £m	2020 Amortisation period Years	2020 Remaining amortisation period Years	2019 £m
Trademarks – Andor	**7.2**	**15.0**	**8.8**	8.0
Technology, know-how and patents – Andor:				
– Product related	**24.7**	**12.0**	**5.8**	28.9
– Software related	**4.2**	**10.0**	**3.8**	5.3
Technology, know-how and patents – Asylum	**6.6**	**12.0**	**4.7**	8.0

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill was allocated to individual CGUs as follows:

	2020 £m	2019 £m
Materials & Characterisation		
NanoAnalysis	**10.1**	10.0
Research & Discovery		
Andor	**61.3**	61.3
NanoScience	**6.7**	6.7
Magnetic Resonance	**2.3**	2.3
	80.4	80.3

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Accounting standards require an impairment test to be carried out by determining the recoverable amount of each CGU which contains goodwill. The recoverable amount is calculated as the higher of the fair value less costs to sell or the value in use of the CGU. In the Group's case, the recoverable amount is based on value in use calculations. Value in use is calculated by discounting expected future cash flows. In previous years, the Group has used Board-approved five-year cash flow forecasts, prepared by the management of each CGU and reviewed and amended by Group management as necessary together with 3.0% per annum growth for the subsequent 20 years. This rate was considered to be at or below long-term market trends for the Group's businesses.

In the current year, the impact of covid-19 meant that the output of the Group's five-year planning process (usually completed in November each year) could not be considered reliable. Accordingly, in April 2020, each CGU prepared an 18-month base case and downside profit forecast. The downside forecast was used as a basis for the value in use calculation along with an assumption that annual average cash conversion would be 85%, which is the Group's target cash conversion and noted to be lower than that achieved over the last five years. Long-term growth was estimated to be 1.5%, which was considered to be a cautious growth rate given current economic circumstances.

Key assumptions

The key assumptions are those regarding discount rates and growth rates.

The growth rates are at or below the Group's view on long-term trends within its markets. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The pre-tax weighted average costs of capital used for Materials & Characterisation and Research & Discovery in impairment testing are 13.7%-14.4% (2019: 12.6.%) and 12.5%-13.8% (2019: 12.2%-12.6%) respectively, in line with the risk associated with each of the business segments. Management has estimated these discount rates by reference to past experience and an industry average weighted cost of capital as adjusted for appropriate risk factors reflecting current economic circumstances and the risk profiles of each CGU.

Sensitivity analysis

The Group's estimates of impairments are most sensitive to changes in the discount rate and forecast growth rate. Sensitivity analysis has been carried out by reference to both of these assumptions. This demonstrated that an 80 basis point increase in the discount rate would be required in order to eliminate the headroom of £0.3m in the Magnetic Resonance business. Similarly, a reduction in the growth rate to 0.6% would be required in order to result in an impairment in that business.

17 Deferred tax

	Property, plant and equipment £m	Inventory £m	Employee benefits £m	Intangible assets £m	Tax losses £m	Other £m	Total £m
Balance at 1 April 2018	1.4	1.6	4.0	(5.1)	2.7	2.7	7.3
Recognised in income	(0.2)	0.4	(1.0)	1.8	0.7	(1.1)	0.6
Recognised in other comprehensive income	—	—	(0.5)	—	—	—	(0.5)
Recognised directly in equity	—	(1.2)	0.2	—	—	2.1	1.1
Effect of movements in foreign exchange rates	—	0.1	—	0.3	—	0.1	0.5
Balance at 31 March 2019	**1.2**	**0.9**	**2.7**	**(3.0)**	**3.4**	**3.8**	**9.0**
Recognised in income	**(0.4)**	**1.5**	**(1.4)**	**(3.4)**	**5.4**	**0.5**	**2.2**
Recognised in other comprehensive income	**—**	**—**	**(5.1)**	**—**	**—**	**—**	**(5.1)**
Recognised directly in equity	**—**	**—**	**0.2**	**—**	**—**	**—**	**0.2**
Effect of movements in foreign exchange rates	**—**	**0.1**	**0.1**	**0.2**	**0.2**	**0.2**	**0.8**
Balance at 31 March 2020	**0.8**	**2.5**	**(3.5)**	**(6.2)**	**9.0**	**4.5**	**7.1**

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

	Assets		Liabilities		Net	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Gross assets/(liabilities)	**19.0**	19.3	**(11.9)**	(10.3)	**7.1**	9.0
Offset	**(1.7)**	(4.0)	**1.7**	4.0	**—**	—
Net assets/(liabilities)	**17.3**	15.3	**(10.2)**	(6.3)	**7.1**	9.0

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

	2020 £m	2019 £m
Deductible temporary differences	**0.1**	3.1
Tax losses	**0.4**	1.3
	0.5	4.4

The tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available in the subsidiaries concerned against which the Group can utilise the brought forward tax losses.

No deferred tax liability has been recognised in respect of £19.2m (2019: £58.2m) of undistributed earnings of overseas subsidiaries since the majority of such distributions would not be taxable. In other cases, the Group considers that it is able to control the timing of remittances so that any tax is not expected to arise in the foreseeable future.

Notes to the Financial Statements continued

Year ended 31 March 2020

18 Inventories

	2020 £m	2019 £m
Raw materials and consumables	**19.2**	19.9
Work in progress	**16.0**	19.1
Finished goods	**23.6**	21.8
	58.8	60.8

The amount of inventory recognised as an expense was £134.3m (2019: £138.5m). In the ordinary course of business, the Group makes impairment provisions for slow-moving, excess and obsolete inventory as appropriate. Inventory is stated after charging impairments of £3.2m in the current period (2019: £2.0m). In the current year, £nil (2019: £nil) was reversed relating to previous impairments. Impairments are included within gross profit.

Inventory carried at net realisable value is £1.8m (2019: £0.4m).

19 Trade and other receivables

	2020 £m	2019 £m
Trade receivables	**61.8**	67.4
Less provision for impairment of receivables	**(2.1)**	(2.7)
Net trade receivables	**59.7**	64.7
Accrued income	**1.2**	2.4
Prepayments	**3.7**	3.6
Other receivables	**6.5**	7.6
	71.1	78.3

Trade receivables are non-interest-bearing. Standard credit terms provided to customers differ according to business and country and are typically between 30 and 60 days.

Other receivables include £nil (2019: £1.1m) due from the Group's associated undertaking.

The maximum exposure to credit risk for trade and other receivables by geographic region was:

	2020 £m	2019 £m
UK	**6.6**	4.8
China	**11.7**	13.4
Japan	**9.8**	12.8
USA	**17.4**	20.6
Germany	**4.1**	5.2
Rest of Europe	**10.0**	11.6
Rest of Asia	**5.9**	4.7
Rest of World	**1.5**	1.9
	67.0	75.0

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

	2020 £m	2019 £m
Current (not overdue)	**40.0**	49.4
Less than 31 days overdue	**12.5**	13.8
More than 30 but less than 91 days overdue	**7.0**	6.6
More than 90 days overdue	**7.5**	5.2
	67.0	75.0

In both periods presented, the entire provision against trade receivables relates to balances more than 90 days overdue.

The movement in the allowance for impairment of trade receivables during the year was as follows:

	2020 £m	2019 £m
Balance at start of year	**2.7**	1.4
(Decrease)/increase in allowance	**(0.6)**	1.3
Balance at end of year	**2.1**	2.7

20 Cash and cash equivalents

	2020 £m	2019 £m
Cash balances	**95.4**	35.2
Cash and cash equivalents in the Consolidated Statement of Cash Flows	**95.4**	35.2

21 Financial risk management

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

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

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates.

In common with a number of other companies, the Group has decided that the additional costs of meeting the extensive documentation requirements of IFRS 9 to apply hedge accounting to derivative financial instruments used for hedging exposure to foreign currency and interest rate volatility cannot be justified. Accordingly, the Group does not use hedge accounting for such derivatives.

Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of Sterling (translational exposures). The Group has operations around the world which record their results in a variety of different local functional currencies. In countries where the Group does not have operations, it invariably has some customers or suppliers that transact in a foreign currency. The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies, but the Group's primary exposures relate to the US Dollar, the Euro and the Japanese Yen. To reduce uncertainty, the Group maintains a rolling hedge of forward contracts equivalent to 80% (2019: 80%) of the exposure expected to arise over the following twelve months. The remaining 20% is sold on the spot market. The fair value of outstanding currency contracts recognised as a liability as at 31 March 2020 amount to £3.5m (2019: £1.1m) and those recognised as an asset amount to £0.9m (2019: £1.1m).

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

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

Interest rate risk

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates. The Group's policy is to use a mixture of revolving short and medium-term floating rate debt underpinned by longer-term fixed rate debt. The short and medium-term floating rate debt provides flexibility to reduce debt levels as appropriate. The longer-term fixed rate debt provides stability and cost certainty to the Group's financing structure.

Notes to the Financial Statements continued

Year ended 31 March 2020

21 Financial risk management continued

Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk by maintaining adequate committed lines of funding from high quality lenders. The facilities committed to the Group as at 31 March 2020 are set out in Note 24.

Credit risk

Credit risk arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial assets such as cash balances, derivative financial instruments, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables and cash balances. The amounts recognised in the Consolidated Statement of Financial Position are net of appropriate allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Trade receivables are subject to credit limits and control and approval procedures in the operating companies.

Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables. Credit risk associated with cash balances and derivative financial instruments is managed by transacting with financial institutions with high quality credit ratings. In particular, a Board-approved policy sets out guidelines for which categories of institutions may be used and the maximum amount which may be invested with each institution within a particular category. Accordingly, the Group's associated credit risk is limited. The Group has no significant concentration of credit risk. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Group Consolidated Statement of Financial Position.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk by type of asset at 31 March 2020 is as shown below:

	2020 £m	2019 £m
Long-term receivables	**—**	0.3
Trade receivables	**59.7**	64.7
Other receivables	**7.7**	10.0
Cash and cash equivalents	**95.4**	35.2
Derivative financial instruments	**0.9**	1.1
	163.7	111.3

The maximum exposure to credit risk for trade receivables is discussed in Note 19.

Other receivables include £4.1m (2019: £3.3m) in respect of VAT and similar taxes which are not past due date.

Capital management

The Board considers capital to comprise share capital, reserves and the net cash or net debt position of the Company. The Company was in a net cash position at the year end. Total capital at the end of the current year totalled £184.1m (2019: £195.5m).

The Board's long-term objective is to have an efficient capital structure by maintaining a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. This is monitored by reference to the ratio of net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) and the Board has set itself internal limits, which are well inside any covenants the Group has with lenders. The Group maintains the right to purchase its own shares in the market; the timing of these purchases would depend on market prices. Buy and sell decisions are made on a specific transaction basis by the Board.

Each year the Board carefully considers the appropriate level of dividend payments. In doing this, the Board looks to increase dividends in line with underlying earnings, although the Board will also take into account other considerations in its decision-making process. The Board does not have a policy to pay a fixed dividend yield or to maintain a fixed rate of dividend cover but assesses both of these metrics in line with sustained earnings growth.

As set out in the Chief Executive's Statement, the Group will actively manage its portfolio of businesses and products, selecting those markets with long-term growth drivers where we can maintain or grow leading positions. We will focus on those markets where nanotechnology has the potential to address some of the world's most complex and pressing challenges and where we can deliver unique solutions and service excellence. In line with the objective of maintaining a balance between borrowings and equity, the Group would seek to finance organic growth (e.g. through investment in Research and Development) and smaller "bolt-on" acquisitions from operating cash flow, thus maintaining balance sheet efficiency. Larger acquisitions would be financed either by equity or a mixture of equity and debt so as to ensure the Group has a manageable ratio of net debt to EBITDA.

The Board encourages employees to hold shares in the Company. As well as various share option plans (full details of which are given in Note 12), from April 2008 all UK employees have been offered the opportunity to take part in a Share Incentive Plan (SIP). Under this plan, employees are able to invest up to £1,500 each tax year in shares in the Company. The Company awards one additional free share (a matching share) for every five shares bought by each employee.

There were no changes to the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22 Financial instruments

Fair values of financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		2020		2019	
	Fair value hierarchy	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Assets carried at amortised cost					
Long-term receivables		**—**		0.3	
Trade receivables		**59.7**		64.7	
Other receivables		**7.7**		10.0	
Cash and cash equivalents		**95.4**		35.2	
Assets carried at fair value					
Derivative financial instruments:					
– Foreign currency contracts	2	**0.9**	**0.9**	1.1	1.1
Liabilities carried at fair value					
Derivative financial instruments:					
– Foreign currency contracts	2	**(3.5)**	**(3.5)**	(1.1)	(1.1)
Liabilities carried at amortised cost					
Trade and other payables		**(65.9)**		(65.7)	
Borrowings		**(27.9)**		(28.5)	
Lease payables		**(8.6)**		(9.0)	

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

Derivative financial instruments

Derivative financial instruments are marked-to-market using market prices.

Fixed and floating rate borrowings

The fair value of fixed and floating rate borrowings is estimated by discounting the future contracted principal and interest cash flows using the market rate of interest at the reporting date.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the carrying amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine their fair value. Advances received are excluded from other payables above as these are not considered to be financial liabilities.

Lease payables

The lease liability is measured at amortised cost using the effective interest method.

22 Financial instruments continued

Fair value hierarchy

The table on page 157 gives details of the valuation method used in arriving at the fair value of financial instruments. The different levels have been identified as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data.

There have been no transfers between levels during the year.

Maturity of financial liabilities

As at 31 March 2020	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due one to five years £m	Due more than five years £m
Foreign exchange contracts	**(3.5)**	**3.5**	**2.6**	**0.9**	**—**
Trade and other payables	**(65.9)**	**65.9**	**65.9**	**—**	**—**
Borrowings	**(27.9)**	**29.1**	**29.1**	**—**	**—**
Lease payables	**(8.6)**	**8.9**	**2.7**	**3.7**	**2.5**
	(105.9)	**107.4**	**100.3**	**4.6**	**2.5**

As at 31 March 2019	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due one to five years £m	Due more than five years £m
Foreign exchange contracts	(1.1)	1.1	1.1	—	—
Trade and other payables	(65.7)	65.7	65.7	—	—
Borrowings	(28.5)	28.5	0.6	27.9	—
Lease payables	(9.0)	9.6	3.4	5.9	0.3
	(104.3)	104.9	70.8	33.8	0.3

	Carrying amount 2020 £m	Carrying amount 2019 £m
Variable rate instruments		
Financial assets	**95.4**	35.2
Financial liabilities	**—**	—
Fixed rate instruments		
Financial assets	**—**	1.4
Financial liabilities	**(27.9)**	(28.5)

Sensitivity analysis

The Group has estimated the impact on the Consolidated Statement of Income and on equity of the following changes in market conditions at the balance sheet date:

- one percentage point increase in interest rates;
- ten percentage point weakening in the value of Sterling against all currencies; and
- ten percentage point strengthening in the value of Sterling against all currencies.

The sensitivities above represent the Directors' view of reasonably possible changes in each risk variable, not worst-case scenarios or stress tests. The outputs from the sensitivity analysis are estimates of the impact of market risk assuming that the specified changes occur at the year end and are applied to the risk exposures at that date. Accordingly, they show the impact on the Balance Sheet of an instantaneous shock. The calculations include all hedges in place at the year end.

Actual results in the future may differ materially from these estimates due to commercial actions taken to mitigate any potential losses from such rate movements, to the interaction of more than one sensitivity occurring, and to further developments in global financial markets. As such, this table should not be considered as a projection of likely future gains and losses.

