Oxford Instruments plc

Report and Financial Statements 2014

Empowering science and industry

OXFORD INSTRUMENTS

The Business of Science®

Overview

Strategic report

Governance

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Company information

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

As one of the first commercial spin-out companies from Oxford University, we have been at the forefront of atomic and molecular innovation for more than ten years. We use innovation to turn smart science into world-class products that support research and industry to address the great challenges of the 21st Century.

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.

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www.oxford-instruments.com/investors

We enable the pioneers of today to work on

A Different Level

Across the globe, people are focused on addressing the significant challenges that impact all of our lives. Constant advances are needed to keep pace with our rapidly evolving world. We need to work faster, more intelligently, more collaboratively. And with a finite amount of resources, we need to do more with less.

Oxford Instruments offers the means for customers to address these challenges on a different level: the atomic and molecular level. We turn smart science into commercially viable tools and systems that can fabricate, analyse and manipulate matter at the nano scale. The continued expansion of our capabilities and expertise allows us to serve customers across all sectors that have an interest in working at this level and enable even greater progress to be made.

What We Do

Our vision is to pursue responsible development and a deeper understanding of the world through

Science and Technology

Our business is structured around three segments which reflect our expertise and business objectives:

Nanotechnology Tools

High technology tools to characterise, analyse, manipulate and fabricate at the nano scale

Industrial Products

Developing and manufacturing tools and components for industrial applications

Service

Supplying knowledgeable support services, training and refurbishment

We meet the needs of growing markets:

Research and academia
Our largest market sector includes research into nanotechnology applications, new materials, and other developments.

Life sciences
A rapidly growing sector including the support and service of MR and CT imaging equipment and new opportunities based on the overlap of physics and biology.

Metals/ construction
Supporting global industries including metals, alloy manufacturing, steel foundries and scrap recycling.

Semiconductors/ IT
Includes semiconductor electronics, Micro Electro Mechanical Systems (MEMS), compound semiconductor materials, thin film and particle analysis.

Energy
We have been involved in the search for sustainable energy (ITER), solar technologies, oil and gas exploration and superconductor materials.

Environment
Tools for High Brightness LEDs; recycling; detection of hazardous substances in soil; and agriculture and food.

And bring together discrete businesses which are recognised leaders in their fields:

NanoCharacterisation	Industrial Analysis	
NanoSolutions	Industrial Components	OiService CT & MR

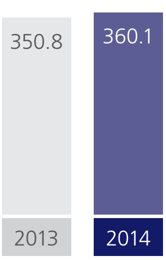
Read more at
www.oxford-instruments.com/businesses

Highlights

The Group delivered another successful result, with increases in orders, sales and profit

Our results were bolstered by a strong trading performance in the last quarter. The integration of Andor Technology is proceeding to plan and has aided the results. However this has been offset by the strength of Sterling against our main trading currencies. 2013/14 also marked the completion of the period covered by our *14 Cubed* plan and the announcement of the next phase of Oxford Instruments' plan for growth. This new strategy seeks to exploit the convergence of the sciences which is driving increased demand for nanotechnology tools and is discussed in more detail within the Strategic Report.

Revenue (£m)

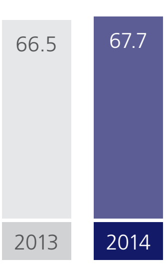


£360.1m
+2.7%

Adjusted profit before tax* (£m)

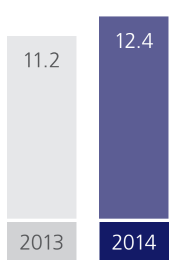
£47.1m
+0.2%

Adjusted earnings per share* (p)



67.7p
+1.8%

Dividend per share (p)



12.4p
+10.7%

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

Read more
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Highlights include:

- Orders grew by 2.5% to £342.2 million (2013: £334.0 million)
- Adjusted operating margin* of 14.0% (2013: 14.1%), in line with *14 Cubed* objectives
- Andor Technology acquisition integrating well and performing ahead of plan
- Investment in R&D, up 11.2% to £27.9 million (2013: £25.1 million)
- Our strategy seeks to exploit the convergence of the sciences which is driving increased demand for nanotechnology tools

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

Review of the Year

Performance

The Group delivered another successful result, with orders, sales and profit all up on the prior year. Orders grew by 2.5% to £342.2 million (2013: £334.0 million). Our closing order book was £126.1 million. Revenues grew 2.7% to £360.1 million (2013: £350.8 million) against a currency headwind caused by the relative strength of the Pound compared to our major trading currencies. Revenue growth on a constant currency basis was 4.3%.

As previously reported, during the first two months of 2013/14 we experienced weak demand, particularly from Government funded research. Since then, as expected, we have seen gradual sustained improvement throughout the year.

Adjusted operating profit grew 2.0% to £50.3 million (2013: £49.3 million). In line with our *14 Cubed* objectives we delivered an adjusted operating margin of 14.0% (2013: 14.1%).

During the year we saw strong revenue growth in the USA of 10.9% and modest declines in Europe and Asia. In Asia, continued weakness in the High Brightness Light Emitting Diodes (HBLED) market suppressed growth, while in Europe, Government spending, particularly in the first half, was muted. Revenues elsewhere in the world grew by 18.5%, helped in particular by strong performances in South America and Australia.

We have now reached the end of the period covered by our *14 Cubed* plan which set a target of achieving an average compound annual sales growth rate of 14% in the years 2011 to 2014 and a return on sales of 14% by 2014. We delivered the targeted 14% return on sales. We achieved 11% compound annual growth rate.

Strategy and business model

Across the world, people are focused on addressing the great challenges of the 21st century. Constant advances are needed to keep pace with our rapidly evolving world. With finite resources, we need to achieve more with fewer raw materials. Oxford Instruments offers the means for customers to address these challenges at the atomic and molecular level. We use innovation to turn our smart science into commercial tools and systems that analyse and manipulate matter at the nano scale. The continued expansion of our capabilities and expertise allows us to address customers' needs in a wide variety of markets that have an interest in working at this scale.

Our Group operates in three sectors: Nanotechnology Tools, Industrial Products and Service. Our Nanotechnology Tools sector sells high technology tools, primarily to research customers (74% of its revenues come from research and academia). It provides a unique insight into emerging trends in public and privately funded research, thus informing our approach to innovation and product application. Our Industrial Products sector sells more mature, though still technically advanced products, primarily to industrial customers (58% of its revenues come from industry). The tools and systems produced by this sector enable us to benefit from the economies of scale offered by trading in larger industrial markets, thereby maximising the returns from our R&D programmes. Our Service sector addresses the aftermarket for both our own and third party high technology equipment, notably MRI and CT scanners. The complexity and uniqueness of our products mean our customers increasingly purchase multi-year service contracts.

Review of the Year continued

Strategy and business model continued

Improvement of our operational excellence forms a key part of our strategy. Following the successful introduction of continuous improvement and lean six sigma activities in selected Nanotechnology Tools and Industrial Products businesses, we have initiated a global Operational Excellence programme that develops and deploys best practice lean six sigma methodologies throughout the Group to ensure our processes are continually improved and deliver the benefits of economies of scale as the business grows.

This year we announced the evolution of our strategy to exploit the current convergence of the sciences, especially at the nano scale, which is driving increased demand for nanotechnology tools.

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

Acquisitions

The acquisition of Andor Technology (Andor), an AIM listed company based in Belfast, Northern Ireland, was completed on 21 January 2014. Andor is a market leading supplier of high performance optical cameras, microscope systems and software. For example, its cameras are being used to understand protein distribution in cells, giving insights into diseases such as Alzheimer's, Parkinson's and cancer. Live-cell super resolution microscopy, using Andor's iXon emCCD camera, gives much higher accuracy than previously attained. The acquisition of Andor is strategically important to Oxford Instruments and offers substantial opportunities to expand the Group's current markets and technologies in both the physical science and life science arenas. A tailored integration programme is in place that focuses on building relationships that create a firm foundation for common processes, shared staff talent and joint future development opportunities. Integration is going to plan and current performance is ahead of our acquisition assumptions.

In the year, the Group also made two bolt-on acquisitions to the Industrial Analysis business to broaden the product offerings in metals analysis and coating thickness measurement. RMG, a small UK based company, adds a unique hand-held analyser branded mPulse to our portfolio. Using the technique of laser induced breakdown spectroscopy (LIBS), it is initially targeted at the scrap metals industry and sales are already contributing to the business ahead of acquisition assumptions. Another recent addition is Germany-based Roentgenanalytik, which strengthens Oxford Instruments' range of X-ray Fluorescence (XRF) materials and coating thickness analysers. It will become a centre of excellence for our benchtop XRF analysers, enabling the development of a new generation of manufacturing tools for our customers.

