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Press Release

The Business of Science®

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Oxford Instruments plc
Announcement of Half Year Results for 2015/2016

Oxford Instruments plc, a leading provider of high technology tools and systems for industry and research, today announces its Half Year Results for the six months to 30 September 2015.

Highlights:

- Order book up 21% since start of the year (excluding acquisitions and joint ventures)
- Adjusted operating profit* up 7.0% to £20.0 million (2014: £18.7 million) and operating margins up from 10.7% to 12.1%
- Reported revenue down 5.8% to £164.8 million (2014: £175.0 million)
- Adjusted EPS* up 1.9% to 21.3 pence (2014: 20.9 pence)
- Nanotechnology Tools and Service sectors performed well. Difficult trading environment for Industrial Products sector
- Cost reduction programme delivering planned savings
- MIR Acquisition and Scienta-Omicron joint venture performing as expected
- Good cash performance with inflow before acquisitions and dividends of £1.4m (2014: £9.2m outflow)
- Proposed half year dividend of 3.7 pence (2014: 3.7 pence)

**Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in Note 2.*

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

“During the first half of the year the Group performed in line with expectations at the time of the September trading update with improving margins and a strengthened underlying order book. Our NanoTechnology Tools and Service businesses continue to perform well, although the markets served by our Industrial Products businesses remain difficult in the face of macroeconomic uncertainty.

The order book and first half results of our NanoTechnology Tools and Service businesses support our confidence that performance for the Group for the full year will be in line with expectations.

Nanotechnology is positioned to continue to yield long term structural growth in demand for high technology tools. We remain focused on our strategy to be the world’s leading nanotechnology tools provider.”

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Number of pages: 30

Half Year Statement

Overview

Overall, the Group delivered a first half performance in line with our AGM statement in September. As expected, whilst revenues were down compared to the previous period, profits were ahead of the same period last year, reflecting the management actions taken to reduce our cost base at the end of the last financial year. Our NanoTechnology Tools and Service sectors have performed well with increased profits and margins. Our Industrial Products sector continues to face a number of headwinds due to the macroeconomic backdrop, which, as previously reported, remains challenging for the Group.

The Order Book (orders for future delivery) at September was £135.7 million, an organic increase of 15% compared to September 2014 and up 21% on the beginning of the year. The order book was up in all three sectors of the business.

Adjusted operating profit for the half year ended 30 September was £20.0 million (2014: £18.7 million). This figure includes a contribution from acquisitions of £2.1 million and a currency headwind of £0.4 million. This result reflects strong growth in NanoTechnology Tools and Service offset by a decline in Industrial Products. Operating margins in total increased from 10.7% to 12.1%. In NanoTechnology Tools they grew by 4.0 percentage points to 11.1% and in Industrial Products they fell by 6.5 percentage points to 3.7%. Margins in Service grew by 3.7 percentage points to 26.0%.

Revenues in the half year were £164.8 million (2014: £175.0 million). The net revenue effect of acquisitions and disposals (including the acquisition of MIR and the disposal of Omicron into a joint venture with Scienta) lowered revenues by £3.1 million compared with the same period last year. We saw constant currency organic revenue reduction, principally in our Industrial Products business where weaker demand is affecting trading. As previously reported, the main factors are a slowdown in China and in the metals market worldwide which have impacted our Industrial Analysis business, and weaker demand from our customers who manufacture MRI machines, which reduced revenues in our superconducting wire business by £4.5 million.

Constant currency organic revenues were approximately flat in Asia and down in Europe and North America. Within Asia we saw growth in Japan and South Korea offset by a decline of 15% in China. In North America NanoTechnology Tools sales were flat and we saw an 18% reduction in Industrial Products. In Asia, there was a 9% increase in NanoTechnology Tools, offset by a 12% decline in Industrial Products. In Europe we saw a 7% decline in NanoTechnology Tools and a 20% decline in Industrial Products. In January this year we announced that a number of export licences to Russia had been refused and others, previously granted, had been rescinded. The position here is unchanged.

We are in advanced discussions to dispose of our non-core Austin Scientific business, part of our Industrial Products sector. The Austin business made a loss of £0.3 million (2014: profit £0.2 million) in the current year to date. It has been treated as discontinued in both the current and prior year.

The cost reduction programme announced in January has delivered as anticipated. The Group's operating expenses have been reduced by £3.1 million in the half year.

Cash performance in the period improved with an inflow of £1.4 million before acquisitions and dividends compared with an outflow of £9.2 million in the same period last year.

We continue to invest in our customer focussed R&D programme and have launched a number of new products. Some of these are outlined in the Operations section. The consolidation of our R&D sites has provided increased efficiency in the delivery of our programmes and a reduction in associated costs.

For the half year the Directors are proposing that the dividend is maintained at 3.7 pence per share.

Outlook

Nanotechnology is positioned to continue to yield long term structural growth in demand for high technology tools. We remain focused on our strategy to be the world's leading nanotechnology tools provider.

During the first half of the year the Group performed in line with expectations at the time of the September trading update with improving margins and a strengthened underlying order book. Our NanoTechnology Tools and Service businesses continue to perform well, although the markets served by our Industrial Products businesses remain difficult in the face of macroeconomic uncertainty.

The order book and first half results of our NanoTechnology Tools and Service businesses support our confidence that performance for the Group for the full year will be in line with expectations.

Operations Review

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

Nanotechnology Tools

	2015 **£m**	2014 £m	Growth	Underlying Growth*
Revenue	**85.4**	92.8	(8.0%)	(0.5%)
Operating Profit	**9.5**	6.6		
Operating Margin	***11.1%***	*7.1%*		

*excludes foreign exchange and M&A

The Nanotechnology Tools sector produces our highest technology products which are sold primarily to research customers (c.85% of its revenues come from research and academia). Our customers in this sector provide a unique insight into emerging trends in public and privately funded research, thus informing our approach to innovation and product application. In the research field, our tools are used to advance the frontiers of science and we count many Nobel laureates amongst our customers.

Reported revenues in this sector were down as a result of the Omicron business leaving the Group to form part of the Scienta-Omicron joint venture. On a constant currency organic basis sales were flat with a decline in the NanoSolutions division (Plasma Technology and NanoScience) being compensated by growth in the NanoCharacterisation businesses (NanoAnalysis, Andor Technology and Asylum Research), which performed particularly well in Japan. The mix effect of growth in the more profitable NanoCharacterisation division combined with the benefits of last year's restructuring programme increased operating margins from 7.1% to 11.1%.

Our NanoAnalysis business develops and produces world class analytical solutions and services for electron and ion beam microscopes. These products are used by customers in academia and industry across a range of sectors including semiconductors, materials science, natural resources, forensics, and energy generation and storage. During the last six months we launched our latest detector that allows the chemical characterisation of the nano-scale structures that make up the current generation of semi-conductor and other high-end electronic components. Researchers are now able to learn more about components and can analyse contaminants, helping to save time and money during product development. We have also launched a new camera, the NordlysMax3 that will help researchers characterise materials twice as fast as the previous generation system. Significant enhancements have been made to our AZtecFeature particle analysis software, including the introduction of a product to provide forensic analysis of gunshot residues. We have experienced solid performance across all regions with notable growth in Europe, Middle East, Africa, India, China and Taiwan, and an encouraging recovery in Japan compared to last year. Business in Russia remains at a significantly reduced level.