As at 31 March 2020	1% increase in interest rates £m	10% weakening in Sterling £m	10% strengthening in Sterling £m
Impact on adjusted profit (Note 1)	—	(10.6)	10.6
Impact on reported profit	—	(10.6)	10.6
Impact on equity	—	4.5	(4.9)

As at 31 March 2019	1% increase in interest rates £m	10% weakening in Sterling £m	10% strengthening in Sterling £m
Impact on adjusted profit (Note 1)	—	(8.0)	8.0
Impact on reported profit	—	(7.0)	7.0
Impact on equity	—	5.0	(4.9)

23 Called-up share capital

Issued and fully paid ordinary shares:

	2020 Number of shares	2019 Number of shares
At the beginning of the year	57,375,604	57,375,604
Issued for cash	59,159	—
At the end of the year	57,434,763	57,375,604

	2020		2019	
	Number of shares	£m	Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of 5p each	57,434,763	2.9	57,375,604	2.9

The holders of the ordinary shares are entitled to receive dividends as declared, a proportionate amount of capital on a winding up of the Company and one vote per share at meetings of the Company.

24 Borrowings

	Effective interest rate	Earlier of repricing date or maturity date	2020 £m	2019 £m
Current				
Loan notes – unsecured	4.36%	March 2021	**27.9**	0.6
At the end of the year			**27.9**	0.6

	Effective interest rate	Earlier of repricing date or maturity date	2020 £m	2019 £m
Non-current				
Loan notes – unsecured	4.36%	March 2021	**—**	27.9
At the end of the year			**—**	27.9

The Group's undrawn committed facilities available at 31 March 2020 were £105.0m, comprising the undrawn portion of the Group's £105.0m revolving credit facility. This facility expires on 29 June 2023.

The Group's uncommitted facilities at 31 March 2020 were £18.5m.

The £0.6m current loan notes balance as at 31 March 2019 represented accrued interest due for payment during April 2019.

A reconciliation of the Group's borrowings balances is shown below.

	2020 £m	2019 £m
Balance at the beginning of the year	**28.5**	40.4
Repayment of borrowings (cash flow from financing activities)	**(0.6)**	(11.5)
Interest charged	**1.2**	1.4
Interest paid	**(1.2)**	(1.8)
At the end of the year	**27.9**	28.5

25 Retirement benefit obligations

The Group operates a defined benefit plan in the UK and operated a defined benefit plan in the US until February 2020. The UK plan offers pensions in retirement and death in service benefit to members. Pension benefits are related to members' final salary at retirement and their length of service. The scheme has been closed to new members since 2001 and closed to future accrual since 2010. Details of the termination of the US plan are given below.

The amounts recognised in the Consolidated Statement of Financial Position are:

	As at 31 March 2020			As at 31 March 2019		
	UK £m	**US £m**	**Total £m**	UK £m	US £m	Total £m
Present value of funded obligations	**290.7**	**—**	**290.7**	309.8	8.1	317.9
Fair value of plan assets	**(321.4)**	**—**	**(321.4)**	(306.3)	(5.1)	(311.4)
Recognised (asset)/liability for defined benefit obligations	**(30.7)**	**—**	**(30.7)**	3.5	3.0	6.5

The reconciliation of the opening and closing balances of the present value of the defined benefit obligation is as follows:

	2020 UK £m	2020 US £m	2020 Total £m	2019 UK £m	2019 US £m	2019 Total £m
Benefit obligation at the beginning of the year	**309.8**	**8.1**	**317.9**	297.4	7.4	304.8
Past service cost	**—**	**—**	**—**	0.3	—	0.3
Interest on defined benefit obligation	**7.6**	**0.3**	**7.9**	7.9	0.3	8.2
Benefits paid	**(9.3)**	**(0.5)**	**(9.8)**	(10.1)	(0.4)	(10.5)
Settlement payment	**—**	**(9.2)**	**(9.2)**	—	—	—
Remeasurement (gain)/loss on obligation	**(17.4)**	**0.9**	**(16.5)**	14.3	0.3	14.6
Exchange rate adjustment	**—**	**0.4**	**0.4**	—	0.5	0.5
Benefit obligation at the end of the year	**290.7**	**—**	**290.7**	309.8	8.1	317.9

The reconciliation of the opening and closing balances of the present value of the fair value of plan assets is as follows:

	2020 UK £m	2020 US £m	2020 Total £m	2019 UK £m	2019 US £m	2019 Total £m
Fair value of plan assets at the beginning of the year	**306.3**	**5.1**	**311.4**	284.9	4.6	289.5
Interest on plan assets	**7.6**	**0.3**	**7.9**	7.7	0.2	7.9
Contributions by employers	**7.6**	**2.8**	**10.4**	7.3	0.5	7.8
Benefits paid	**(9.3)**	**(0.5)**	**(9.8)**	(10.1)	(0.4)	(10.5)
Settlement payment	**—**	**(8.7)**	**(8.7)**	—	—	—
Administrative expenses	**(0.3)**	**(0.1)**	**(0.4)**	(0.5)	(0.2)	(0.7)
Actual return on assets excluding interest income	**9.5**	**0.7**	**10.2**	17.0	0.1	17.1
Exchange rate adjustment	**—**	**0.4**	**0.4**	—	0.3	0.3
Fair value of plan assets at the end of the year	**321.4**	**—**	**321.4**	306.3	5.1	311.4

The expense recognised in the Consolidated Statement of Income is:

	2020 £m	2019 £m
Total defined benefit expense	**0.4**	1.0
Contributions to defined contribution schemes	**3.6**	3.3
	4.0	4.3

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

	2020 £m	2019 £m
Cost of sales	**1.1**	0.9
Research and Development	**1.0**	0.9
Selling and marketing costs	**0.7**	0.8
Administration and shared services	**1.2**	1.4
Financial expenditure	**—**	0.3
	4.0	4.3

25 Retirement benefit obligations continued

The Group has agreed a basis for deficit recovery payments with the trustees of the UK pension scheme. The deficit recovery payments are payable through to and including 2026 and will rise by approximately 3% per annum. The annual deficit recovery payment was £7.6m (2019: £7.3m) for the financial year.

In the prior year an allowance of £0.3m was made for the expected cost of equalising Guaranteed Minimum Pension (GMP) between males and females.

GMP is a portion of pension that was accrued by individuals who were contracted out of the UK State Second Pension prior to 6 April 1997. Historically, there was an inequality of benefits between male and female members who have GMP. A High Court case concluded on 26 October 2018 and confirmed that GMPs need to be equalised.

In 2018 the trustees of the UK defined benefit pension scheme, in consultation with the Company, reduced its exposure to on-risk assets (a portfolio of market focused asset classes, the majority being equities) with a corresponding increase in its liability-driven investments, with the objective of steering a more stable journey to being fully funded. The pension fund's gross exposure to on-risk assets fell from 85% to 45%; the majority of transactions required to make this change were completed in February 2018. As a result, the level of risk inherent in the investment strategy is now significantly lower than previously, in addition to a substantial reduction in funding level volatility.

The Group has considered the requirements of IFRIC 14. The terms of the scheme give the Group the right to recover any surplus assets on the scheme upon wind-up and therefore management has concluded that there is no impact on the amounts recognised in respect of retirement benefit obligations.

The Group expects to contribute approximately £7.8m to the UK defined benefit plan in the next financial year.

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

	2020 £m	2019 £m
Actual return on assets excluding interest income	**10.2**	17.1
Experience gain/(loss) on scheme obligations	**0.2**	(4.1)
Changes in assumptions underlying the present value of scheme obligations:		
– Financial	**17.1**	(14.4)
– Demographic	**(0.8)**	3.9
Cumulative actuarial gain/(loss) recorded in the Statement of Comprehensive Income since 1 April 2004 (date of transition to IFRS)	**1.6**	(26.8)

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

	Balance at 31 March 2020 £m	Discount rate (-0.1% p.a.) £m	Inflation rate (+0.1% p.a.) £m	Life expectancy (+one year) £m
Present value of funded obligations	**290.7**	**295.5**	**294.5**	**302.3**
Fair value of plan assets	**(321.4)**	**(321.4)**	**(321.4)**	**(321.4)**
Surplus	**(30.7)**	**(25.9)**	**(26.9)**	**(19.1)**

The valuation of defined benefit liabilities is most sensitive to changes in the discount rate, inflation rate and mortality rate. The sensitivities have been calculated by running the liability calculations in full using the alternative assumptions. In each case, only the indicated assumption has changed by the amount stated. For the inflation sensitivity, the impact on the assumptions that are based on RPI inflation, such as CPI inflation and the inflation-linked pension increases, has been included.