Read about our new strategic plan
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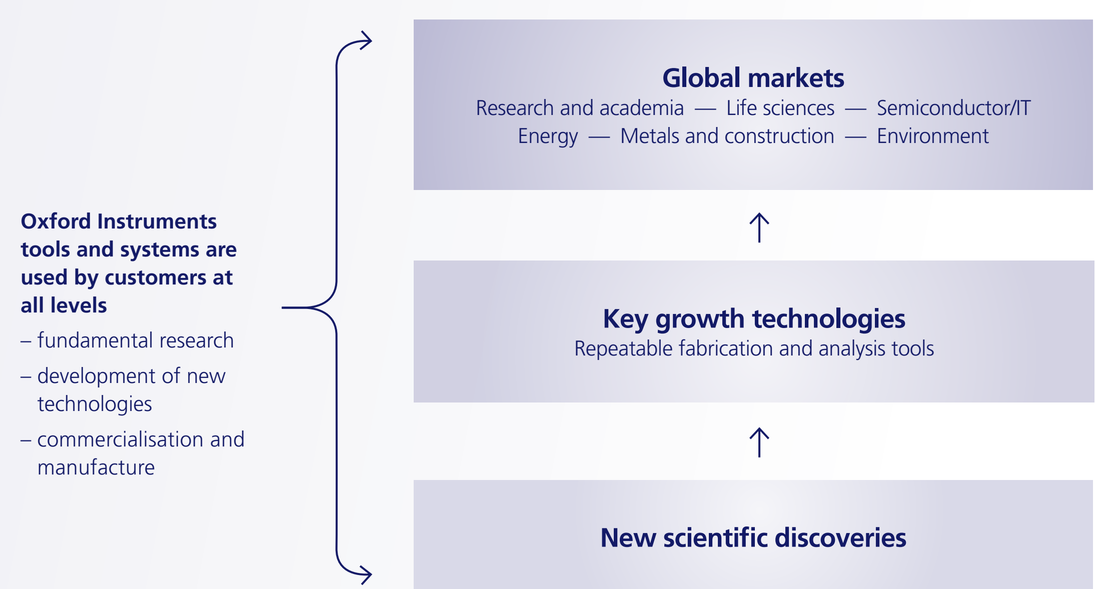
Our tools-based development model



The Andor Zyla sCMOS camera is a tool used in both the life and physical science arenas. Application areas include Live-Cell Microscopy and Semiconductor Analysis.

Asylum Research, acquired in December 2012, has integrated well and has made a good contribution to the Group's performance this year. The launch of new products in its leading portfolio of atomic force microscopes has extended the range of applications available to our customers in the materials and bioscience markets.

As previously reported, and uniquely amongst our recent acquisitions, Omicron Nanotechnology, acquired in 2011, has underperformed against our acquisition assumptions. As a result, we made changes to its management earlier in the year and have laid out a new strategy. This business will now seek to establish a leadership position, along with other Group businesses in the nanotechnology tools sector, in the study and fabrication of complex atomic scale materials and devices. For example, it will target the emerging technology of quantum computing, where Oxford Instruments already has a strong position. The strategic actions we have taken should enable the business to break even in the current year and we anticipate that it will return to profitability in the 2015/16 financial year. Once complete, we will have a world-class surface science business, which complements our material science and bio-science activities. This will enable us to offer our customers a unique portfolio of nanotechnology tools.

Our strategy sets the stage for the next phase of growth for Oxford Instruments

People

The dedication and hard work demonstrated by our employees is key to the success of Oxford Instruments, and we thank them for their continued contribution to our success. Developing our employees is central to our strategy for market leadership and profitable growth across all our sectors. We believe that our increased focus on diversity and inclusion across our global territories will further strengthen our business.

On 11 June 2013, Jennifer Allerton joined the Board of Oxford Instruments as a Non-Executive Director. She has a broad range of technological, commercial and international experience with large multinational businesses. Jennifer sits on the Audit, Remuneration and Nomination Committees.

Thomas Geitner, who was appointed to the Board on 1 January 2013, took over the Chair of the Remuneration Committee on 9 September 2013.

At this year's AGM Professor Sir Mike Brady will step down from the Board. He was appointed in August 1995 and became Deputy Chairman in 2000. He was a member of the Nomination Committee until 2011 and is a member of the Audit and Remuneration Committees. We would like to thank Mike for his outstanding service and commitment to the Group over the last 20 years.

During the year, a new post of Chief Information Officer was created to strengthen the IT infrastructure of the Group, investigate ways in which we can better use IT to differentiate our products and manage the implementation of a new Group-wide ERP system.

Outlook

Orders for the first two months of the year are ahead of the same period last year on both a reported and constant currency organic basis.

Our strategy, which sets the stage for the next phase of growth for Oxford Instruments, will continue to focus on developing innovative new products and growing market share in our core areas of physical science. In addition, we will seek to extend our reach into adjacent new markets by applying our tools and technologies to life science research and analysis.

This convergence of the sciences will drive long term demand for our nanotechnology tools and enable us to reach a new set of customers. Despite the headwind from foreign exchange at current levels, these factors, together with a full year contribution from recent acquisitions, complemented by our talented people and our focus on operational excellence will underpin our continued growth in the current year.

Our Business Model

We engage with the growing nanotechnology industry: an area key to continued economic progress and growth

Systems and Tools

1
Research

In the research field, our tools are used to advance the frontiers of science. We count many winners of the Nobel Prize amongst our customers.

+

2
Industry

In the industrial field, our tools are used to improve production efficiency, ensure high standards of quality control and demonstrate compliance to environmental legislation.

What we provide

We adopt a business model whereby the Group sells tools to customers who wish to exploit the opportunities offered by nanotechnology.

This tools model enables us to generate revenues from emerging industries utilising nanotechnology without undue exposure to any one application or market.

Our customers

We provide high-performance tools for research and industry. Our aim is to be the bridge between industry and academia, pushing the boundaries of science for the benefit of all.

Our strategy

Analysis and fabrication of matter at the nano scale is a now a worldwide requirement. We are responding to the current convergence of the sciences by applying our tools and expertise to growing market opportunities.

Read more
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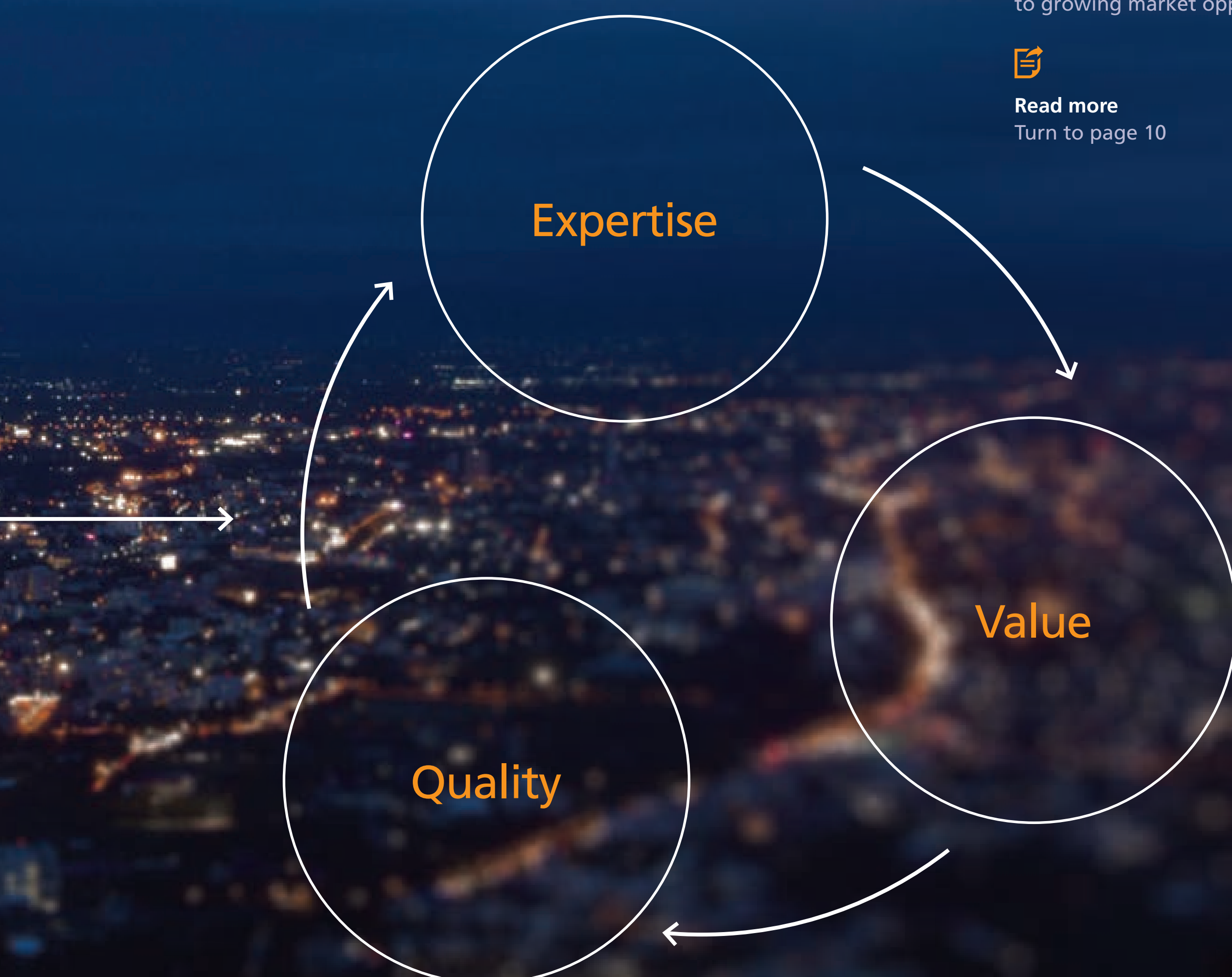


What sets us apart

Expertise_ Our staff deploy a high level of technical skill and deep understanding of technology trends to convert our intellectual property into new tools using the latest nanotechnology techniques.