Andor Technology is a global leader in the design and manufacture of high performance scientific imaging cameras, spectroscopy solutions and microscopy systems for research and industrial markets. Following a slow start to the year, we have seen a considerable improvement in the second quarter, with growth evident in all segments. We have launched a number of new products including the iKon XL for X-ray and challenging astronomy applications, such as the search for new planets outside our solar system. The iKon XL can cool down to -100°C without the need for liquid nitrogen, which makes the camera particularly well suited to remote astronomy locations where regular liquid nitrogen deliveries can be difficult and expensive. We continue to gain market share in the mid-range imaging camera market where our position is further boosted by the recent release of the Zyla 4.2 PLUS. This is an exceptional platform for life scientists working in areas such as Neuroscience, researching Alzheimer's, Parkinson's and other neurological diseases. The increased sensitivity offers researchers the ability to image time and light sensitive processes more quickly and with better accuracy.

Asylum Research is the technology leader in Atomic Force Microscopy for both materials and bioscience applications. We saw an increase in orders in the past six months, with strong growth in Asia, particularly China. We continue to see an increase in orders for the MFP-3D Infinity and the Cypher ES. The Cypher ES Polymer Edition is the most recent addition to the Cypher AFM product line which allows researchers to understand better how materials behave with the aim of maximising their performance. An example of the instrument's use is in the development of vehicle tyres that have more grip and can cover longer distances. In the past six months we have also seen an increase in sales of the MFP-3D Origin, our most affordable Atomic Force Microscope launched in line with our aim to broaden our product range.

Plasma Technology provides processes and platforms to customers in research laboratories and specialised semi-conductor fabrication facilities who are developing new materials, nano-devices and products. For example graphene and other 2D materials are developed using our products by the research community. Researchers are trying to create materials with novel properties for use in microelectronics, sensors and photovoltaics. We have seen an improvement in our performance in Japan but a slowdown in China. We continue to be challenged by the sanctions on exports to Russia, as previously reported. A reorganisation within the business was undertaken in the first half to establish a better alignment with the needs of the market. During the second half of the year we will launch the highly anticipated PlasmaPro200. This will replace two existing product lines, the PlasmaLab 100 and PlasmaPro100, offering customers a more flexible system in a more compact platform. A key application for this product line is in the production of Indium Phosphide based lasers for optical telecommunications to support the continuing growth in electronic data traffic.

NanoScience designs, manufactures and supports market-leading research tools that enable quantum technologies, new materials and device development in the Physical Sciences. In the first half there has been weak demand across most geographies. The market for our industry leading Triton refrigeration system remains robust. During the first half we have restructured our service provision to introduce a regional service model. This has allowed us to enhance our customer experience and offer faster response times. Government announcements and customer feedback indicate a trend for a continued high level of investment in Quantum Information Processing and we are working with a number of high profile companies to look at further opportunities to develop this market.

The Omicron Scienta joint venture in the specialised Surface Science field has integrated well. A new management team is in place, and is now focussing on the realisation of synergies. The Group has a 47% share in the joint venture.

Industrial Products

	2015 £m	2014 £m	Growth	Underlying Growth*
Revenue	**46.0**	52.2	(11.9%)	(7.9%)
Operating Profit	**1.7**	5.3		
Operating Margin	***3.7%***	*10.2%*		

*excludes foreign exchange and the decline in Superconducting Wire volumes

Our Industrial Products sector sells more mature, though still technically advanced, products primarily to industrial customers (59% of its revenues come from industrial customers). The tools and systems produced by this sector enable us to benefit from the economies of scale offered by trading in the larger industrial markets, thereby maximising the returns from our R&D programmes. In the industrial field, our tools are used to improve production efficiency, ensure high standards of quality control and demonstrate compliance with environmental legislation.

This sector saw a decline in sales due to the difficulties in the metals and construction markets served by Industrial Analysis, particularly in China, and the decline in demand for superconducting wire from our OEM

MRI customers. Despite savings from last year's restructuring programme, the decline in volume and some adverse pricing pressure impacted margins which fell from 10.2% to 3.7%.

Industrial Analysis designs and sells a range of spectrometers for industrial markets. Our customers continue to be impacted by declining scrap metal and oil prices. Over the past six months we have rebuilt the sales and distribution network. We have also developed a new product to address the specific needs of our customers in China. The Foundry-Master Smart is smaller and more mobile than existing systems and is used to analyse the majority of metals and their alloys. The X-MET8000, launched last year, supports the regulatory compliance screening of consumer goods. It has successfully taken market share from competitors and in the past 12 months has generated an increase of 85% in orders compared to the previous year. The Maxxi 6, a tool for coating thickness measurement and materials analysis, was developed as a result of our acquisition of Roentgenanalytik and continues to experience strong demand. We have also successfully completed the transfer of production for this product to our Uedem site in Germany. We released the mPulse+ laser spectrometry product in the first half. This is the fastest aluminium sorter on the market. We relocated the production of the mPulse range, originally acquired as part of the RMG acquisition, to our Tubney site earlier this year.

In September 2015, our Superconducting Wire business signed contracts worth $6 million to supply leading edge technology niobium tin conductor for the High Luminosity upgrade to the Large Hadron Collider (LHC) project at CERN. Deliveries of this contract will be phased over the next 24 months. This project is intended to increase the high energy physics discovery potential of the particle accelerator at CERN by increasing the rate of particle collisions. These orders represent initial procurements prior to the LHC upgrade over the next few years. As previously announced our Superconducting Wire business has been indirectly impacted by new Asian entrants in the MRI scanner business. As a result, the established MRI system manufacturers have exerted significant price pressure on their supply base, impacting our revenues. Negotiations with these customers are currently ongoing.

We are now experiencing increased market interest in our recent product releases from our California based X-Ray Technology business, with our integrated X-ray sources providing added value for our customers. These contain the X-ray tube and the power supply in a single unit that is compact enough to integrate into our customers' systems. China has been a difficult market for this business, with a slowdown in OEM demand. We have also been challenged by the strong US dollar, making it difficult for the US based business to compete in Europe and Asia.

Our Austin Scientific business is now beginning to rebuild sales, particularly in Asia, as we move forward from the previously reported bankruptcy of our customer GTAT. Our recently released product, a ruggedized air cooled helium compressor, has been well received for radio astronomy applications and will help continue to rebuild the business's pipeline. Following a strategic review, we are in advanced discussions to dispose of Austin Scientific.

Service Sector

	2015 £m	2014 £m	Growth	Underlying Growth*
Revenue	**33.9**	30.5	11.2%	(1.0%)
Operating Profit	**8.8**	6.8		
Operating Margin	***26.0%***	*22.3%*		

*excludes foreign exchange, M&A and completed contracts

The Service sector comprises the Group's maintenance service contracts, spare part sales for Oxford Instruments' equipment and the servicing of third party MRI and CT machines, under the OIHealthcare brand. The complexity and uniqueness of our products mean our customers increasingly purchase multiyear service contracts.