Defined benefit pension scheme – UK

A full actuarial valuation of the UK plan was carried out as at 31 March 2018 which, for reporting purposes, has been updated to 31 March 2020 by a qualified independent actuary. During the year, the Group revised the CPI assumption, which adjusted the gap between RPI and CPI from 1.1% per annum to 0.7% per annum. This resulted in an increase in the defined benefit obligation of £4.4m.

The major assumptions used by the actuary for the purposes of IAS 19 were (in nominal terms):

	As at 31 March 2020 %	As at 31 March 2019 %
Discount rate	**2.5**	2.5
Rate of increase in pensions in payment (3LPI)	**2.2**	2.5
Rate of increase in pensions in payment (5LPI)	**2.6**	3.1
Rate of inflation (CPI)	**1.9**	2.1
Mortality – pre and post-retirement	**91% of S2PA tables (93% for females) future improvement in line with CMI 2019 with 1.25% long-term trend**	91% of S2PA tables (93% for females) future improvement in line with CMI 2018 with 1.25% long-term trend

As at 31 March 2020, the weighted average duration of the defined benefit obligations was 18 years (2019: 18 years).

The mortality assumptions imply the following expected future lifetime from age 65:

	2020 years	2019 years
Pre-retirement – males	**23.6**	23.5
Pre-retirement – females	**25.6**	25.4
Post-retirement – males	**22.3**	22.2
Post-retirement – females	**24.1**	23.9

The assumptions have been chosen by the Directors from a range of possible actuarial assumptions, which, due to the timescales covered, may not be borne out in practice.

The assets in the plan were:

	Value at 31 March 2020 £m	Value at 31 March 2019 £m
Equities	**49.7**	65.2
Corporate and emerging market bonds	**13.9**	14.3
Gilts	**171.5**	156.5
Property fund	**10.5**	9.7
Insurance-linked funds	**27.0**	23.0
Credit and global loan funds	**0.2**	0.3
Hedge funds	**32.2**	26.7
Liability hedge overlay	**7.3**	4.3
Cash	**9.1**	6.3
	321.4	306.3

Where assets have no observable market price a valuation will be provided by the fund manager. The scheme's investment manager will accept that valuation if it is within the expected range of performance. Otherwise, the investment manager will query the valuation with the fund manager. Complex financial instruments are valued by the scheme's investment manager who uses financial models which take as their input the characteristics of the instrument and observable market data such as swap rates.

The UK pension scheme implements a liability hedge strategy which is designed to protect the scheme's funding level from changes in gilt yields and inflation expectations. The liability hedge strategy consists of a portfolio of gilts, gilt derivatives, interest rate and inflation swaps. At 31 March 2020, the liability hedge strategy fully covered the scheme's liabilities from changes in gilt yields and inflation expectations. However, this is not a precise match for the IAS 19 defined benefit obligation, which is based on corporate bond yields rather than gilt yields.

25 Retirement benefit obligations continued

Defined benefit pension scheme – US

During the year, the US defined benefit pension plan was terminated. Members were given the option of transferring out their benefits. On 4 March 2020, an annuity was purchased for each of those members who chose not to transfer their benefits. Following the purchase of the annuities, the Group has no ongoing liability to the former members of the plan.

The assumptions for the purposes of the IAS 19 valuation at the end of the prior year were as follows:

	As at 31 March 2019 %
Discount rate	3.7
Rate of increase in pensions in payment	—
Rate of inflation	2.3
Mortality – pre and post-retirement	RP-2014 with projection Scale MP-2018 (fully generational), male and female

As at 31 March 2019, the weighted average duration of the defined benefit obligations was 14 years.

The assets in the plan were:

	Value at 31 March 2019 £m
Equities	2.2
Bonds	2.8
Gilts	0.1
	5.1

Defined contribution schemes

In the UK, employees are offered participation in the defined contribution Oxford Instruments Stakeholder Plan. The Company contribution rate and employee contribution rate vary between grades and whether the individual had previously been in the defined benefit pension scheme. The Company contribution ranges between 4% and 14% of base salary. The Group also operates a 401k defined distribution plan in the US. Details of pension scheme contributions made in respect of Directors can be found in the Directors' Remuneration Report.

26 Trade and other payables

	2020 £m	2019 £m
Trade payables	**20.6**	26.1
Customer deposits	**45.3**	38.5
Social security and other taxes	**3.3**	2.6
Accrued expenses and deferred income	**48.1**	43.7
Other payables	**7.8**	6.0
	125.1	116.9

27 Provisions for other liabilities and charges

	Warranties £m	IP-related claims £m	Other £m	Total £m
Balance as at 1 April 2019	3.8	1.8	3.1	8.7
Provisions made during the year	**2.9**	**1.2**	**1.9**	**5.4**
Provisions used during the year	**(2.2)**	**—**	**(0.5)**	**(2.7)**
Provisions released during the year	**(0.9)**	**(1.8)**	**(1.2)**	**(3.2)**
Effect of movement in foreign exchange	**—**	**—**	**0.3**	**0.2**
Balance as at 31 March 2020	**3.6**	**1.2**	**3.6**	**8.4**
Amounts falling due before one year	3.4	1.2	2.9	7.5
Amounts falling due after more than one year	0.2	—	0.7	0.9

Warranty provisions

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business and included within the Group companies' standard terms and conditions. Warranty commitments typically apply for a twelve-month period. The provision represents the Directors' best estimate of the Group's liability based on past experience.

Intellectual property-related claims

The Company has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent the Directors' best estimate of the likely outcome. The timing of utilisation of these provisions is frequently uncertain, reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent the Directors' best estimate of the cost of settling future obligations and reflect the Directors' assessment of the likely settlement method, which may change over time. However, no provision is made for proceedings which have been, or might be, brought by other parties against Group companies unless the Directors, taking into account professional advice received, assess that it is more likely than not that such proceedings may be successful. The Group's expectation is that the other provisions are likely to be utilised within a twelve-month period.
In respect of the provision for IP-related claims, the range of possible outcomes is between £nil and £1.2m. However, there could be a material effect on the Financial Statements in the next twelve months should the outcome be different from management's estimate.

Other provisions

Other provisions relate to various obligations including obligations in respect of onerous leases, onerous contracts and dilapidation provisions.