Value_ Our Voice of the Customer programme constantly calibrates emerging customer requirements against available technology to ensure our R&D activities are focused on the most commercially attractive areas.

Quality_ The Oxford Instruments' brand is well recognised and valued, particularly in the research and academic communities. Its quality attracts customers, collaborators and employees.

Strategic Context

Our tools and expertise now cross the boundaries of physics and biology

"Convergence" is an increasingly important aspect of scientific research. It is the merging of previously distinct areas of research and technology into a unified discipline that creates new scientific and commercial opportunities.

This new model is being adopted by many research institutions around the world in different forms. The past decade has seen the emergence of interdisciplinary research areas such as nanobiology, bioinfomatics, engineered biomaterials and the human genome project. In these new fields the underlying research models have converged. This creates significant commercial opportunities for Oxford Instruments as tools that were once restricted to one discipline can now be utilised across a number of research areas, increasing our addressable market. For example, the Andor Zyla sCMOS camera is a tool used in both the life and physical science arenas. Application areas include live-cell microscopy and semiconductor analysis.

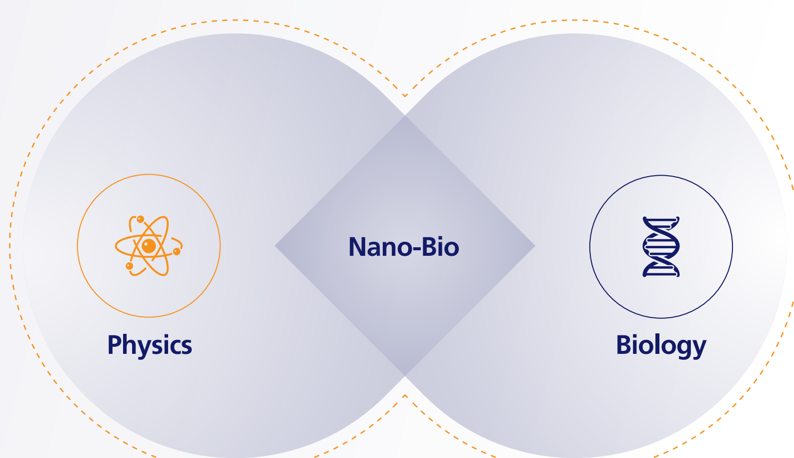
Advances in information technology, new materials, imaging, and quantum physics, have transformed physical science in recent years. Oxford Instruments has been the leading tool provider for this change. These same advances are now beginning to transform the life sciences.

Convergence gives the Group an opportunity to take the technical tools and the disciplined design approach traditional to engineering and physics and apply them to life science research. This provides the Group with a unique opportunity to access a new set of customers who need to work at the molecular scale. The use of techniques previously associated with the physical sciences, where the Group has great strength, in the biological sciences produces an important area of growth. For example, the convergence of nanotechnology and biotechnology ("Nano-Bio") will lead to innovative advances in medicine, energy production, agriculture, aerospace and manufacturing. Oxford Instruments' acquisitions of Asylum in 2012, and Andor in the year just ended, support this strategy of extending our reach into analysis tools for Nano-Bio research.

Watch Jonathan Flint discuss the Group's strategy (available from September 2014)
www.oxford
instruments.com/
strategyvideo

The convergence of the sciences

Oxford Instruments' core markets and core competencies are in the physical sciences arena. Sciences like physics and biology have previously been separated but now they are moving closer together and the boundaries are crossing.



Convergence offers new opportunities for our tools and systems

There are a number of cellular mechanisms that could potentially fail and lead to the formation of cancerous cells and tumour development.

One of these important mechanisms is the cell's ability to equally share its DNA between two daughter cells during cell division.

Using Andor's Revolution XD system, researchers are investigating the fine detail of microtubule alignment mechanisms in live cells, to better understand how these fail in the hope of finding a therapeutic treatment for cancer.

Revolution XG system

A new level of cancer research

"One of the major benefits of the Revolution XD has to do with the quickness of image acquisition at low intensity illumination. Conventional confocal microscopy would not have allowed for acquisition of mitotic cells without severely impairing cell viability."

— Dr Tatiana Moutinho dos Santos PhD, Molecular Genetics Lab, IBMC-INEB; Porto, Portugal

Our Strategy

Our strategy builds on our strong position and exposure to growing markets

Going forward, Oxford Instruments intends to leverage its tools and expertise to exploit the convergence of the sciences. This will drive long term demand for our nanotechnology tools and increase our addressable markets by giving us access to a new set of customers. Four key themes underpin our plan for delivering on this strategy while maximising customer and Shareholder value.

1

People development

Our highly skilled employees are key to our continued growth and success. Developing talent through leadership and technology training and recruitment programmes is central to our strategy for market leadership and profitable growth across all our sectors.

Focus areas include:

- Adaptability
- Engagement
- Calibre
- Skill

We measure progress through our regular employee surveys, benchmarking staff engagement externally.

2

Product development

We have a broad spectrum of products operating in high growth technology markets, supported by the world-renowned Oxford Instruments brand. Innovation remains at the core of the Group's culture, made possible by our continued investment in commercially driven R&D.

Focus areas include:

- Strategic and market driven R&D
- Aligned with a long term vision
- Delivery enabled environment
- Market leading high margin tools

Measured by the proportion of revenues coming from new products introduced in the last three years (Vitality Index). Our 2014 Vitality Index is 42%.

3

Market development

We will continue to focus on developing innovative new products and growing market share in our core areas of physical and materials science. In addition, we will seek to extend our reach into adjacent new markets by applying our tools and technologies to life science research and analysis.

Focus areas include:

- Target fast growing markets
- Expand our portfolio of techniques
- High potential acquisitions
- Expand into attractive adjacent markets

One measure of our success is the growth in our addressable markets.

4

Processes development

Improvement of our operational excellence forms a key part of our strategy. A global Operational Excellence programme develops and deploys "Best Practice Lean six sigma methodologies" throughout the Group to ensure our processes are continually improved and deliver the benefits of economies of scale as the business grows.

Focus areas include:

- Promoting a culture of continuous improvement
- Driving a vision of business excellence

We measure the value and success of operational excellence through the Value Add Index (adjusted operating profit + employment costs)/employment costs. Our 2014 Value Add Index is 1.51.

X-Supreme
Benchtop XRF analyser

Monitoring sodium at a different level

"These rapid results will allow cheese makers to adjust salt levels during the cheese-making process. The whole technology appears to be a big win for the cheese industry with potential applications for other foods."

— Bill Graves, senior vice-president of product research for the Dairy Research Institute

In order for consumers to be better informed about their salt consumption, manufacturers need to be able to quickly and accurately monitor sodium levels in their food products.

The cheese industry in particular has a great desire to reduce sodium content and variability. To assist in the effort, the industry is piloting X-ray Fluorescence Spectrometry (XRF) from Oxford Instruments. The energy of the X-ray indicates which elements, such as sodium, are in a cheese and how much of each element is present. The process takes just five minutes.

Current methods may take one day in-house or three to five days if product is sent to an outside source for measuring.