Service within NanoTechnology Tools has performed well in the first half of the year, with an increase in sales and profits. In Industrial Analysis service has been impacted by the economic slowdown in China, which has reduced demand for spare parts. A remedial plan has been put in place to address this challenge. OI Healthcare reported a decrease in revenue due largely to the completion of the Siemens contract, which has been previously reported. Our Healthcare business was also affected in the half year by the MERS outbreak in South Korea. As a result of this outbreak, fewer people went to hospital, reducing the demand for spare parts and servicing. The acquisition of Medical Imaging Resources (MIR) that we completed in May has performed ahead of our expectations. The better than expected performance from MIR helped grow margins from 22.3% to 26.0%.

Balance Sheet: At the half year end, net debt was £139.5 million (2014: £137.5 million). Cash outflow in the half year was £20.6 million (2014: £13.2 million) of which £16.8 million was for acquisitions (2014: £2.1 million), £3.1 million a loan to the Scienta-Omicron joint venture and £2.1 million on dividends (2014: £1.9 million).

The Group has total committed facilities of £193.9 million. This comprises £124.4 million in the form of a revolving credit facility with a club of banks, a £25.0 million seven year fixed interest loan with the European Investment Bank which was drawn down in August 2014, and a £44.5 million seven year fixed interest loan from Pricoa Capital which was drawn down in March 2014. The revolving credit facility expires in February 2020.

The Group has two principal covenants on its borrowings, Net Debt/EBITDA and Interest Cover which are tested each half year. Currently the covenant for Net Debt/EBITDA is 3.5. We have a number of earn-outs payable in the second half of the current and the first half of the next financial year. To provide greater comfort on headroom, we have in the period negotiated with the club of banks that provide our Revolving Credit Facility to extend this covenant level by six months to September 2016. After that date, we have no further earn-outs and thus it will return to 3.0. Interest cover must remain above 4.0. At 30 September 2015 Net Debt/EBITDA was 2.4 and interest cover was 10.0.

As calculated under IAS19 (revised), the defined benefit pension deficit has reduced by £13.0 million to £40.5 million since 31 March 2015. In that period, assets have reduced by 6.8% to £222.4 million and liabilities have reduced by 10.0% to £262.9 million primarily as a result of the increase in the interest rate used to discount the liabilities.

Discontinued Operations: It is highly probable that the Group’s Austin Scientific business unit will be disposed of within twelve months of the balance sheet date. As a result it has been classified as a discontinued operation and its results excluded from the current and prior year.

Taxation and Earnings Per Share: The Group benefits from tax incentives relating to income earned from technology assets and tax efficient financing. These partially mitigate the impact of generally higher tax rates in the Group’s overseas territories of operation. The combination of these factors gives a half year adjusted tax rate of 24% (2014: 23%). For the full year it is anticipated that the adjusted tax rate will be at a similar level. Adjusted basic earnings per share (EPS) is 21.3 pence (2014: 20.9 pence). Reported EPS was 4.9 pence (2014: 2.9 pence).

Dividend: In 2011, the Group moved to a progressive dividend policy, whereby we seek to raise dividends as annual adjusted earnings per share increase. However, this is discretionary, depending on the Directors’ perceived need for cash to expand the business both organically and through acquisition. For the half year just ended, the Directors are proposing an interim dividend of 3.7 pence per share (2014: 3.7 pence), payable on 8 April 2016 to shareholders who are on the register on 11 March 2016.

Going concern: The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out above. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described above.

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

This Half Year Report has been prepared on a going concern basis, based on the Directors' opinion, after making reasonable enquiries, that the Group has adequate resources to continue in operational existence for the foreseeable future.

Principal Risks: The principal risks in the business are considered in the Principal Risks and Uncertainties section of this Half Year Report.

Board Changes: In line with our Board succession plan, our Chairman, Nigel Keen, has decided after 17 years' service that he will step down from the Board with a view to having a transition at the September 2016 AGM. A search for his successor has commenced.

We announced this morning that Dr Ian Barkshire, Chief Operating Officer of the Group, is joining the Board with effect from today, 10 November 2015. Ian has been with Oxford Instruments since 1997 and held a number of senior technical and managerial roles before being appointed Chief Operating Officer earlier this year.

On 27 October 2015 the Group announced that Kevin Boyd, who has been Group Finance Director since 2006 will be leaving to take up the role of Group Finance Director at Spirax-Sarco Engineering plc. Kevin will leave the Group in April 2016 and we wish him well in his new role. The search for his successor is underway.

People: The success of our business relies on the diversity of skills and expertise and the high calibre of our people worldwide. We would like to thank them for their high standards of professionalism, their commitment and valuable contribution to the business.

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.

Jonathan Flint
Chief Executive
10 November 2015

Condensed Consolidated Statement of Income

Half year ended 30 September 2015 – unaudited

		Half Year to 30 Sept 2015			Half Year to 30 Sept 2014		
		Adjusted	Adjusting items*	Total	Adjusted	Adjusting items*	Total
	Notes	£m	£m	£m	£m	£m	£m
Revenue	3	**164.8**	—	**164.8**	175.0	—	175.0
Cost of sales		**(89.5)**	—	**(89.5)**	(97.3)	(0.2)	(97.5)
Gross profit		**75.3**	—	**75.3**	77.7	(0.2)	77.5
Research and development	4	**(11.8)**	—	**(11.8)**	(14.2)	—	(14.2)
Selling and marketing		**(28.3)**	—	**(28.3)**	(31.4)	—	(31.4)
Administration and shared services		**(15.6)**	**(13.3)**	**(28.9)**	(14.8)	(11.8)	(26.6)
Share of profit/(loss) of associate, net of tax		—	**(0.2)**	**(0.2)**	—	—	—
Other operating income		—	**3.2**	**3.2**	—	1.4	1.4
Foreign exchange gain		**0.4**	—	**0.4**	1.4	—	1.4
Operating profit		**20.0**	**(10.3)**	**9.7**	18.7	(10.6)	8.1
Other financial income		**0.2**	**0.8**	**1.0**	0.1	—	0.1
Financial income		**0.2**	**0.8**	**1.0**	0.1	—	0.1
Interest charge on pension scheme net liabilities		**(0.8)**	—	**(0.8)**	(1.0)	—	(1.0)
Other financial expenditure		**(3.1)**	**(0.7)**	**(3.8)**	(2.6)	(2.1)	(4.7)
Financial expenditure		**(3.9)**	**(0.7)**	**(4.6)**	(3.6)	(2.1)	(5.7)
Profit before income tax from continuing operations	3	**16.3**	**(10.2)**	**6.1**	15.2	(12.7)	2.5
Income tax (expense)/credit	7	**(3.9)**	**0.8**	**(3.1)**	(3.4)	2.5	(0.9)
Profit for the period from continuing operations		**12.4**	**(9.4)**	**3.0**	11.8	(10.2)	1.6
(Loss)/profit from discontinued operations after tax		**(0.3)**	—	**(0.3)**	0.1	—	0.1
Profit for the period attributable to equity holders of the parent		**12.1**	**(9.4)**	**2.7**	11.9	(10.2)	1.7
		pence		**pence**	pence		pence
Earnings per share							
Basic earnings per share	8	**21.3**		**4.9**	20.9		2.9
Diluted earnings per share	8	**21.3**		**4.9**	20.8		2.9
Dividends per share							
Dividends paid	9			**3.70**			3.36
Dividends proposed	9			**3.70**			3.70

* Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in note 2 of this Half Year Report.