Notes to the Financial Statements continued

Year ended 31 March 2020

28 Leases

The Group leases assets including land and buildings, vehicles and machinery. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	Property leases £m	Other leases £m	Total £m
Cost			
Balance on adoption of IFRS 16 at 1 April 2018	9.8	0.9	10.7
Additions – external	0.6	0.3	0.9
Effect of movements in foreign exchange rates	0.5	—	0.5
Balance at 31 March 2019	10.9	1.2	12.1
Balance at 1 April 2019	**10.9**	**1.2**	**12.1**
Additions – external	**4.9**	**0.6**	**5.5**
Disposals – sale of businesses	**(3.8)**	**—**	**(3.8)**
Disposals – external	**—**	**(0.2)**	**(0.2)**
Effect of movements in foreign exchange rates	**0.3**	**0.1**	**0.4**
Balance at 31 March 2020	**12.3**	**1.7**	**14.0**
Depreciation and impairment losses			
Depreciation charge for the year	2.9	0.4	3.3
Balance at 31 March 2019	2.9	0.4	3.3
Balance at 1 April 2019	**2.9**	**0.4**	**3.3**
Depreciation charge for the year	**3.0**	**0.4**	**3.4**
Disposals – sale of businesses	**(1.1)**	**—**	**(1.1)**
Disposals – other	**—**	**(0.1)**	**(0.1)**
Effect of movements in foreign exchange rates	**0.3**	**—**	**0.3**
Balance at 31 March 2020	**5.1**	**0.7**	**5.8**
Carrying amounts			
Balance at 1 April 2018	9.8	0.9	10.7
Balance at 31 March 2019 and 1 April 2019	8.0	0.8	8.8
Balance at 31 March 2020	**7.2**	**1.0**	**8.2**

Lease liabilities

	2020 £m	2019 £m
Balance on adoption of IFRS 16 at 1 April 2018	**—**	10.7
Balance at beginning of year	**9.0**	—
Additions – external	**5.5**	0.9
Disposals – sale of businesses	**(2.9)**	—
Payments made (cash flows from financing activities)	**(3.3)**	(3.2)
Interest charge	**0.1**	0.2
Effect of movements in foreign exchange rates	**0.2**	0.4
Balance at 31 March 2020	**8.6**	9.0
Amounts falling due after more than one year	**6.5**	6.0
Amounts falling due in less than one year	**2.1**	3.0

Amounts recognised in profit or loss

	2020 £m	2019 £m
Interest on lease liabilities	**(0.1)**	(0.2)
Expenses on short-term leases not capitalised	**—**	(0.1)
Expenses on low-value asset leases not capitalised	**—**	—
Income from sub-letting right-of-use assets	**—**	—

Amounts recognised in Statement of Cash Flows

	2020 £m	2019 £m
Payments made in respect of lease liabilities	**(3.3)**	(3.2)

29 Capital commitments

During the year ended 31 March 2020, the Group did not enter into any capital commitments. During the year ended 31 March 2019, the Group entered into contracts to purchase property, plant and equipment which were expected to be settled in the following financial year for £0.2m.

30 Contingent liabilities

In an international group of companies, a variety of legal claims arise from time to time. The Board, having taken legal advice, is of the opinion that any ongoing actions and investigations will not have a material impact on the Group's financial position.

31 Related parties

All transactions with related parties are conducted on an arm's length basis and in accordance with normal business terms. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of key management personnel is as follows:

	2020 £m	2019 £m
Short-term employee benefits	**3.1**	3.3
Post-employment benefits	**0.1**	0.2
Share-based payment charges	**1.9**	0.5
Total	**5.1**	4.0

Short-term employee benefits comprise salary and benefits earned during the year and bonuses awarded for the year.

Share-based payment charges for the year include the correction for the error made in 2018 and 2019, as set out in Note 12.

During the year ended 31 March 2019, the Group purchased services and materials from a subsidiary of its associate, Scienta Omicron GmbH, on an arm's length basis with a total value of £0.7m. There were no such purchases made during the period ending 28 January 2020, when the Group sold the associate.

Included on the Balance Sheet at 31 March 2019 was a long-term loan receivable of £0.3m and a current loan receivable of £1.1m due from Scienta Scientific AB. The loan was repaid in February 2020. During the year the Group received interest charged on the loan of £0.1m (2019: £0.2m).

Notes to the Financial Statements continued

Year ended 31 March 2020

32 Exchange rates

The principal exchange rates to Sterling used were:

Year-end rates	**2020**	2019
US Dollar	**1.24**	1.30
Euro	**1.13**	1.16
Japanese Yen	**134**	144

Average translation rates

Year to 31 March 2020	**US Dollar**	**Euro**	**Japanese Yen**
April	**1.30**	**1.16**	**144**
May	**1.28**	**1.15**	**142**
June	**1.27**	**1.13**	**138**
July	**1.26**	**1.12**	**136**
August	**1.23**	**1.11**	**132**
September	**1.23**	**1.12**	**132**
October	**1.26**	**1.14**	**136**
November	**1.28**	**1.16**	**139**
December	**1.30**	**1.17**	**142**
January	**1.32**	**1.18**	**143**
February	**1.30**	**1.19**	**144**
March	**1.27**	**1.16**	**139**

Average translation rates

Year to 31 March 2019	US Dollar	Euro	Japanese Yen
April	1.39	1.14	150
May	1.36	1.14	148
June	1.33	1.14	146
July	1.32	1.13	146
August	1.30	1.12	144
September	1.29	1.11	146
October	1.29	1.13	145
November	1.28	1.13	144
December	1.28	1.12	142
January	1.30	1.13	142
February	1.31	1.15	145
March	1.30	1.16	144

Parent Company Statement of Financial Position

As at 31 March 2020

	Notes	2020 £m	2019 £m
Assets			
Non-current assets			
Intangible assets	d	**1.3**	1.6
Tangible assets	c	**0.6**	0.6
Right-of-use assets		**0.1**	0.1
Investments in subsidiary undertakings	e	**322.2**	321.1
Debtors	f	**—**	0.3
Retirement benefit asset	i	**7.0**	—
Deferred tax assets	h	**0.3**	1.5
		331.5	325.2
Current assets			
Debtors	f	**58.8**	47.9
Cash at bank and in hand		**80.7**	15.8
		139.5	63.7
Total assets		**471.0**	388.9
Equity			
Capital and reserves attributable to the Company's equity Shareholders			
Share capital		**2.9**	2.9
Share premium		**62.2**	61.7
Capital redemption reserve		**0.1**	0.1
Other reserves		**7.6**	7.6
Retained earnings		**253.4**	118.9
		326.2	191.2
Liabilities			
Non-current liabilities			
Long-term loans		**—**	27.9
Retirement benefit obligations	i	**—**	0.8
Derivative financial instruments	g	**0.9**	—
		0.9	28.7
Current liabilities			
Bank loans and overdrafts		**36.3**	29.9
Other creditors	g	**107.6**	139.1
		143.9	169.0
Total liabilities		**144.8**	197.7
Total liabilities and equity		**471.0**	388.9

The Financial Statements were approved by the Board of Directors on 9 June 2020 and signed on its behalf by:

Ian Barkshire
Director

Gavin Hill
Director

Company number: 775598

Parent Company Statement of Changes in Equity

Year ended 31 March 2020

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total £m
As at 1 April 2019	2.9	61.7	0.1	7.6	118.9	191.2
Profit for the year	**—**	**—**	**—**	**—**	**134.3**	**134.3**
Other comprehensive income:						
– Remeasurement of defined benefit liability, net of tax	**—**	**—**	**—**	**—**	**4.9**	**4.9**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**139.2**	**139.2**
– Proceeds from exercise of share options	**—**	**—**	**—**	**—**	**0.2**	**0.2**
– Share options awarded to employees	**—**	**—**	**—**	**—**	**2.0**	**2.0**
– Share options awarded to employees of subsidiaries	**—**	**—**	**—**	**—**	**1.1**	**1.1**
– Tax credit in respect of share options	**—**	**—**	**—**	**—**	**0.2**	**0.2**
– Proceeds from shares issued	**—**	**0.5**	**—**	**—**	**—**	**0.5**
– Dividends paid	**—**	**—**	**—**	**—**	**(8.2)**	**(8.2)**
As at 31 March 2020	**2.9**	**62.2**	**0.1**	**7.6**	**253.4**	**326.2**
As at 1 April 2018	2.9	61.7	0.1	7.6	99.7	172.0
Profit for the year	—	—	—	—	25.2	25.2
Other comprehensive income:						
– Remeasurement of defined benefit liability, net of tax	—	—	—	—	0.6	0.6
Total comprehensive income for the year	—	—	—	—	25.8	25.8
– Proceeds from shares issued	—	—	—	—	0.2	0.2
– Share options awarded to employees	—	—	—	—	0.6	0.6
– Share options awarded to employees of subsidiaries	—	—	—	—	0.2	0.2
– Dividends paid	—	—	—	—	(7.6)	(7.6)
As at 31 March 2019	2.9	61.7	0.1	7.6	118.9	191.2

Details of issued, authorised and allotted share capital are included in Note 23 to the Group Financial Statements.