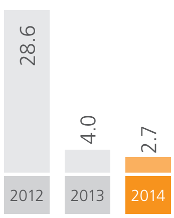
Key Performance Indicators

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

The key performance indicators are presented below:

Financial goals

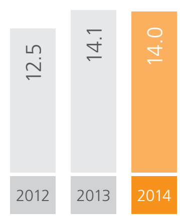
Revenue growth (%)



Tracks our performance on our growth strategy

Goal: To deliver Shareholder return

Net return on sales[3] (%)

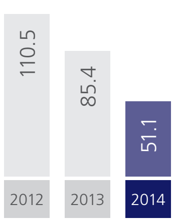


Tracks our performance on our profitability strategy

Goal: To deliver Shareholder return

Strategic priorities

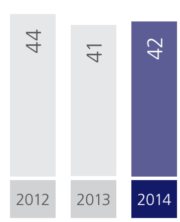
Cash conversion from profit[1,3] (%)



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

Goal: Liberating cash

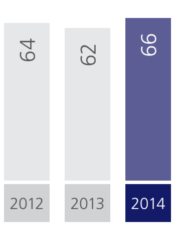
Vitality Index (%)



Measures the effectiveness of our R&D programmes

Goal: Inventing the future

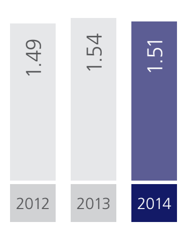
Net Promoter Score®[2]



Measures customer feedback

Goal: Realising the brand

Value Add Index[3]



Measures efficiency

Goal: Adding personal value

1 Cash conversion is defined as the ratio of cash generated to adjusted operating profit (see Income Statement). Cash generated is calculated as adjusted operating profit plus depreciation on property, plant and equipment and amortisation on research and development, minus capital expenditure on property, plant and equipment and research and development, and adjusted for movements in working capital.

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 2013 figure has been restated – see Accounting Policies.

Diseases of the immune system are on the rise, from food allergies to autoimmune disorders like Type 1 diabetes, immune deficiencies, and cancer.

To answer fundamental and therapeutic questions, paediatric immunologists are utilising Atomic Force Microscopy (AFM) to study the T-cells at the nanoscale.

With AFM scientists are able to manipulate single molecules and control their interaction with receptor proteins on the surface of immune cells. These tools allow researchers to dissect the function of cells in health and their dysfunction in immune disease.

Atomic Force Microscopy

Studying the immune system at a deeper level

"Signal transmission among immune cells occurs at the nanoscale, and AFM allows us to image, quantify, interact with, and study these processes. These methods allow an unprecedented look at how immune cells communicate with one another."

— Manish J. Butte, MD PhD, Assistant Professor of Paediatrics/Immunology & Allergy, Child Health Research Institute, Stanford University

Principal Risks and Uncertainties

Specific risk	Context	Risk	Possible impact
Technical risk	The Group provides high technology equipment and systems to its customers.	Failure of the advanced technologies applied by the Group to produce commercial products, capable of being manufactured and sold profitably.	Lower profitability and financial returns. Negative impact on the Group's reputation.
Economic environment	The recent global recession and prevailing economic downturn have resulted in cuts to both Government and private sector spending.	Demand for the Group's products may be lower than anticipated.	Lower profitability and financial returns.
Acquisitions	Part of the growth of Oxford Instruments is planned to come from acquisitions which provide the Group with complementary technologies.	Appropriate acquisition targets may not be available in the necessary timescale. Alternatively, once acquired, targets may fail to provide the planned value.	Lower profitability and financial returns. Management focus taken away from the core business in order to manage integration issues.
Foreign exchange volatility	A significant proportion of the Group's profit is made in foreign currencies.	The Group's profit levels are exposed to fluctuations in exchange rates.	Lower profitability and financial returns.
Outsourcing	The Group's strategic plan includes the outsourcing of a significantly higher proportion of the costs of its products to benefit from economies of scale and natural currency hedges.	Failures in the supply chain impacting sales.	Disruption to customers. Negative impact on the Group's reputation.
Pensions	The Group's calculated pension deficit is sensitive to changes in the actuarial assumptions.	Movements in the actuarial assumptions may have an appreciable effect on the reported pension deficit.	Additional cash required by the Group to fund the deficit. Reduction in net assets.
People	A number of the Group's employees are business critical.	The employee leaves the Group.	Lower profitability and financial returns.
Routes to market	In some instances the Group's products are components of higher level systems and thus the Group does not control its route to market.	The systems integrator switches supplier denying the Group's route to market.	Lower profitability and financial returns.

Associated strategic priorities	Mitigation
Realising the brand: Using "Voice of the Customer" to drive rapid new product development. **Liberate cash:** Support and develop our employees to maximise their value add.	The Group has moved away from large scale, single customer development programmes towards more commercially orientated products. The New Product Introduction programme that any new R&D projects must pass through provides a framework within which the commercial viability of projects are scrutinised and assessed.
Realising the brand: Developing a strong brand in existing and developing markets. **Delivering shareholder value:** Focus on balanced and attractive global markets.	The Group has a broad spread of customers, applications and geographical markets. The Group is expanding in the so called BRIC nations, whose markets have been more resilient during the economic downturn.
Realising the brand: Developing a strong brand in existing and developing markets. **Inventing the future:** Using "Voice of the Customer" to drive rapid new product development. **Adding personal value:** Supporting and developing our employees.	Extensive financial and technical due diligence is undertaken by the Group during any acquisition programmes. Each transaction has a comprehensive post acquisition integration plan which is reviewed at the highest level.
Delivering shareholder value: Focus on balanced and attractive global markets. **Liberating cash:** Developing a competitive global supply base that supports our growth.	The Group seeks to mitigate the exposure to transactional risk by the use of natural hedges wherever possible. The remaining transactional foreign exchange risk in any year is mitigated through the use of forward and non-premium based option exchange contracts.
Liberating cash: Developing a competitive global supply base that supports our growth. **Realising the brand:** Developing a strong brand in existing and developing markets.	Relationships with outsourcing businesses are monitored closely and any potential issues are acted upon swiftly to avoid disruption. Where practical dual sources are used for key components and services.
Delivering shareholder value: Focus on balanced and attractive global markets. **Liberating cash:** Developing a competitive global supply base that supports our growth.	The Group has closed its defined benefit pension schemes in the UK and US to future accrual. The Group has a funding plan in place to reduce the pension deficit over the short to medium term.
Adding personal value: Supporting and developing our employees. **Inventing the future:** Providing an environment for inventing and innovation.	The Group undertakes a regular employee survey and implements and reviews resulting action plans. A comprehensive succession planning process is in place, together with a talent network which identifies and manages contacts with people who could provide external succession for critical current and future roles. A management development programme provides exposure to key skills needed for growth. Regular individual performance reviews take place.
Inventing the future: Developing products that offer the best technical solution. **Realising the brand:** Ensuring that end customers appreciate the benefits of Oxford Instruments' technology.	Use of the stage gate process and "Voice of the Customer" to make sure that the Group's products are the best in the market. Co-marketing with system integrators to promote the merits of the Group's products to end customers. Seeking to increase the number of integrators supplied by the Group.

Performance by Division

The Group operates in three sectors: Nanotechnology Tools, Industrial Products and Service

Highlights:

- Nanotechnology Tools delivered an increase in both revenues and profit
- Industrial Products performed well in all territories
- Our Service business performed well in all territories

Nanotechnology Tools

The Nanotechnology Tools sector produces our highest technology products and serves research and industrial customers in both the public and private sectors.

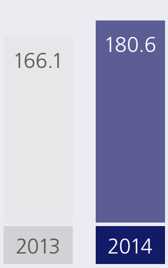
Since the year end this sector has been managed as the NanoCharacterisation division (comprising Nanoanalysis, Asylum Research and Andor Technology) and the NanoSolutions division (comprising Plasma Technology and Omicron NanoScience). This allows us to bring together our three microscopy techniques (optical, atomic force and electron) under a unified structure in NanoCharacterisation, whilst NanoSolutions focuses on advanced research environments and systems.

This sector delivered an encouraging performance in 2014, despite weaker Government spending in research and development, with revenues of £180.6 million (2013: £166.1 million) and an adjusted operating profit of £21.2 million (2013: £20.6 million). New products introduced by the NanoAnalysis and Asylum businesses have been particularly successful, rapidly contributing to the overall performance of the sector.

Our NanoAnalysis business produces leading-edge tools that enable materials characterisation and sample manipulation at the nano scale. Its products are used on electron microscopes and ion-beam systems in academic institutions and industrial applications including semiconductors, renewable energy, mining, metallurgy and forensics. Our new Layerprobe tool works with our market leading Aztec electron microscopy software platform. It gives customers the ability to measure the thickness and composition of nano scale thin films and membranes in a scanning electron microscope. We are the only company providing this capability in our software. For the first time, it unlocks information about variations in sample depth by showing composition in the third

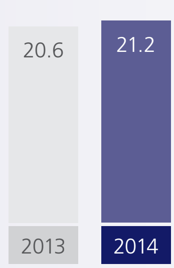
Nanotechnology Tools headline figures

Revenue (£m)



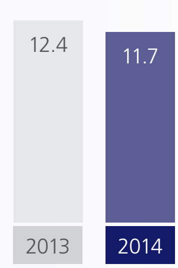
£180.6m
+8.7%

Profit[1] (£m)



£21.2m
+2.9%

Return on sales[1] (%)



11.7%

1 2013 figure has been restated – see Accounting Policies.

dimension. This is vital for applications involving photovoltaic devices, light emitting diodes, and power electronics where device performance depends on both the thickness and composition of ultra-thin films.