Condensed Consolidated Statement of Income

Half year ended 30 September 2015 – unaudited

	Notes	Adjusted £m	Year to 31 March 2015 Adjusting items* £m	Total £m
Revenue	3	380.1	—	380.1
Cost of sales		(210.3)	(0.2)	(210.5)
Gross profit		169.8	(0.2)	169.6
Research and development	4	(30.5)	—	(30.5)
Selling and marketing		(64.9)	—	(64.9)
Administration and shared services		(34.3)	(39.2)	(73.5)
Share of profit/(loss) of associate, net of tax		—	—	—
Foreign exchange gain		2.7	—	2.7
Operating profit		42.8	(39.4)	3.4
Other financial income		0.1	—	0.1
Financial income		0.1	—	0.1
Interest charge on pension scheme net liabilities		(1.9)	—	(1.9)
Other financial expenditure		(5.3)	(5.9)	(11.2)
Financial expenditure		(7.2)	(5.9)	(13.1)
Profit/(loss) before income tax		35.7	(45.3)	(9.6)
Income tax (expense)/credit	7	(8.1)	11.5	3.4
Profit/(loss) for the period from continuing operations		27.6	(33.8)	(6.2)
Loss from discontinued operations after tax		(0.1)	—	(0.1)
Profit/(loss) for the period attributable to equity holders of the parent		27.5	(33.8)	(6.3)

	Notes	Adjusted	Adjusting items	Total
Earnings per share				
Basic earnings per share	8	48.2		(11.1)
Diluted earnings per share	8	48.0		(11.1)
Dividends per share				
Dividends paid	9			12.4
Dividends proposed	9			13.0

*Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in note 2 of this Half Year Report.

Condensed Consolidated Statement of Comprehensive Income

Half year ended 30 September 2015 - unaudited

	Half year to 30 Sept 2015 £m	Half year to 30 Sept 2014 £m	*Year to 31 March 2015 £m*
Profit/(loss) for the period	**2.7**	1.7	*(6.3)*
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange differences recycled from other comprehensive income on disposal of subsidiary	**1.8**	—	*—*
Foreign exchange translation differences	**(2.1)**	0.5	*7.3*
Gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	**0.1**	—	*0.1*
Tax on items that may be reclassified to profit or loss	**—**	—	*—*
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain/(loss) in respect of post retirement benefits	**10.5**	(10.1)	*(10.8)*
Tax on items that will not be reclassified to profit or loss	**(2.2)**	2.1	*2.3*
Total other comprehensive income/(expense)	**8.1**	(7.5)	*(1.1)*
Total comprehensive income/(expense) for the period attributable to equity shareholders of the parent	**10.8**	(5.8)	*(7.4)*

Condensed Consolidated Statement of Changes in Equity

Half year ended 30 September 2015 – unaudited

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2015	**2.9**	**61.5**	**0.2**	**2.9**	**58.0**	**125.5**
Total comprehensive income:						
Profit for the period	—	—	—	—	**2.7**	**2.7**
Other comprehensive income:						
– Foreign exchange differences recycled from other comprehensive income on disposal of subsidiary	—	—	—	1.8	—	1.8
– Foreign exchange translation differences	—	—	—	(2.1)	—	(2.1)
– Gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	—	—	0.1	—	—	0.1
– Remeasurement gain in respect of post-retirement benefits	—	—	—	—	10.5	10.5
– Tax on items recognised directly in other comprehensive income	—	—	—	—	(2.2)	(2.2)
Total comprehensive income/(expense) attributable to equity shareholders of the parent	—	—	**0.1**	**(0.3)**	**11.0**	**10.8**
Transactions with owners recorded directly in equity:						
– Credit in respect of employee service costs settled by award of share options	—	—	—	—	0.2	0.2
– Dividends paid	—	—	—	—	(7.4)	(7.4)
Total transactions with owners recorded directly in equity:	—	—	—	—	**(7.2)**	**(7.2)**
Balance at 30 September 2015	**2.9**	**61.5**	**0.3**	**2.6**	**61.8**	**129.1**

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2014	**2.9**	**61.3**	**0.1**	**(4.4)**	**80.3**	**140.2**
Total comprehensive income:						
Profit for the period	—	—	—	—	**1.7**	**1.7**
Other comprehensive income:						
– Foreign exchange translation differences	—	—	—	0.5	—	0.5
– Remeasurement loss in respect of post-retirement benefits	—	—	—	—	(10.1)	(10.1)
– Tax on items recognised directly in other comprehensive income	—	—	—	—	2.1	2.1
Total comprehensive income/(expense) attributable to equity shareholders of the parent	—	—	—	**0.5**	**(6.3)**	**(5.8)**
Transactions with owners recorded directly in equity:						
– Debit in respect of employee service costs settled by award of share options	—	—	—	—	(0.2)	(0.2)
– Tax charge in respect of share options	—	—	—	—	(0.2)	(0.2)
– Proceeds from shares issued	—	0.1	—	—	—	0.1
– Dividends paid	—	—	—	—	(7.1)	(7.1)
Total transactions with owners recorded directly in equity:	—	**0.1**	—	—	**(7.5)**	**(7.4)**
Balance at 30 September 2014	**2.9**	**61.4**	**0.1**	**(3.9)**	**66.5**	**127.0**

Condensed Consolidated Statement of Changes in Equity

Half year ended 30 September 2015 – unaudited *continued*

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

Condensed Consolidated Statement of Financial Position

As at 30 September 2015 - unaudited

		As at 30 Sept 2015 £m	As at 30 Sept 2014 £m	As at 31 March 2015 £m
Assets				
Non-current assets				
Property, plant and equipment		**35.2**	34.5	*33.1*
Intangible assets		**225.8**	240.7	*231.3*
Investment in associate		**14.4**	—	—
Long-term receivables		**3.1**	—	—
Deferred tax assets		**17.8**	12.8	*20.1*
		296.3	288.0	*284.5*
Current assets				
Inventories		**68.8**	77.2	*70.8*
Trade and other receivables		**71.5**	79.6	*87.3*
Current income tax receivable		**4.1**	1.2	*3.3*
Derivative financial instruments		**2.3**	3.9	*3.4*
Assets of discontinued operations held for sale	6	**1.2**	—	—
Cash and cash equivalents		**15.3**	18.9	*25.1*
		163.2	180.8	*189.9*
Total assets		**459.5**	468.8	*474.4*
Equity				
Capital and reserves attributable to the Company's equity shareholders				
Share capital		**2.9**	2.9	*2.9*
Share premium		**61.5**	61.4	*61.5*
Other reserves		**0.3**	0.1	*0.2*
Translation reserve		**2.6**	(3.9)	*2.9*
Retained earnings		**61.8**	66.5	*58.0*
		129.1	127.0	*125.5*
Liabilities				
Non-current liabilities				
Bank loans		**154.8**	156.4	*144.0*
Other payables		**1.2**	8.0	*0.8*
Retirement benefit obligations		**40.5**	54.7	*53.5*
Deferred tax liabilities		**7.1**	9.4	*6.2*
		203.6	228.5	*204.5*
Current liabilities				
Trade and other payables		**102.6**	95.5	*121.6*
Current income tax payables		**5.2**	2.3	*2.6*
Accrued dividend		**5.3**	5.2	—
Derivative financial instruments		**2.0**	1.1	*4.1*
Liabilities of discontinued operations held for sale	6	**0.4**	—	—
Provisions		**11.3**	9.2	*16.1*
		126.8	113.3	*144.4*
Total liabilities		**330.4**	341.8	*348.9*
Total liabilities and equity		**459.5**	468.8	*474.4*