Details of the Group's share option schemes are included in Note 12 to the Group Financial Statements.

Details of the Group's defined benefit pension scheme are included in Note 25 to the Group Financial Statements.

Details of dividends paid are included in Note 14 to the Group Financial Statements.

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

Notes to the Parent Company Financial Statements

Year ended 31 March 2020

(a) Accounting policies

Basis of accounting

Oxford Instruments plc is a company incorporated and domiciled in the UK. These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) on the historical cost basis, except that derivative financial instruments are stated at their fair value.

In preparing these Financial Statements, the Company applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), but made amendments where necessary in order to comply with the Companies Act 2006.

In these Financial Statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new, but not yet effective, accounting standards; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated Financial Statements of Oxford Instruments plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-based Payments in respect of Group settled share-based payments; and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

As permitted by Section 408 of the Companies Act 2006, a separate statement of income for the Company has not been included in these Financial Statements.

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

Going concern

The Financial Statements have been prepared on a going concern basis, based on the Directors' opinion, after making reasonable enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future. Further details on the Group's going concern can be found on page 130.

Taxation

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

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

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

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

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

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

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

(a) Accounting policies continued

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Details of the Group's interest-bearing borrowings are included in Note 24 to the Group Financial Statements.

Intra-Group lending

The Company has lent funds to and from its UK subsidiaries on interest-free terms. These amounts are repayable on demand. They are stated at cost less any impairment losses.

Derivative financial instruments

The Company's accounting policies for financial instruments are the same as the Group's accounting policies under IFRS, namely IAS 32 Financial Instruments: Presentation, IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. These policies are set out in accounting policy "(e) Financial instruments" in the Group Accounting Policies, on page 131.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Computer equipment – 4 years
- Motor vehicles – 4 years

Depreciation methods, useful lives and residual values are reviewed at each Balance Sheet date.

Intangible assets

Intangible assets represents internally developed software. Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software – 10 years

Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

The Company assesses at each Balance Sheet reporting date whether there is any objective evidence that a financial asset, or group of financial assets, is impaired. A financial asset, or group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or CGU).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company is the sponsoring employer of a Group-wide defined benefit pension plan. The net defined benefit cost of the plan is charged to participating entities on the basis of the proportion of scheme membership attributable to each legal entity at the reporting date. The contributions payable by the participating entities are determined using an agreed ratio which has been in place for approximately ten years.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(a) Accounting policies continued

Employee benefits continued

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting date, then they are discounted to their present value.

Share-based payment transactions

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises, in its individual Financial Statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settled share-based payment charge recognised in its consolidated Financial Statements with the corresponding credit being recognised directly in equity. Amounts recharged to the subsidiary are recognised as a reduction in the cost of investment in subsidiary. If the amount recharged exceeds the increase in the cost of investment, the excess is recognised as a dividend.

Own shares held by ESOP trust

Transactions of the Company-sponsored ESOP trust are treated as being those of the Company and are therefore reflected in the Company Financial Statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

Leases

Leases under which the Company acts as lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of twelve months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

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

Dividends on shares presented within Shareholders' funds
Dividends unpaid at the Balance Sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the Financial Statements.

Financial guarantee contracts
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(b) Profit for the year
The Company's profit for the financial year was £134.3m (2019: £25.2m). Other comprehensive income in the year was £4.9m (2019: £0.6m). The expense will not subsequently be reclassified to profit or loss.

The auditor's remuneration comprised £215,000 (2019: £199,000) for the statutory audit.

The average number of people employed by the Company (including Directors) during the year was 52 (2019: 46). All these individuals were involved in administration.

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

	2020 £m	2019 £m
Wages and salaries	**5.4**	5.0
Social security costs	**1.2**	0.9
Other pension costs	**0.2**	0.2
	6.8	6.1

The share-based payment charge was £2.0m (2019: charge of £0.6m). Details of the Group's share option schemes are included in Note 12 to the Group Financial Statements.

Full details of the emoluments paid to Directors can be found in the Directors' Remuneration Report on pages 90 to 111.

Notes to the Parent Company Financial Statements continued

Year ended 31 March 2020

(c) Tangible fixed assets

	Computer equipment £m	Total £m
Cost		
Balance at 1 April 2019	2.3	2.3
Additions	0.3	0.3
Balance at 31 March 2020	**2.6**	**2.6**
Depreciation		
Balance at 1 April 2019	1.7	1.7
Charge for year	0.3	0.3
Balance at 31 March 2020	**2.0**	**2.0**
Net book value		
Balance at 31 March 2019	0.6	0.6
Balance at 31 March 2020	**0.6**	**0.6**

(d) Intangible assets

	Software £m
Cost	
Balance at 1 April 2019	2.4
Additions	0.5
Balance at 31 March 2020	**2.9**
Depreciation and impairment losses	
Balance at 1 April 2019	0.8
Charge for year	0.8
Balance at 31 March 2020	**1.6**
Net book value	
Balance at 31 March 2019	1.6
Balance at 31 March 2020	**1.3**

(e) Investments

	Investments in subsidiary undertakings £m
Cost or valuation	
Balance at 1 April 2019	339.8
Expense in respect of share options transferred to subsidiary undertakings	1.1
Balance at 31 March 2020	**340.9**
Impairment	
Balance at 1 April 2019 and 31 March 2020	**18.7**
Net book value	
Balance at 31 March 2019	321.1
Balance at 31 March 2020	**322.2**

The following is a full list of the subsidiaries and associates and their country of registration as at 31 March 2020. This information is provided in accordance with Section 409 of the Companies Act 2006.

Unless otherwise stated, entities listed below are wholly owned by either the Company or a subsidiary of the Company.

Subsidiaries	Registered office address	Country of incorporation
Andor Technology Limited	7 Millennium Way, Springvale Business Park, Belfast, NI, BT12 7AL	UK
Andor Technology, Inc.	300 Baker Avenue, Suite 150, Concord MA 01742	US
Andor U.S. Holdings, Inc	300 Baker Avenue, Suite 150, Concord MA 01742	US
Bitplane AG	Badenerstrasse 682, 8048, Zurich	Switzerland
Bitplane Inc	300 Baker Avenue, Suite 150, Concord MA 01742	US
Oxford Instruments AFM Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments America Inc	300 Baker Avenue, Suite 150, Concord MA 01742	US
Oxford Instruments Asylum Research Inc	6310 Hollister Avenue, Santa Barbara CA 93117	US
Oxford Instruments Funding Limited	PO Box 175, Frances House, Sir William Place, St Peter Port, GY1 4HQ	Guernsey[1]
Oxford Instruments GmbH	Borsigstrasse 15a, 65205, Wiesbaden	Germany
Oxford Instruments Holdings 2013 Inc	Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, Delaware 19801	US
Oxford Instruments Holdings Europe Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Holdings GmbH	Borsigstrasse 15a, 65205, Wiesbaden	Germany
Oxford Instruments India Private Limited	Plot No. A-279, Ground Floor Road No. 16A, Ambica Nagar, Wagle Industrial Estate, Thane (West), Thane, MH, 400604	India
Oxford Instruments Industrial Products Holdings Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Industrial Products Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments KK	IS Building, 3-32-42 Higashi-Shinagawa, Shinagawa-ku, Tokyo, 140-0002	Japan
Oxford Instruments Molecular Biotools Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments NanoTechnology Tools Holdings Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments NanoTechnology Tools Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Nordiska Ab	C/o TMF Sweden AB, Sergels Torg 12, 111 57, Stockholm	Sweden
Oxford Instruments Overseas Holdings 2008 Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Overseas Holdings Ltd	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Overseas Marketing GmbH	Borsigstrasse 15a, 65205, Wiesbaden	Germany
Oxford Instruments Overseas Marketing Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Pension Trustee Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Private Limited	Messrs Tan Rajah & Cheah, 80 Raffles Place, #58-01 UOB Plaza 1, 048624	Singapore
Oxford Instruments SAS	77 Z.A. de Montvoisin, 91400 Gometz la Ville	France
Oxford Instruments Technologies Oy	Technopolis Innopoli 1, Tekniikantie 12, Espoo, 02150	Finland
Oxford Instruments Technology (Shanghai) Co. Ltd	Floor 1, Building 60, 461 Hongcao Road, Xuhui District, Shanghai	China
Oxford Instruments UK 2013 Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments X-Ray Technology Inc	360 El Pueblo Road, Scotts Valley CA 95066	US
Spectral Applied Research Inc	199 Bay Street, Suite 5300, Commerce Court West, Toronto ON M5L 1B9	Canada
Oxford Instruments India Private Limited	Unit No.11, Marwah's Complex, Krishanlal Marwah Marg, Andheri East, Mumbai, Maharashtra, 400 072	India

1. UK tax resident.

Equity owned by the Company represents issued ordinary share capital. All subsidiaries are consolidated in the Group accounts.