Asylum's Cypher ES environmental atomic force microscope (AFM) is the best commercial AFM on the market. It makes atomic scale imaging routine for the average user. It combines fast, ultra stable, high resolution imaging in gaseous or liquid environments with cooling, heating and other sample control capabilities. It is used in a variety of disciplines, including material science, energy research, biology and biophysics.

Andor Technology brings the Group a strong capability in optics. This, combined with our capability in atomic force microscopy and spectrometers for electron microscopy, means the Group can offer our customers a spectrum of tools with which to observe the nano world. Andor has continued to drive innovation with the launch of the ultra-sensitive Zyla 4.2 sCMOS camera. Offering the highest sensitivity available, this camera is the technology leader in the fast growing life science imaging market. Andor was also recognised with the "Best in the World" award from Yokogawa as the leading global distributor of laser spinning disk systems for high resolution living cell imaging. Its Imaris software was used in the Clarity Brain analysis project at Stanford University, providing accurate 3D images and analyses of specifically labelled neurons in an otherwise transparent brain.

The Omicron NanoScience business which specialises in analytical measurement in high vacuum, at low temperatures and in high magnetic fields, had a challenging year, due in part to reduced Government spending and a general slowdown in research markets in its field. However, this business delivered its largest ever single order to a customer in Germany to facilitate the fabrication and characterisation of materials for nano electronics. This could revolutionise the industry and provide key components into the nascent field of quantum computing. Quantum computers have the potential to make safer aeroplanes, detect cancers through complex computational modelling and design software that allows cars to drive themselves.

Plasma Technology, which produces nanofabrication equipment for specialist semiconductor research and manufacturing, had a challenging year due primarily to the continued weakness in demand for High Brightness Light Emitting Diodes (HBLED). However, Plasma Technology spearheaded an evolution in semiconductor etch technology with the launch of the PlasmaPro1000 Astrea etch system. This tool enables large batches of advanced semiconductors to be etched simultaneously and will offer manufacturers of HBLEDs market leading productivity and cost efficiencies.

Industrial Products

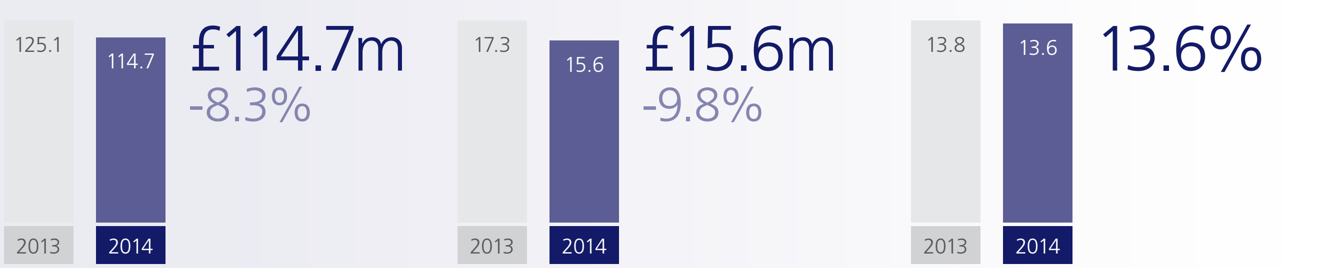
Our Industrial Products sector, comprising our Industrial Analysis and Industrial Components divisions, supplies analytical systems for quality control, environmental and compliance testing, and components for industry and research.

Industrial Analysis comprises our X-ray Fluorescence (XRF), Optical Emission Spectroscopy (OES) and Magnetic Resonance (NMR) businesses. Industrial Components comprises our Superconducting Wire, Austin Scientific and X-Ray Technology businesses.

This sector delivered revenues of £114.7 million (2013: £125.1 million) and an adjusted operating profit of £15.6 million (2013: £17.3 million). Deliveries of superconducting wire to the ITER programme, which seeks to develop a commercially viable source of energy from nuclear fusion, were completed in the first quarter of the year. Revenue from the ITER programme totalled £40 million over the last three years. Excluding the effect of the ITER project, underlying growth in this sector was 2.3%.

Industrial Products headline figures

Revenue (£m) | **Profit[1] (£m)** | **Return on sales[1] (%)**



1 2013 figure has been restated – see Accounting Policies.

Performance by Division continued

Using the technique of Laser Induced Breakdown Spectroscopy (LIBS), our new mPulse hand-held analyser is initially targeted at the scrap metals industry.

The Industrial Analysis business achieved growth in all geographic territories, despite a downturn in its steel markets. A new portable optical emission spectrometer, PMI-Master Smart, was launched in the year as a result of a breakthrough in the miniaturisation of OES instrumentation, based on the use of optics made of carbon fibre reinforced plastics. The improved mobility offered by this product brings advantages to customers in the fields of metals analysis, positive material identification, rapid material verification and sorting. During the year we also launched Pulsar, a cost effective nuclear magnetic resonance (NMR) analyser. One specific application is its ability to identify different species in raw meat. The analysis can be completed locally, on site in a few seconds, whereas current testing methods for food samples are costly and can take several days. We have seen significant interest from testing laboratories, supermarkets and Government bodies. Other NMR based tools are being used in numerous applications ranging from monitoring octane levels in power stations to measuring salt levels in cheese.

The Industrial Components division delivered a strong performance. Austin Scientific was successful in winning more orders for tools used in the mobile phone industry. X-ray Technology also did well, with sales from Shasta, a new power supply system, exceeding our targets. Our Superconducting Wire business also had a good year, increasing productivity as a result of operational efficiency programmes and with continuing strong demand for MRI wire.

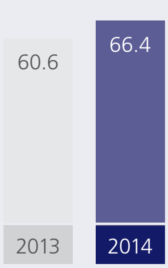
Service

The Service sector comprises the service, support, training, refurbishment, consumables and accessories elements of our business, together with a business providing service for MRI and CT machines.

This sector performed well across all territories with revenue of £66.4 million (2013: £60.6 million) and an adjusted operating profit of £13.5 million (2013: £11.4 million). This was driven in part by our clinical instrumentation service business which has grown its servicing of GE Healthcare MRI machines in the USA and selling refurbished parts and systems to the healthcare market. Successful initiatives such as the OI Training Academy and remote monitoring have increased revenues and added to the customer experience, increasing our Net Promoter Score (customer satisfaction) from 62 to 66 this year.

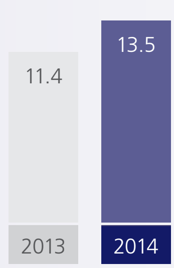
Service division headline figures

Revenue (£m)



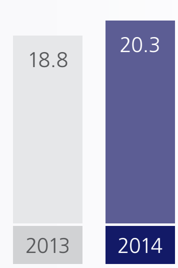
£66.4m
+9.6%

Profit[1] (£m)



£13.5m
+18.4%

Return on sales[1] (%)



20.3%

1 2013 figure has been restated – see Accounting Policies.

Financial Review

Trading performance

Orders in the period were up 2.5% to £342.2 million (2013: £334.0 million). Including inter-segment trade, the split between sectors was: Nanotechnology Tools £166.3 million, down 0.2%; Industrial Products £110.0 million, up 7.6%; and Service £67.5 million, up 0.9%. At the end of the year the Group order book for future deliveries fell to £126.1 million (2013: £130.8 million), partly reflecting the reduced lead times demanded by our customers.

Revenues in the year grew by 2.7% to £360.1 million (2013: £350.8 million). The increase in revenues due to acquisitions in the comparator periods was £27.4 million. Adverse foreign currency exchange rate movements reduced reported sales by £5.9 million.

In Nanotechnology Tools, revenues grew 8.7% aided by a full year's contribution from Asylum, an acquisition made in December 2012, and just over two months of Andor revenues. We saw growth in both our NanoAnalysis and Omicron Nanoscience businesses but this was offset by a decline at Plasma Technology as the forecast recovery in the HBLED market failed to materialise. On a constant currency organic basis and excluding the fall in HBLED sales, growth was 1.0%.

In Industrial Products, revenues reduced by 8.3%. This was expected due to the completion of the ITER contract in the first quarter of the year. The RMG and Roentgenanalytik acquisitions made in November 2013 and December 2013 respectively, made a small contribution in the year. On a constant currency organic basis and excluding the ITER contract, growth was 1.6%.

Service revenues increased by 9.6% as we continued to increase the proportion of extended service contracts in the Nanotechnology Tools and Industrial Products sectors and saw continued growth in Platinum Medical Imaging in the USA. On a constant currency organic basis, growth was 10.1%.

Adjusted Group gross margins increased from 44.7% to 45.4% despite adverse currency movements. We saw a positive mix variance due to a reduction in lower value superconducting wire sales following the completion of the ITER contract and an increase in contributions from our higher margin businesses.