Condensed Consolidated Statement of Cash Flows half year ended 30 September 2015 - unaudited

	Half year to 30 Sept 2015 £m	Half year to 30 Sept 2014 £m	*Year to 31 March 2015 £m*
Profit/(loss) for the period from continuing operations	**3.0**	1.6	*(6.2)*
Adjustments for:			
Income tax expense/(credit)	**3.1**	0.9	*(3.4)*
Net financial expense	**3.6**	5.6	*13.0*
Reversal of acquisition related fair value adjustments	—	0.2	*0.2*
Acquisition related costs	**0.8**	0.9	*2.2*
Restructuring costs	**0.8**	—	*9.9*
Contingent consideration deemed no longer payable	**(3.2)**	(1.4)	*(1.4)*
Contingent consideration – further amount deemed payable	**0.7**	—	*6.8*
Impairment loss of assets held for sale	**2.8**	—	—
Amortisation of acquired intangibles	**8.4**	10.9	*21.7*
Depreciation of property, plant and equipment	**3.1**	2.5	*5.5*
Amortisation and impairment of capitalised development costs	**1.6**	1.7	*4.7*
Adjusted earnings before interest, tax, depreciation and amortisation	**24.7**	22.9	*53.0*
Loss on disposal of plant, property and equipment	**0.1**	0.1	*0.2*
Cost of equity settled employee share schemes	**0.2**	(0.2)	*(0.2)*
Acquisition related costs paid	**(1.2)**	(1.3)	*(1.9)*
Restructuring costs paid	**(3.5)**	—	*(1.2)*
Cash payments to the pension scheme more than the charge to operating profit	**(3.3)**	(2.9)	*(5.9)*
Operating cash flows before movements in working capital	**17.0**	18.6	*44.0*
Increase in inventories	**(6.7)**	(9.6)	*(3.3)*
Decrease/(Increase) in receivables	**7.6**	(2.7)	*(5.3)*
(Decrease)/increase in payables and provisions	**(9.4)**	(6.8)	*1.6*
Increase in customer deposits	**3.2**	4.0	*1.9*
Cash generated by operations	**11.7**	3.5	*38.9*
Interest paid	**(2.8)**	(2.4)	*(5.0)*
Income taxes paid	**(1.4)**	(4.4)	*(9.1)*
Net cash from operating activities	**7.5**	(3.3)	*24.8*
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	**(15.6)**	(0.8)	*(0.8)*
Acquisition of property, plant and equipment	**(2.1)**	(3.3)	*(4.4)*
Acquisition of intangible assets	**(0.2)**	—	*(1.0)*
Capitalised development expenditure	**(3.3)**	(4.5)	*(8.0)*
Net cash used in investing activities	**(21.2)**	(8.6)	*(14.2)*
Cash flows from financing activities			
Proceeds from issue of share capital	—	0.1	*0.2*
Increase in long-term receivables	**(3.1)**	—	—
Increase in borrowings	**10.8**	15.0	—
Repayment of borrowings	**-**	(15.5)	*(12.9)*
Dividends paid	**(2.1)**	(1.9)	*(7.1)*
Net cash generated from/(used in) financing activities	**5.6**	(2.3)	*(19.8)*
Net decrease in cash and cash equivalents from continuing operations	**(8.1)**	(14.2)	*(9.2)*
(Decrease)/increase in cash from discontinued operations	**(0.4)**	0.1	*(0.1)*
Cash and cash equivalents at beginning of the period	**25.1**	32.6	*32.6*
Effect of exchange rate fluctuations on cash held	**(1.3)**	0.4	*1.8*
Cash and cash equivalents at end of the period	**15.3**	18.9	*25.1*

Reconciliation of changes in cash and cash equivalents to movement in net (debt)/cash

	Half year to 30 Sept 2015 £m	Half year to 30 Sept 2014 £m	*Year to 31 March 2015 £m*
Decrease in cash and cash equivalents	**(8.5)**	(14.1)	*(9.3)*
Effect of foreign exchange rate changes on cash and cash equivalents	**(1.3)**	0.4	*1.8*
	(9.8)	(13.7)	*(7.5)*
Cash inflow from increase in debt	**(10.8)**	(15.0)	—
Cash outflow from decrease in debt	—	15.5	*12.9*
Movement in net debt in the period	**(20.6)**	(13.2)	*5.4*
Net debt at start of the period	**(118.9)**	(124.3)	*(124.3)*
Net debt at the end of the period	**(139.5)**	(137.5)	*(118.9)*

Notes on the Half Year Financial Statements

Half year ended 30 September 2015 – unaudited

1 BASIS OF PREPARATION OF ACCOUNTS

Reporting entity

Oxford Instruments plc (the Company) is a company incorporated in England and Wales. The condensed consolidated half year financial statements consolidate the results of the Company and its subsidiaries (together referred to as the Group). They have been prepared and approved by the Directors in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2015.

The financial information contained herein is unaudited and does not constitute statutory accounts as defined by Section 435 of the Companies Act 2006. The comparative figures for the financial year ended 31 March 2015 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Significant accounting policies

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 March 2015, except as explained below.

Adoption of new and revised standards

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

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

At present, there are no other new standards, amendments to standards or interpretations mandatory for the first time for the year ending 31 March 2016.

Estimates

The preparation of half year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Half Year Financial Statements, the significant judgements made by management in applying the group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 March 2015.

Going concern

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

Notes on the Half Year Financial Statements (continued)
Half year ended 30 September 2015 – unaudited

1 BASIS OF PREPARATION OF ACCOUNTS *continued*

Exchange rates
The principal exchange rates used to translate the Group's overseas results were as follows:

Period end rates	**Half year to 30 Sept 2015**	Half year to 30 Sept 2014	*Year to 31 March 2015*
US Dollar	**1.51**	1.62	*1.48*
Euro	**1.36**	1.28	*1.38*
Yen	**181**	178	*178*

Average translation rates	**US Dollar**	**Euro**	**Yen**
Half year to 30 September 2015			
April	1.50	1.37	180
May	1.52	1.37	186
June	1.55	1.40	192
July	1.57	1.41	194
August	1.55	1.39	190
September	1.53	1.36	184

Average translation rates 2015	**US Dollar**	**Euro**	**Yen**
April	*1.68*	*1.21*	*172*
May	*1.68*	*1.22*	*172*
June	*1.69*	*1.24*	*172*
July	*1.69*	*1.25*	*173*
August	*1.67*	*1.26*	*173*
September	*1.64*	*1.27*	*175*
October	*1.61*	*1.28*	*179*
November	*1.58*	*1.27*	*183*
December	*1.56*	*1.27*	*186*
January	*1.53*	*1.31*	*182*
February	*1.52*	*1.35*	*181*
March	*1.51*	*1.38*	*181*

Notes on the Half Year Financial Statements (continued)

Half year ended 30 September 2015 – unaudited

2 NON-GAAP MEASURES

The Directors present the following non-GAAP measure as they believe it gives a better indication of the underlying performance of the business.