Notes to the Parent Company Financial Statements continued

Year ended 31 March 2020

(f) Debtors

	2020 £m	2019 £m
Amounts falling due after one year:		
Amounts owed by associate undertakings	—	0.3
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	52.7	43.9
Amounts owed by associate undertakings	—	1.1
Other debtors	5.3	2.1
Prepayment and accrued income	0.8	0.8
	58.8	48.2

Amounts owed by subsidiary undertakings are interest-free, unsecured and repayable on demand.

(g) Creditors

	2020 £m	2019 £m
Amounts falling due after one year:		
Derivative financial instruments	0.9	—
Amounts falling due within one year		
Trade creditors	0.2	0.7
Amounts owed to subsidiary undertakings	96.3	131.8
Tax, social security and sales-related taxes	4.2	1.2
Other financial liabilities	3.6	1.3
Accruals and deferred income	3.3	4.1
	108.5	139.1

Amounts owed to subsidiary undertakings are interest-free and repayable on demand.

(h) Deferred tax

	2020 £m	2019 £m
Balance at 1 April	1.5	1.5
Profit and loss debit	(0.4)	—
Other comprehensive income debit	(0.8)	—
Balance at 31 March	0.3	1.5

The amounts of deferred tax assets/(liabilities) are as follows:

	Recognised 2020 £m	2019 £m
Excess of depreciation over corresponding capital allowance	**0.5**	0.5
Tax losses	**—**	—
Provisions	**—**	0.1
Employee benefits – pension and share scheme	**(0.2)**	0.9
	0.3	1.5

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

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

	2020 £m	2019 £m
Tax losses	**—**	—
	—	—

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. However, in the Budget on 11 March 2020, it was announced that this reduction would be reversed, which was substantively enacted on 17 March 2020. Consequently, the UK corporation tax rate will remain at 19%. The UK deferred tax liability at 31 March 2020 has been calculated based on that rate.

(i) Pension commitments

The Company and its employees contribute to the Oxford Instruments Pension Scheme ("the Scheme"), a defined benefit pension scheme, which offers pensions in retirement and death in service benefit to members. Pension benefits are related to members' final salary at retirement and their length of service.

The Scheme was closed to new members from 1 April 2001. Since this date, new employees have been invited to join the Oxford Instruments Stakeholder Plan, a defined contribution scheme. The Scheme is also closed to future accrual.

The Oxford Instruments Group policy for charging net defined benefit costs to participating entities states that member costs are charged directly to a participating company if that member is also an employee of said participating company. The costs of scheme members that are no longer employees of any participating company or directly affiliated with a Group company are allocated on the basis of the participating company's scheme members as a percentage of the total scheme members that are also employees of participating companies.

The policy for determining contributions to be paid by participating companies is the same as that for charging net defined benefit costs.

Details of the Scheme, its most recent actuarial valuation and its funding can be found in Note 25 to the Group Financial Statements. The contributions paid by the Company to the Oxford Instruments Pension Scheme were £1.8m (2019: £1.7m).

(j) Guarantees

The Company has given a guarantee to the pension scheme in respect of the liability of its UK subsidiaries to the pension scheme. The guarantee is for the excess of 105% of the liabilities of the Scheme, calculated on the basis of Section 179 of the Pensions Act 2004, over the assets of the Scheme.

The Company and its UK subsidiaries have entered into a cross-guarantee for £10.0m (2019: £10.0m) in respect of overdraft facilities, of which £nil (2019: £nil) was drawn at the year end.

(k) Commitments

At 31 March 2020, capital commitments contracted were £nil (2019: £nil) and authorised were £nil (2019: £nil).

(l) Related party transactions

The Company has a related party relationship with its Directors and Executive Officers and with its wholly owned subsidiary companies.

Transactions with key management personnel are disclosed in the Directors' Remuneration Report on pages 90 to 111. There were no other significant transactions with key management personnel in either the current or preceding year.

Historical Financial Summary

	2016 £m	2017 £m	2018 £m	2019 £m	**2020** **£m**
Consolidated Statement of Income					
Revenue from continuing operations	239.4	275.8	277.5	314.0	**317.4**
Adjusted operating profit from continuing operations[1]	30.9	37.6	46.1	47.7	**50.5**
Other operating income	—	—	3.3	—	**—**
Contingent consideration deemed no longer payable	4.9	—	—	—	**—**
Acquisition-related costs	(1.8)	(0.3)	—	—	**—**
Loss on disposal of subsidiary undertakings	(0.9)	(0.4)	—	—	**—**
Restructuring costs	(2.6)	(0.2)	(0.4)	—	**(0.2)**
Restructuring costs – relating to associate	(1.3)	(0.4)	(0.4)	(0.3)	**—**
Past service cost on defined benefit pension scheme	—	—	—	(0.3)	**0.6**
Impairment of investment in associate	—	(8.0)	—	—	**—**
Share of impairment recognised by associate	—	—	(2.0)	0.6	**—**
Inventory impairment	—	—	—	—	**(0.4)**
Profit on disposal of associate	—	—	—	—	**6.5**
Impairment of internally generated intangible assets	—	(2.9)	—	—	**(7.1)**
Impairment of acquired intangibles	—	(22.6)	—	—	**—**
Amortisation of acquired intangibles	(10.9)	(10.6)	(9.8)	(8.8)	**(8.7)**
Fair value movement on financial derivatives	(2.7)	1.2	3.1	(1.5)	**(1.4)**
Operating profit/(loss) from continuing operations	15.6	(6.6)	39.9	37.4	**39.8**
Net financing costs	(8.4)	(6.7)	(4.2)	(3.1)	**(1.0)**
Profit/(loss) before taxation from continuing operations	7.2	(13.3)	35.7	34.3	**38.8**
Income tax expense	(1.6)	(4.2)	(12.0)	(6.5)	**(6.8)**
Profit/(loss) for the year from continuing operations	5.6	(17.5)	23.7	27.8	**32.0**
Adjusted profit before tax from continuing operations	26.0	31.3	42.0	45.5	**49.5**
Consolidated Statement of Financial Position					
Property, plant and equipment	35.2	32.5	22.8	24.2	**21.8**
Right-of-use assets	—	—	—	8.8	**8.2**
Intangible assets	220.8	181.0	158.7	152.5	**135.5**
Investment in associate	13.1	3.9	4.1	4.6	**—**
Long-term receivables	3.4	3.6	1.4	0.3	**—**
Deferred and current tax	13.9	18.1	3.6	7.1	**2.7**
Inventories	61.1	53.9	45.9	60.8	**58.8**
Trade and other receivables	79.0	81.7	73.9	79.4	**72.0**
Trade and other payables	(108.2)	(98.0)	(84.1)	(118.0)	**(128.6)**
Lease payables	—	—	—	(3.0)	**(2.1)**
Net assets excluding net cash	318.3	276.7	226.3	216.7	**168.3**
Cash and cash equivalents	21.8	27.2	20.7	35.2	**95.4**
Bank overdrafts	(1.4)	(0.7)	—	—	**—**
Bank borrowings	(148.6)	(135.8)	(40.4)	(28.5)	**(27.9)**
Net (debt)/cash	(128.2)	(109.3)	(19.7)	6.7	**67.5**
Lease payables	—	—	—	(6.0)	**(6.5)**
Provisions	(12.1)	(9.8)	(11.7)	(8.7)	**(8.4)**
Retirement benefit obligations	(35.0)	(25.1)	(15.3)	(6.5)	**30.7**
Net assets employed/capital and reserves attributable to the Company's equity holders	143.0	132.5	179.6	202.2	**251.6**