Adjusted operating expenses rose by £4.2 million, reflecting an increase of £10.9 million spend due to the inclusion of the acquired businesses, a £0.3 million benefit from foreign exchange rate movements and a saving of £6.4 million in underlying costs.

Adjusted operating profit increased by 2.0% to £50.3 million with an adjusted operating profit margin of 14.0% (2013: 14.1%).

Adjusting items

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

	2014 £m	2013 (Restated) £m
Profit before income tax	**24.0**	28.4
Reversal of acquisition related fair value adjustments to inventory	**3.7**	0.5
Acquisition related costs	**7.8**	2.1
Amortisation and impairment of acquired intangibles	**14.7**	13.8
Unwind of discount in respect of deferred consideration	**0.9**	0.2
Mark to market (gain)/loss in respect of derivative financial instruments	**(4.1)**	2.0
Settlement loss on US pension scheme	**0.1**	—
Adjusted profit before income tax	**47.1**	47.0
Share of taxation	**(8.7)**	(9.7)
Adjusted profit for the year	**38.4**	37.3

Financial Review continued

Financial income and expenditure

Within financial income and expenditure, the cost of interest on loans and overdrafts and the commitment fee for our revolving credit facility, offset by deposit interest, amounted to £1.2 million (2013: £0.6 million). The interest charge on net pension scheme liabilities was £2.0 million, a movement of £0.3 million over the prior year.

The Group uses derivative products to hedge its exposure to fluctuations in foreign exchange rates. It is Group policy to have in place at the beginning of a financial year hedging instruments to cover 80% of its forecast transactional exposure for that year. On acquisition, Andor had limited foreign exchange hedges in place. Hedges will be put in place during the first half of 2014/15 so that by the end of the half year they will be in line with Group policy. Based on current spot rates and the hedging we have in place, we believe that foreign exchange will adversely impact profits in the year to March 2015 by approximately £5 million.

In common with a number of other companies, the Group has decided that the additional costs of meeting the extensive documentation requirements of IAS 39 to apply hedge accounting to these foreign exchange hedges cannot be justified. Accordingly the Group does not use hedge accounting for these derivatives. Net movements on marking to market such derivatives at the balance sheet date are disclosed in the income statement as financial expenditure and excluded from our calculation of adjusted profit before tax (Note 1). The mark to market gain in respect of derivative financial instruments was £4.1 million (2013: £2.0 million loss).

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

Taxation

The Group's weighted average statutory tax rate was 29% (2013: 30%). The underlying rate on the profit before tax for the Group before adjusting items was 18% (2013: 21%). This difference is due to brought forward tax losses (see below), tax incentives relating to income earned from technology assets and a tax efficient financing structure.

In the year ended March 2011, due to the improved performance of the Group's UK businesses, we recognised a deferred tax asset of £11.3 million in respect of brought forward tax losses in the UK and a corresponding credit to the Income Statement. We believe that this was exceptional both in nature and quantum and therefore excluded it from our calculation of adjusted earnings per share. Of this asset value £2.2 million reversed in the year ended March 2014 and to be consistent we have excluded it from the calculation of adjusted earnings per share (see Note 2). We expect the final £1.2 million to reverse in the year ending March 2015.

Earnings

After a tax charge of £5.8 million (2013: £7.4 million), the reported net profit for the financial year was £18.2 million (2013: £21.0 million). With a weighted average number of shares of 56.8 million (2013: 56.2 million), the reported basic earnings per share were 32.1 pence (2013: 37.4 pence).

Adjusted profit before tax (Note 1) grew by £0.1 million to £47.1 million which equates to adjusted earnings per share of 67.7 pence (2013: 66.5 pence), an increase of 1.8%.

Dividends

In 2011 the Group moved to a progressive dividend policy, whereby we seek to raise dividends as adjusted earnings per share rise, although not necessarily in the same proportion. In recommending the dividend, the Directors take account of the perceived need for cash to expand the business both organically and through acquisition. For the year just ended, the proposed final dividend of 9.04 pence per share (2013: 8.15 pence), payable on 23 October 2014 to Shareholders who are on the register on 26 September 2014, gives a total dividend for the year of 12.4 pence per share (2013: 11.2 pence). Dividend cover before adjusting items was 5.5 times (2013: 5.9 times).

Investment in research and development (R&D)

Total cash spend on R&D in the year was £27.9 million or 7.7% of sales (2012: £25.1 million, 7.2%).

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

	2014 £m	2013 £m
R&D expense charged to the Consolidated Statement of Income	**25.1**	24.3
Less: depreciation of R&D related fixed assets	**(0.8)**	(0.7)
Add: amounts capitalised as fixed assets	**2.1**	0.8
Less: amortisation of R&D costs capitalised as intangibles	**(3.9)**	(3.9)
Add: amounts capitalised as intangible assets	**5.4**	4.6
Total cash spent on R&D during the year	**27.9**	25.1

The net book value of capitalised development costs at the end of the financial year was £14.1 million (2013: £12.3 million).

Balance sheet

Net assets rose from £137.7 million to £140.2 million in the year.

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

Inventory turns decreased by 0.4 to 2.9 while debtor days reduced from 51 days to 45 days.

Acquisitions and disposals

On 21 January 2014 the Group acquired Andor Technology plc for a net cash consideration of £158.1 million. Andor is a market leading supplier of high performance optical cameras, microscope systems and software. The acquisition was funded from a mixture of cash and a new debt facility.

On 31 December 2013 the Group acquired Roentgenanalytik Systeme GmbH for a net cash consideration of £1.6 million. The company specialises in designing and supplying instruments for coating thickness measurement and material analysis, using X-ray Fluorescence. The acquisition was funded from existing facilities.

On 8 November 2013 the Group acquired RMG Technology Limited for an initial net cash consideration of £5.7 million. RMG is a UK business specialising in laser induced breakdown spectroscopy. The acquisition was funded from existing facilities.

Pensions

The Group has defined benefit pension schemes in the UK and the USA. Both have been closed to new entrants since 2001 and closed to future accrual from July 2010. The total deficit, before tax, under IAS 19 on these pension schemes fell in the year by £1.6 million to £46.3 million. There is a corresponding deferred tax asset of £9.6 million.

Assets of the schemes at 31 March 2014 were £196.6 million (2013: £198.0 million), while liabilities reduced from £245.9 million to £242.9 million.

The latest triennial actuarial valuation of the UK scheme was carried out as at 31 March 2012 and resulted in an actuarial deficit of £48.8 million. A long term plan for recovering the deficit over eight years has been agreed between the Company and the Pension Trustee. Under the deficit recovery plan, payments will increase for the three years to March 2015 by the greater of 10% or the percentage increase in dividend per share. Thereafter, the payment will increase by 3.05% per annum. The payment in 2013/14, the second year of the new plan, was £5.6 million.

Cash

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 2.4% to £59.2 million. Working capital increased by £20.9 million.

Cash generated from operations was £28.4 million (2013: £50.4 million). The ratio of operating cash to adjusted operating profit, which is one of our Key Performance Indicators, was 51.9% (2013: 84.6%). Performance in the year was impacted by an increase in working capital, in particular a decrease in customer deposits of £10.9 million primarily due to individually significant customer deposits received in the prior year.

Net debt at the year end was £124.3 million (2013: net cash £39.2 million). During the year the Group entered into a committed revolving credit facility with a club of three banks. The facility, which extends to December 2018, is for £100 million and is extendable to £150 million by mutual consent. On 31 March 2014 the Group issued a £44.5 million seven year fixed rate loan note to Pricoa Capital. In August 2013 the Group borrowed £25 million from the European Investment Bank. This fixed rate loan has a seven year term with amortisation starting in the fourth year.

These facilities were entered into to support the acquisition of Andor Technology plc. In addition, the Group has overdraft facilities totalling £15.7 million.

Employees

The average number of people employed during the year was 2,050, an increase of 123 over the prior year. As a result of acquisitions made in the year, 434 employees joined the Group.

Going concern

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

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

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

Corporate Responsibility

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

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

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

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

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

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

Our stakeholders

Investors

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

The Chief Executive and Group Finance Director allocate a significant proportion of their time to investor meetings, and host regular site visits for both analysts and investors. In 2014, investors made over 20 visits to sites in the UK and Germany.

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

Customers

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

The continued focus on the "Voice of the Customer" in any new product introduction or current product development ensures that the customer needs are at the core of our business. The success of new products introduced in 2013/14 supports this focus. The percentage of revenue that is made up of products launched or acquired in the last three years is a key indicator of the vitality of our new product development and was at 42% for the financial year 2013/14.