RECONCILIATION BETWEEN PROFIT BEFORE INCOME TAX AND ADJUSTED PROFIT

	Half year to 30 Sept 2015 £m	Half year to 30 Sept 2014 £m	*Year to 31 March 2015 £m*
Profit/(loss) before income tax from continuing operations	**6.1**	2.5	*(9.6)*
Reversal of acquisition related fair value adjustments to inventory	—	0.2	*0.2*
Acquisition related costs	**0.8**	0.9	*2.2*
Restructuring costs	**0.8**	—	*9.9*
Amortisation and impairment of acquired intangibles	**8.4**	10.9	*21.7*
Impairment loss on assets held for sale	**2.8**	—	—
Contingent consideration – further amount deemed payable	**0.7**	—	*6.8*
Contingent consideration deemed no longer payable	**(3.2)**	(1.4)	*(1.4)*
Unwind of discount in respect of deferred consideration	**0.7**	0.5	*1.1*
Mark to market (gain)/loss in respect of derivative financial instruments	**(0.8)**	1.6	*4.8*
Adjusted profit before income tax from continuing operations	**16.3**	15.2	*35.7*
Share of taxation	**(3.9)**	(3.4)	*(8.1)*
Adjusted profit from continuing operations	**12.4**	11.8	*27.6*

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

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

In common with a number of other companies adjusted profit excludes the non-cash amortisation and impairment of acquired intangible assets and the unwind of discounts in respect of contingent consideration relating to business combinations. At the end of the current period, management reassessed the fair value of contingent consideration and as a result £3.2m was released to other operating income in respect of the acquisition of Asylum Research Inc.

Restructuring costs comprise the one off costs in respect of the cost reduction programme begun in the prior year and the refocusing of the Plasma business.

The Group has classified its Austin Scientific business as held for sale. At 30 September 2015 an impairment charge was taken to reduce the carrying value of the net assets of the Austin Scientific Business to the fair value less costs to sell.

In calculating the share of tax attributable to adjusted profit before tax in 2011 a one-off recognition of deferred tax assets relating to the Group's UK businesses of £11.3m was excluded. At that time the Group announced its intention to exclude the reversal of this deferred tax from the calculation of the share of tax attributable to adjusted profit before tax in the years in which it reverses. In the current period deferred tax of £0.4m (2014: £0.8m) has reversed and consequently been excluded from the tax attributable to adjusted profit before tax.

Notes on the Half Year Financial Statements (continued)

Half year ended 30 September 2015 – unaudited

2 NON-GAAP MEASURES *continued*

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

3 SEGMENT INFORMATION

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

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

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

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

Half year to 30 September 2015

	Nanotechnology Tools £m	**Industrial Products £m**	**Service £m**	**Total £m**
External revenue	**85.4**	**45.5**	**33.9**	**164.8**
Inter-segment revenue	**—**	**0.5**	**—**	
Total segment revenue	**85.4**	**46.0**	**33.9**	
Segment operating profit from continuing operations	**9.5**	**1.7**	**8.8**	**20.0**

Half year to 30 September 2014

	Nanotechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	92.7	51.8	30.5	175.0
Inter-segment revenue	0.1	0.4	—	
Total segment revenue	92.8	52.2	30.5	
Segment operating profit from continuing operations	6.6	5.3	6.8	18.7

Notes on the Half Year Financial Statements (continued)
Half year ended 30 September 2015 – unaudited

3 SEGMENT INFORMATION *continued*

Year to 31 March 2015

	Nanotechnology Tools £m	*Industrial Products £m*	*Service £m*	*Total £m*
External revenue	*210.9*	*103.0*	*66.2*	*380.1*
Inter-segment revenue	*0.3*	*1.1*	—	
Total segment revenue	*211.2*	*104.1*	*66.2*	
Segment operating profit from continuing operations	*20.7*	*6.4*	*15.7*	*42.8*

Reconciliation of reportable segment profit from continuing operations

	Half year to 30 Sept 2015 £m	Half year to 30 Sept 2014 £m	*Year to 31 March 2015 £m*
Operating profit for reportable segments from continuing operations	**20.0**	18.7	*42.8*
Reversal of acquisition related fair value adjustments to inventory	**—**	(0.2)	*(0.2)*
Acquisition related costs	**(0.8)**	(0.9)	*(2.2)*
Restructuring costs	**(0.8)**	—	*(9.9)*
Amortisation of acquired intangibles	**(8.4)**	(10.9)	*(21.7)*
Impairment loss on assets held for sale	**(2.8)**	—	—
Contingent consideration – further amount deemed payable	**(0.7)**	—	*(6.8)*
Contingent consideration deemed no longer payable	**3.2**	1.4	*1.4*
Financial income	**1.0**	0.1	*0.1*
Financial expenditure	**(4.6)**	(5.7)	*(13.1)*
Profit before income tax from continuing operations	**6.1**	2.5	*(9.6)*

4 RESEARCH AND DEVELOPMENT

Total research and development spend by the Group is as follows:

	Half year to 30 Sept 2015 £m	Half year to 30 Sept 2014 £m	*Year to 31 March 2015 £m*
Research and development expense charged to the consolidated statement of income	**11.8**	14.2	*30.5*
Less: depreciation of R&D related fixed assets	**(0.4)**	(0.4)	*(0.8)*
Add: amounts capitalised as fixed assets	**0.4**	1.7	*2.2*
Less: amortisation and impairment of R&D costs previously capitalised as intangibles	**(1.6)**	(1.7)	*(4.7)*
Add: amounts capitalised as intangible assets	**3.3**	4.5	*8.0*
Total cash spent on research and development during the period	**13.5**	18.3	*35.2*

Notes on the Half Year Financial Statements (continued)

Half year ended 30 September 2015 – unaudited

5 ACQUISITIONS

Medical Imaging Resources, Inc.

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

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

	Book value £m	Provisional Adjustments £m	Provisional Fair value £m
Intangible fixed assets	—	5.7	5.7
Tangible fixed assets	4.8	(0.2)	4.6
Inventories	0.4	0.2	0.6
Trade and other receivables	0.9	—	0.9
Trade and other payables	(1.7)	—	(1.7)
Deferred tax	—	(2.2)	(2.2)
Net debt	(2.6)	—	(2.6)
Net assets acquired	1.8	3.5	5.3
Goodwill			7.5
Total consideration			12.8
Net debt acquired			2.6
Contingent consideration at acquisition			(6.7)
Net cash outflow relating to the acquisition			8.7

The goodwill arising is not tax deductible and is considered to represent the value of the acquired workforce and synergistic benefits expected to arise from the acquisition. Further contingent consideration of up to £6.7m is payable based on the performance of the Oxford Instruments Healthcare business in the year to 31 March 2016.

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

The acquisition above contributed revenue of £5.6m and a reported operating profit of £1.6m to the Group's result for the period. Had the acquisition taken place on 1 April 2015 the equivalent Group numbers would have been revenue of £165.9m and a reported operating profit of £10.0m.