	2016 £m	2017 £m	2018 £m	2019 £m	**2020 £m**
Cash flows from continuing operations					
Net cash from operating activities	29.2	28.4	26.8	40.8	**55.2**
Net cash (used in)/generated from investing activities	(36.3)	(6.8)	68.7	(9.2)	**6.0**
Net cash used in financing activities	(6.0)	(20.2)	(104.0)	(22.1)	**(11.4)**
Net (decrease)/increase in cash equivalents from continuing operations	(13.1)	1.4	(8.5)	9.5	**49.8**

	pence	pence	pence	pence	**pence**
Per ordinary share					
Earnings – continuing	9.6	(30.3)	41.6	48.6	**55.9**
Adjusted earnings[1]	33.3	41.1	55.8	62.3	**70.2**
Dividends	13.0	13.0	13.3	14.4	**—**
Employees					
Average number of employees	2,077	1,974	1,642	1,579	**1,585**

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

Oxford Instruments Directory

Company/address		Country	Telephone	Fax	Email
Oxford Instruments Head Office Tubney Woods, Abingdon, Oxfordshire OX13 5QX, UK		UK	+44 (0)1865 393200	+44 (0)1865 393333	info.oiplc@oxinst.com
Materials & Characterisation					
Oxford Instruments NanoAnalysis Halifax Road, High Wycombe, Buckinghamshire HP12 3SE, UK	Systems for materials analysis at the nanoscale	UK	+44 (0)1494 442255	+44 (0)1494 524129	nanoanalysis@oxinst.com
Arenavägen 41, 10th floor, 121 7 Johanneshov, Sweden		Sweden	+46 8 5448 1550	+46 8 5448 1558	nordiska@oxinst.com
Asylum Research 6310 Hollister Ave, Santa Barbara, CA 93117 USA	Systems for materials analysis at the nanoscale	USA	+1 (805) 696 6466	+1 (805) 696 6444	sba.sales@oxinst.com
Borsigstrasse 15A, 65205 Wiesbaden, Germany		Germany	+49 6122 9370	+49 621 762117 11	sba.de.sales@oxinst.com
Room 304, Building 52, No. 195, Section 4, ZhongXing Road, ZhuDong Township, XinZhu County, 310 Taiwan		Taiwan	+886 3 5788696	+886 2 2794 2757	sba.tw.sales@oxinst.com
Halifax Road, High Wycombe, Buckinghamshire HP12 3SE, UK		UK	+44 (0)1494 442255	+44 (0)1494 524129	sba.uk.sales@oxinst.com
Oxford Instruments Plasma Technology North End, Yatton, Bristol BS49 4AP, UK	Tools for nanotechnology fabrication	UK	+44 (0)1934 837000	+44 (0)1934 837001	plasma@oxinst.com
Research & Discovery					
Andor/Bitplane/Spectral 7 Millennium Way, Springvale Business Park, Belfast, BT12 7AL, UK	Scientific imaging cameras, spectroscopy solutions and microscopy systems	UK	+44 (0)28 9023 7126	+44 (0)28 9031 0792	info@andor.com
Badenerstrasse 682, CH-8048 Zürich		Switzerland	+41 44 430 11 00	+41 44 430 11 01	info@bitplane.com
2 East Beaver Creek Road, Building 2, Richmond Hill, ON L3B 2N3, Canada		Canada	+1 (905) 326 5040	+1 (905) 326 5041	info@spectral.ca
Oxford Instruments NanoScience & Magnetic Resonance Tubney Woods, Abingdon, Oxfordshire OX13 5QX, UK	Advanced tools for applied research	UK	+44 (0)1865 393200	+44 (0)1865 393333	nanoscience@oxinst.com magres@oxinst.com
Oxford X-Ray Technology 360 El Pueblo Road, Scotts Valley, CA 95066, USA	X-ray tubes and detectors	USA	+1 (831) 439 9729	+1 (831) 439 6051	xray-sales@oxinst.com

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Oxford Instruments Technology, China				
Floor 1, Building 60, No. 461, Hongcao Road, Xuhui District, Shanghai, 200233	China	400 678 0609	+86 21 6127 3828	china.info@oxinst.com
Building B2 West, No. 11 West Third Ring North Road, Haidian District, Beijing, 100085	China	400 678 0609	+86 10 5884 7901	china.info@oxinst.com
Room 3312, Building B3, Hanxi East Road, NanCun Town, Panyu District, Guangdong Province, 511446, Guangzhou	China	400 678 0609	+86 20 8478 7349	china.info@oxinst.com
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Oxford Instruments Germany				
Borsigstrasse 15a, 65205 Wiesbaden, Germany	Germany	+49 6122 9370	+49 6122 937100	info-oiplc@oxinst.com
Oxford Instruments India				
Plot No. A-279, Ground Floor, Road No. 16A, Ambica Nagar, Wagle Industrial Estate, Thane (West), 400604	India	+91 818 017017	+91 224 4253 5110	india@oxinst.com
Oxford Instruments Japan				
IS Building 3-32-42, Higashi-Shinagawa, Shinagawa-ku Tokyo 140-0002, Japan	Japan	+81 (0)3 6732 8961	+81 (0)3 6732 8937	info.jp@oxinst.com
Shin Osaka Sun R Building 10th Floor, 5-8-3 Nishi-Nakajima, Yodogawa, Osaka, 532-0011, Japan	Japan	+81 (0)6 7639 1761	+81 (0)3 6732 8937	info.jp@oxinst.com
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No. 8-S 26, 8F., 10 Chungmin-ro, Songpa-gu, Seoul 05840, Korea (Republic of)	Republic of Korea	+82 2 2008 4500	+82 2 2008 4555	nanoanalysis@oxinst.com
Oxford Instruments Russia				
Denisovskiy per. 26, Moscow 105005, Russian Federation	Russia	+7 (095) 933 51 23	+7 (095) 933 51 24	russia.info@oxinst.com
Oxford Instruments Singapore				
31 Kaki Bukit Road 3, #05-19 Techlink Building Lobby A, Singapore, 417818 Republic of Singapore	Singapore	+65 6337 6848	+65 6337 6286	singapore.info@oxinst.com
Oxford Instruments Taiwan				
Room 304, Building 52, No.195, Section 4 ZhongXing Road, ZhuDong Township, XinZhu County, Taiwan 310, Taiwan, ROC	Taiwan	+886 3 5788696	+886 3 5789993	taiwan.info@oxinst.com

Directors and Advisers

Honorary President
Sir Martin Wood OBE FRS Hon FREng DL

Company Secretary
Susan Johnson-Brett ACIS

Company number
Registered in England and Wales
number 775598

Board Committees
Audit and Risk
Mary Waldner, Chair
Steve Blair
Richard Friend
Thomas Geitner

Nomination
Neil Carson, Chair
Steve Blair
Richard Friend
Thomas Geitner
Mary Waldner

Remuneration
Thomas Geitner, Chair
Steve Blair
Neil Carson
Richard Friend
Mary Waldner

Administration
Any two Directors

Auditor
KPMG LLP
BDO LLP (from 1 April 2020)

Principal bankers
HSBC Bank plc
Santander plc

Stockbroker
JPMorgan Cazenove

UK solicitors
Ashurst LLP

US counsel
Wilmer Hale LLP

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