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

Employees

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

Learning and development

Training and development

Developing talent is important to Oxford Instruments as the quality of our high technology products and services depends on the skills and expertise of our workforce. We continue to recruit and invest in apprentice, trainee and graduate programmes to help meet our future technical and management requirements. In 2013/14 we delivered 540 days of training on our Graduate, Management Development and Senior Leadership programmes. A new Maximising Potential programme has been initiated in 2014, focused on high potential technical and people leaders at all levels in the business.

Diversity and inclusion

We believe diversity promotes innovation and effective decision making. The Group's aim is to ensure there are equal opportunities for all employees and that we create an inclusive culture where differences are valued and people are given the environment in which they can do their best work. Decisions regarding recruitment, selection and access to training and promotion are based on merit. Selection, promotion and succession planning processes ensure that we recruit, train and promote the best candidates based on suitability for the job. Our Code of Conduct and Ethics requires that all employees are treated fairly and no one suffers harassment or intimidation.

Claire Flint, Group HR Director
Dawn Brooks, Group Service Director

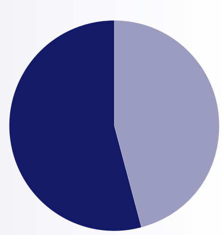
Our Diversity Champion is Dawn Brooks, Group Service Director. In 2013/14, Dawn has been responsible for leading a full programme of diversity and inclusion awareness and engagement sessions to all parts of the business. We have embedded diversity and cross cultural awareness in our Group-wide development programmes, fostering a shared understanding of our position and ambitions in regard to developing our diverse global talent pool. The Group has a proud track record of encouraging flexible working. On 11 June 2013 Jennifer Allerton, our first female Board member, joined the Board of Oxford Instruments as a Non-Executive Director. The Board recognise the benefits that a diverse Board offers the Group.

Our Management Board, which is responsible for delivering the Group's strategy, consists of eight male Directors and two female Directors. Oxford Instruments is actively engaged with the BIS Women on Boards initiative. We wish to continue our focus on developing an organisation which mirrors the diversity of our customers and employees globally. Our aim over the next two years will be that at the end of that time, each level of Executive Management reflects approximately the same gender balance as exists in the Company overall.

Highly qualified and talented workforce

54%

with higher level qualifications



Workforce gender diversity

	Female	Male
Board	14%	86%
Mgmt Board	20%	80%
Managers	15%	85%
Employees	22%	78%

Corporate Responsibility continued

Learning and development continued

Communication

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

Our most recent Group-wide employee engagement survey was conducted in September 2012 and feedback and action plans were formed with input from staff across the business. Our next survey will be conducted in September 2014. Three to four months after any acquisition, we conduct a short pulse survey to monitor and benchmark employee engagement and allow us to chart progress as integration advances. Such a survey was conducted in Andor Technology in April 2014, with a 70% response rate.

Reward and recognition

The Group believes it is important that our highly skilled and educated workforce receive a share in the success of the business. In addition to the regular management bonus and sales commission schemes, we operate a Gain Share scheme for all non-management employees. This plan is linked to achievement of our strategy and aligns employees' interest with that of our Shareholders.

In addition, through our Extra Intranet site, we offer employees extra benefits such as discounts on certain local activities, merchandise, insurance, and health and dental cover.

Employees are encouraged to suggest ways to improve performance and efficiency. Local reward and recognition schemes exist to support this. The annual Chairman's Awards recognise innovation in four categories; Technical, Operational Excellence, Customer Focus and Brand. Entries for the ninth awards competition this year were double that of the previous year. Teams from our recent acquisitions, Andor and Asylum Research, were among the winners.

Suppliers/partners

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

There is a Group supplier management process in place which promotes a common supply chain strategy split by commodity, driving the business towards fewer high level suppliers. Regular inspections and audits are conducted and strategic reviews are in place for key suppliers. In accordance with ISO9001 and ISO 14001, only quality approved organisations are used.

Local communities

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

The Group also sponsors a number of international and national science based awards and events including the prestigious Sir Martin Wood Prize through the Millennium Science Forum in Japan. A new award recognising young nanotechnology scientists is to be launched in India during 2014.

Ethics

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

We have a zero tolerance attitude towards bribery and corruption and perform regular due diligence on our agents, distributors and suppliers to minimise the risk of any unethical behaviour.

Suppliers are required to prove they do not employ workers under the age of 15 or, in those countries subject to the developing country exception of the ILO Convention 138, to employ no children under the age of 14.

Ensuring safety across the Group

Total

Total accidents have reduced to 109 during the year – a 33% reduction on the previous year.

-33%
(109)

Globally

Globally there were four serious accidents reported during the year – a 20% reduction on the previous year[1].

-20%
(4)

Between 2010–11

Accidents were reduced by 50% from 217 to 109, which reflect the increased focus on these issues.

-50%
(4)

1 Global serious accidents were normalised using the UK definition of over seven days' absence from work.

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

Health, safety and environment

Health and safety within Oxford Instruments is managed at the Executive level by Charles Holroyd, Group Business Development Director. Each site has a nominated Health, Safety and Environment Manager or representative responsible for ensuring that day-to-day activities are carried out safely. All sites are audited annually.

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

The Group complies with all relevant legislation in countries where we operate including European Directives such as the Waste Electronic and Electrical Equipment (WEEE) Directive, the Restriction on use of Hazardous Substances (RoHS) Directive and the Registration, Evaluation, Authorisation of Chemicals (REACh) Directive.

Oxford Instruments plc is a full participant in the UK Carbon Reduction Commitment Energy Efficiency Scheme and purchases carbon allowances to cover its UK energy use when necessary.

This year our global carbon emissions are reported as separate indicators required as part of the UK Companies Act 2006 (Strategic Report and Directors' reports) Regulations 2013. In addition to the mandatory reporting of greenhouse gases, the Company will make a voluntary report to the Carbon Disclosure Project (CDP) on our emissions. The CDP is an international, not-for-profit organisation providing the only global system for companies to measure, disclose, manage and share environmental information.

Oxford Instruments, where possible, also measures energy equivalent consumption of employee air travel. Over 2013 UK and USA air travel equated to 2,545 tCO_2e.

The global consumption of energy during the year fell by 8.1% as a percentage of revenues from the prior year. A contributing factor was the relocation of business and office functions to new, modern, energy efficient facilities in Finland, Japan and China.

In accordance with our Energy and Environmental Policies the business is committed to improving its efficiency in relation to energy use and we are investing in energy reducing technologies such as upgrading to LED lighting.

Summary

We will maintain the focus on corporate social responsibility in the way we run Oxford Instruments. We will continue to meet our customer needs through advanced technology and premium service, and we will maintain a wholehearted commitment to all our stakeholders to conduct our business in an ethical and sustainable manner.

Jonathan Flint
Chief Executive
10 June 2014

Greenhouse gas (GHG) emissions

Oxford Instruments is a global business with operations in many parts of the world and has been monitoring energy use and carbon emissions since 2008. Emissions from 26 of the Company's sites are reported on below. Small sales offices where energy consumption is less than 0.01% of the Group's total energy consumption are omitted. The amount of recorded hydrofluorocarbons is below 5kg globally and has therefore been omitted from the figures.

Emissions

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

Region	Purchased electricity	Secondary fuel	Fugitive emission	**Total**
UK	3,556	350	—	**3,906**
North America	3,716	450	1,056	**5,222**
Europe	454	78	—	**532**
Asia	243	—	—	**243**
Total	**7,969**	**878**	**1,056**	**9,903**

Intensity ratio

The Company's declared intensity ratio is tonnes of CO_2 equivalent (tCO_2e) per £million of revenue.

$$\frac{9{,}903\ tCO_2e}{£360.1\ \text{million}} = 27.50\ tCO_2e\ /£\text{million revenue}$$

Board of Directors

1 Nigel Keen

Non-Executive Chairman

Appointed to the Board
February 1999

Committee membership
Nomination, Chairman
Remuneration, Chairman
(to September 2013)

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

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

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

Previous experience
Chairman of:
Laird PLC
Axis-Shield Plc

2 Jonathan Flint, CBE

Chief Executive

Appointed to the Board
April 2005

Committee membership
None

Background
Holds a BSc in physics from Imperial College and an MBA from Southampton University. He is a Fellow of the Institute of Physics, the Royal Academy of Engineering and the Institution of Engineering and Technology. He was awarded the CBE in the 2012 New Year's Honours for services to science and business.

External appointments
Non-Executive Director of:
Cobham plc

Previous experience
Senior management positions within:
Vislink plc
BAE Systems
GEC Marconi
Matra-Space Systems

3 Kevin Boyd

Group Finance Director

Appointed to the Board
August 2006

Committee membership
None

Background
Holds a BEng in electronic and information engineering and is a Chartered Engineer, Chartered Accountant and a Fellow of the Institute of Chartered Accountants and the Institution of Engineering and Technology.