Notes on the Half Year Financial Statements (continued)
Half year ended 30 September 2015 – unaudited

6 DISPOSALS AND DISCONTINUED OPERATIONS

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

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

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

The book value of the net assets disposed of was £14.6m. The value of the shareholding acquired in Scienta was considered to be equal to the book value of net assets disposed of, therefore there was no gain or loss arising on the transaction.

Discontinued operations
At 30 September 2015 the Group's Austin Scientific business was classified as held-for-sale and as a discontinued operation, given it was a major class of business and highly probable that the sale will take place within 12 months of the balance sheet date.

Results of discontinued operations	**Half year to 30 Sept 2015 £m**	Half year to 30 Sept 2014 £m	*Year to 31 March 2015 £m*
Revenue	**1.7**	3.5	*5.5*
Expenses	**(2.1)**	(3.3)	*(5.6)*
(Loss)/profit from operating activities before tax	**(0.4)**	0.2	*(0.1)*
Tax	**0.1**	(0.1)	—
(Loss)/profit from operating activities after tax	**(0.3)**	0.1	*(0.1)*
Basic (loss)/profit per share (pence)	**(0.5)**	0.2	(0.2)
Diluted (loss)/profit per share (pence)	**(0.5)**	0.2	(0.2)

Cash flows from discontinued operations	**Half year to 30 Sept 2015 £m**	Half year to 30 Sept 2014 £m	*Year to 31 March 2015 £m*
Net cash used in operating activities	**(0.4)**	0.1	*(0.1)*
Net cash from investing activities	—	—	—
Net cash from financing activities	—	—	—
Net cash flows	**(0.4)**	0.1	*(0.1)*

Notes on the Half Year Financial Statements (continued)

Half year ended 30 September 2015 – unaudited

6 DISPOSALS AND DISCONTINUED OPERATIONS *continued*

The disposal group consists of the following assets and liabilities, held in accordance with IFRS 5 at the lower of carrying value and fair value less costs to sell:

Assets of disposal group held for sale	**Half year to 30 Sept 2015 £m**
Intangible assets	—
Property, plant and equipment	—
Inventory	**0.5**
Trade and other receivables	**0.7**
	1.2

Liabilities of disposal group held for sale	**Half year to 30 Sept 2015 £m**
Trade and other payables	**(0.4)**
	(0.4)

An impairment loss of £2.8m has been recognised on the remeasurement of the disposal group to the lower of its carrying amount and fair value less costs to sell.

7 TAXATION

The total effective tax rate on profits for the half year is 35% (2014: 36%). The weighted average tax rate in respect of adjusted profit before tax (see note 2) for the half year is 24% (2014: 23%).

8 EARNINGS PER SHARE

a) Basic

The calculation of basic earnings per share is based on the profit or loss for the period after taxation and a weighted average number of ordinary shares outstanding during the period, excluding shares held by the Employee Share Ownership Trust, as follows:

	Half year to 30 Sept 2015 Shares million	Half year to 30 Sept 2014 Shares million	*Year to 31 March 2015 Shares million*
Weighted average number of shares outstanding	**57.3**	57.1	*57.3*
Less: weighted average number of shares held by Employee Share Ownership Trust	**(0.2)**	(0.2)	*(0.2)*
Weighted average number of shares used in calculation of earnings per share	**57.1**	56.9	*57.1*

Notes on the Half Year Financial Statements (continued)

Half year ended 30 September 2015 – unaudited

8 EARNINGS PER SHARE *continued*

b) Diluted

The following table shows the effect of share options on the calculation of both adjusted and unadjusted diluted basic earnings per share.

	Half year to 30 Sept 2015 Shares million	Half year to 30 Sept 2014 Shares million	*Year to 31 March 2015 Shares million*
Number of ordinary shares per basic earnings per share calculations	**57.1**	56.9	*57.1*
Effect of shares under option	**0.2**	0.4	*0.2*
Number of ordinary shares per diluted earnings per share calculations	**57.3**	57.3	*57.3*

9 DIVIDENDS PER SHARE

The following dividends per share were paid by the Group:

	Half year to 30 Sept 2015 pence	Half year to 30 Sept 2014 pence	*Year to 31 March 2015 pence*
Previous period interim dividend	**3.70**	**3.36**	*3.36*
Previous period final dividend	—	—	*9.04*
	3.70	**3.36**	*12.40*

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

	Half year to 30 Sept 2015 pence	Half year to 30 Sept 2014 pence	*Year to 31 March 2015 pence*
Interim dividend	**3.70**	3.70	*3.70*
Final dividend	**—**	—	*9.30*
	3.70	3.70	*13.00*

The final dividend for the year to 31 March 2015 was approved by shareholders at the Annual General Meeting held on 8 September 2015. Accordingly is it no longer at the discretion of the company and has been included as a liability as at 30 September 2015. It was paid on 19 October 2015.

The interim dividend for the year to 31 March 2016 of 3.70 pence was approved by the Board on 10 November 2015, the same as the previous year and has not been included as a liability as at 30 September 2015. The interim dividend will be paid on 8 April 2016 to shareholders on the register at the close of business on 11 March 2016.

Notes on the Half Year Financial Statements (continued)

Half year ended 30 September 2015 – unaudited

10 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Fair value hierarchy	**Carrying amount 30 Sept 2015 £m**	**Fair value 30 Sept 2015 £m**	Carrying amount 30 Sept 2014 £m	Fair value 30 Sept 2014 £m	*Carrying amount 31 March 2015 £m*	*Fair value 31 March 2015 £m*
Assets carried at amortised cost							
Trade receivables		**58.4**	**58.4**	66.6	66.6	*75.8*	*75.8*
Other receivables		**5.7**	**5.7**	5.7	5.7	*5.0*	*5.0*
Cash and cash equivalents		**15.3**	**15.3**	18.9	18.9	*25.1*	*25.1*
Assets carried at fair value							
Derivative financial instruments:							
– Copper hedging contracts (designated as an IAS 39 hedge)	2	**0.2**	**0.2**	—	—	*0.1*	*0.1*
– Foreign currency contracts	2	**2.1**	**2.1**	3.9	3.9	*3.3*	*3.3*
		2.3	**2.3**	3.9	3.9	*3.4*	*3.4*
Liabilities carried at fair value							
Derivative financial instruments:							
– Foreign currency contracts	2	**(2.0)**	**(2.0)**	(1.1)	(1.1)	*(4.1)*	*(4.1)*
– Copper hedging contracts (designated as an IAS 39 hedge)	2	**—**	**—**	—	—	*—*	*—*
Contingent consideration	3	**(19.1)**	**(19.1)**	(13.4)	(13.4)	*(17.5)*	*(17.5)*
		(21.1)	**(21.1)**	(14.5)	(14.5)	*(21.6)*	*(21.6)*
Liabilities carried at amortised cost							
Trade and other payables		**(69.5)**	**(69.5)**	(69.8)	(69.8)	*(86.9)*	*(86.9)*
Borrowings		**(154.8)**	**(154.8)**	(156.4)	(156.4)	*(144.0)*	*(144.0)*

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

Derivative financial instruments
Derivative financial instruments are marked to market using market prices.

Fixed and floating rate borrowings
The fair value of fixed and floating rate borrowings is estimated by discounting the future contracted principal and interest cash flows using the market rate of interest at the reporting date.

Trade and other receivables/payables
For receivables/payables with a remaining life of less than one year, the carrying amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine their fair value. Advances received are excluded from other payables above as these are not considered to be financial liabilities.

Contingent consideration
The fair value of contingent consideration is estimated based on the forecast future performance of the acquired business over a timeframe determined as part of the acquisition agreement, discounted as appropriate. Key assumptions include growth rates, expected selling volumes and prices and direct costs during the period.

Notes on the Half Year Financial Statements (continued)
Half year ended 30 September 2015 – unaudited

10 FAIR VALUE OF FINANCIAL INSTRUMENTS *continued*

Fair value hierarchy
The table above gives details of the valuation method used in arriving at the fair value of financial instruments. The different levels have been identified as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data.

There have been no transfers between levels during the year.

Contingent consideration relates to amounts payable in respect of acquisitions. It is reassessed at the end of each year to its fair value.

	30 Sep 2015 £m	30 Sep 2014 £m	*31 March 2015 £m*
Balance brought forward	**17.5**	10.7	*10.7*
Fair value of contingent consideration on acquisitions in the year	**6.7**	—	—
Unwind of discount in respect of contingent consideration	**0.7**	0.5	*1.1*
Contingent consideration paid	**(2.6)**	(0.8)	*(0.8)*
Increase in contingent consideration	**0.7**	—	*6.8*
Contingent consideration released to the consolidated statement of income	**(3.2)**	(1.4)	*(1.4)*
Effect of movement in foreign exchange	**(0.7)**	0.3	*1.1*
Balance carried forward	**19.1**	9.3	*17.5*

Principal Risks and Uncertainties

The Group has in place a risk management structure and internal controls which are designed to identify, manage and mitigate risk.

In common with all businesses, Oxford Instruments faces a number of risks and uncertainties which could have a material impact on the Group's long term performance.

On pages 14 and 15 of its 2015 Annual Report and Accounts (a copy of which is available at www.oxford-instruments.com), the Company set out what the Directors regarded as being the principal risks and uncertainties facing the Group's long term performance and these are reproduced in the table below. Many of these risks are inherent to Oxford Instruments as a global business and they remain valid as regards their potential impact during the remainder of the second half of the year.

The impact of the economic and end market environments in which the Group's businesses operate are considered in the Half Year Statement of this Half Year Report, together with an indication if management is aware of any likely change in this situation.

Specific Risk	Context	Risk	Possible Impact	Associated strategic priorities	Mitigation
Technical Risk	The Group provides high technology equipment and systems to its customers.	Failure of the advanced technologies applied by the Group to produce commercial products, capable of being manufactured and sold profitably.	Lower profitability and financial returns. Negative impact on the Group’s reputation.	‘Realising the Brand’ ‘Liberating Cash’	The Group has moved away from large scale, single customer development programmes towards more commercially orientated products. The New Product Introduction programme that any new R&D projects must pass through provides a framework within which the commercial viability of projects are scrutinised and assessed.
Economic Environment	Government spend on R&D has been constrained.	Demand for the Group’s products may be lower than anticipated.	Lower profitability and financial returns.	‘Realising the Brand’ ‘Delivering Shareholder Value’	The Group has a broad spread of customers, applications and geographical markets.
Acquisitions	Part of the growth of Oxford Instruments is planned to come from acquisitions which provide the Group with complementary technologies.	Appropriate acquisition targets may fail to provide the planned value.	Lower profitability and financial returns. Management focus taken away from the core business in order to manage integration issues.	‘Realising the Brand’ ‘Inventing the Future’ ‘Adding Personal Value’	Extensive financial and technical due diligence is undertaken by the Group during any acquisition programmes. Each transaction has a comprehensive post acquisition integration plan which is monitored at the highest level.
Foreign exchange volatility	A significant proportion of the Group’s profit is made in foreign currencies. Most costs are in Sterling.	The Group’s profit levels are exposed to fluctuations in exchange rates.	Lower profitability and financial returns	‘Delivering Shareholder Value’ ‘Liberating Cash’	The Group seeks to mitigate the exposure to transactional risk by the use of natural hedges wherever possible. The remaining transactional foreign exchange risk in any year is mitigated through the use of forward and non-premium based option exchange contracts.
Political Risk	The Group operates in global markets and can be required to secure export licences from government.	Changes in political relations may affect the granting of licences.	An inability to sell certain products to certain countries	‘Delivering Shareholder Value’ ‘Liberating Cash’	Maintain a diversified geographical customer base. Ensure low commitment to inventory before attaining export licences

Customer Concentration	The Group's Superconducting Wire business in reliant on a small number of MRI manufacturers as customers .	These customers can exert significant customer power in terms of price and volume	Lost sales, decreased margins	'Delivering Shareholder Value' 'Liberating Cash'	Attempt to broaden customer base to include all OEMS Explore alternative applications for superconducting wire
Outsourcing	The Group's strategic plan includes the outsourcing of a significantly higher proportion of the costs of its products to benefit from economies of scale and natural currency hedges.	Failures in the supply chain impacting sales.	Disruption to customers. Negative impact on the Group's reputation.	'Liberating Cash' 'Realising the Brand'	Relationships with outsourcing businesses are monitored closely and any potential issues are acted upon swiftly to avoid disruption. Where practical dual sources are used for key components and services.
Pensions	The Group's calculated pension deficit is sensitive to changes in the actuarial assumptions.	Movements in the actuarial assumptions may have an appreciable effect on the reported pension deficit.	Additional cash required by the Group to fund the deficit. Reduction in net assets.	'Delivering Shareholder Value' 'Liberating Cash'	The Group has closed its defined benefit pension schemes in the UK and US to future accrual. The Group has a funding plan in place to reduce the pension deficit over the short to medium term.
People	A number of the Group's employees are business critical.	The employee leaves the Group.	Lower profitability and financial returns.	'Adding Personal Value' 'Inventing the Future'	The Group undertakes a regular employee survey and implements and reviews resulting action plans. A comprehensive succession planning process is in place, together with a talent network which identifies and manages contacts with people who could provide external succession for critical current and future roles. A management development programme provides exposure to key skills needed for growth. Regular individual performance reviews take place.
Routes to market	In some instances the Group's products are components of higher level systems and thus the Group does not control its route to market.	The systems integrator switches supplier denying the Group's route to market.	Lower profitability and financial returns.	'Inventing the Future' 'Realising the Brand'	Use of the stage gate process and 'Voice of the Customer' to make sure that the Group's products are the best in the market. Co-marketing with system integrators to promote the merits of the Group's products to end customers. Seeking to increase the number of integrators supplied by the Group .

Responsibility Statement of the Directors in respect of the Half Year Financial Statements

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

- the interim management report includes a fair review of the information required by:

    (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

    (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Jonathan Flint, Chief Executive　　Kevin Boyd, Group Finance Director
10 November 2015

Independent review report to Oxford Instruments plc

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2015 which comprises the Condensed Consolidated Statement of Income, the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Greg Watts
for and on behalf of KPMG LLP
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham, B4 6GH

10 November 2015