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

Member of:
London Stock Exchange's Primary Markets Group

Previous experience
Group Finance Director of:
Radstone Technology plc

Finance Director of:
Siroyan Ltd

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

4 Professor Sir Mike Brady

Deputy Chairman and Non-Executive Director

Appointed to the Board
August 1995

Committee membership
Nomination

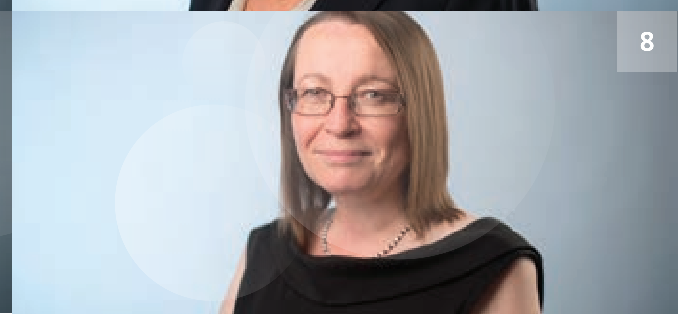
Background
Professor in the Department of Oncology and Biology at the University of Oxford, a Fellow of the Royal Society, of the Royal Academy of Engineering and of the Academy of Medical Sciences and a Commissioner of the Royal Commission for the Exhibition of 1851.

External appointments
Chairman and founding Director of:
Guidance Ltd
Mirada Medical Ltd
Matakina Ltd (a New Zealand based company)

Chairman of:
Acuitas Medical Ltd
colwiz Ltd
Perspectum Diagnostics Ltd
IRISS Medical Ltd

Previous experience
BP Professor of Information Engineering at:
Oxford University

Non-Executive Director of:
Rehabox Ltd



5 Jock Lennox

Senior Independent Non-Executive Director

Appointed to the Board
April 2009

Committee membership
Audit, Chairman
Nomination
Remuneration

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

External appointments
Chairman of:
Tall Ships Youth Trust

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

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

6 Thomas Geitner

Independent Non-Executive Director

Appointed to the Board
January 2013

Committee membership
Audit
Nomination
Remuneration, Chairman (from November 2013)

Background
Extensive international experience in the technology and engineering sectors, having spent over 30 years in business operating across the globe.

External appointments
Chairman of:
Bibliotheca RFID Library Systems AG Switzerland

Non-Executive Director of:
Supervisory Board of Constantia Flexibles GmbH Vienna

Previous experience
Non-Executive Director of:
BBC Worldwide Ltd
Singulus Technologies AG

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

7 Jennifer Allerton

Independent Non-Executive Director

Appointed to the Board
June 2013

Committee membership
Audit
Nomination
Remuneration

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

External appointments
Non-Executive Director of:
AVEVA Group plc

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

Technology Director of:
Barclaycard

Chief Operating Officer of:
ServiceNet, USA

Chief Information Officer of:
BOC (now Linde)

8 Susan Johnson-Brett

Company Secretary

Committee membership
Secretary to:
Audit
Nomination
Remuneration

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

Report of the Directors

The Directors present their Report and the Financial Statements of Oxford Instruments plc for the year ended 31 March 2014.

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 and sale of high technology tools and systems. The Company is required to set out in this report a true and fair view of the business of the Group during the financial year ended 31 March 2014, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group. The information which fulfils these requirements includes a business and financial review on pages 5 to 23 and Corporate Responsibility Review on pages 24 to 27, which are incorporated in this report by reference. The Business, the Strategic Review, the Research and Development Activities and likely future prospects of the Group are reviewed in the Strategic Report on pages 5 to 23.

Results and dividends

The results for the year are shown in the Consolidated Statement of Income on page 78. The Directors recommend a final dividend of 9.04p per ordinary share, which together with the interim dividend of 3.36p per ordinary share makes a total of 12.4p per ordinary share for the year (2013: 11.2p). Subject to Shareholder approval, the final dividend will be paid on 23 October 2014 to Shareholders registered at close of business on 26 September 2014.

Risks and uncertainties

The Board exercises proper and appropriate corporate governance for the Group. It ensures that there are effective systems of internal controls in place to manage Shareholders' interests and the Group's assets, including the assessment and the management of the risks to which the businesses are exposed, and to monitor and manage the compliance with all the legal requirements that affect the Group's worldwide business activities. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Executive Directors report to the Board on changes in the business and in the external environment which may affect the risks which the Group faces. The Executive Directors also provide the Board with monthly financial information. Key performance indicators are reviewed by the Board quarterly.

There are a number of risks and uncertainties which may have a material effect on the Oxford Instruments Group. These are described in Principal Risks on pages 16 to 17.

Directors

Biographies of all the Directors at the date of this report, including the Non-Executive Directors, appear on pages 28 to 29. During the year, Jennifer Allerton was appointed as Non-Executive Director on 10 June 2013 and at the conclusion of the AGM held on 10 September 2013 Mike Hughes retired as a Non-Executive Director, Charles Holroyd stepped down as an Executive Director of the Company and Thomas Geitner took over from Nigel Keen as Chairman of the Remuneration Committee.

Directors' conflicts of interest

With effect from 1 October 2008, the Companies Act 2006 allows Directors of public companies to authorise conflicts and potential conflicts of interest, where appropriate. Only Directors with no interest in the matter under consideration may participate in the relevant decision and in doing so they must act in a way which they consider in good faith will be most likely to promote the Company's success. A conflicts policy has been drawn up and a register of conflicts and potential conflicts is maintained.

Directors' interests

The beneficial interests of the Directors in the Company's share capital, all in fully paid up shares at 31 March 2014, are shown below.

Details of share options for the Executive Directors are shown in the Directors' Remuneration Report on pages 47 to 65.

	2014 Shares	2013 Shares
Jennifer Allerton	**1,000**	—
Kevin Boyd	**91,611**	78,761
Mike Brady	**2,500**	2,500
Jonathan Flint	**205,803**	194,236
Thomas Geitner	**—**	—
Nigel Keen	**126,580**	126,580
Jock Lennox	**3,500**	3,500

No Director was beneficially interested in the shares of any subsidiary company at any time during the year. In the year to 31 March 2014 no Director had a material interest in any contract of significance with the Company or any of its subsidiaries other than as described in the Directors' Remuneration Report on page 47. Since the year end, there have been no changes to the above shareholdings apart from for Jonathan Flint and Kevin Boyd who participate in the Oxford Instruments Share Incentive Plan and since the year end have each increased their beneficial shareholding by 20 and 22 shares respectively.

Insurance cover and Directors' indemnities

For a number of years the Group has purchased insurance to cover its Directors and Officers against their costs in defending themselves in legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. In addition, to the extent permitted by UK law, the Group indemnifies its Directors and Officers for liabilities arising from such proceedings.

Neither the insurance nor the indemnity provides cover for situations where the Director has acted fraudulently or dishonestly.

Share capital

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

During the year to 31 March 2014 the issued share capital was increased by 0.6% with the issue of 334,005 ordinary shares (2013: 750,107) following the exercise of options under the Company's share option schemes. At 31 March 2014, the issued share capital of the Company was therefore 57,250,835 ordinary shares of 5p each. In connection with the Company's equity incentive plans, a separately administered trust held 183,145 ordinary shares at 31 March 2014 (representing 0.3% of the total issued share capital of the Company). No shares in the Company were acquired by the Company during the year (2013: nil). Details of the share capital and options outstanding as at 31 March 2014 are set out in Notes 11 and 21 respectively of the Financial Statements.

At this year's Annual General Meeting, the Directors propose to: a) renew the authority granted to them at last year's AGM to allot ordinary shares up to an aggregate nominal value of one-third of the Company's issued share capital and, where full pre-emption rights are applied, up to an aggregate nominal value of two-thirds of the Company's issued share capital; b) allot ordinary shares up to an aggregate nominal value of 5% of the Company's issued share capital without first offering them to existing Shareholders; and c) to buy back up to 10% of the Company's issued share capital. Shareholders will be requested to renew these authorities at the AGM and details of these resolutions are set out in the notice of the meeting.

Substantial shareholdings

The following are beneficial interests of 3% or more (where the holding is direct) or of 5% or more (where the holding is indirect) of which the Directors have been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the Company's issued ordinary share capital, the only class of voting capital, at 3 June 2014:

	Direct/ indirect	Shares 000	% of total
BlackRock	Indirect	6,282,922*	11.0
Ameriprise Financial	Indirect/direct	4,983,663	8.7
Aberdeen Asset Managers Limited	Indirect	3,182,304	5.6
Sir MF and Lady KA Wood	Direct	3,105,530	5.4
Baillie Gifford	Indirect	2,917,516	5.1
The Capital Group Companies	Indirect	2,232,800	3.9

* Of which 285,813 shares (0.5%) are held in Contracts for Difference which are disclosable under the Disclosure and Transparency Rules.

Report of the Directors continued

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 2014 trade creditors of the Company and the Group's UK subsidiaries were equivalent to 32 days (2013: 31) and 72 days (2013: 70) of purchases respectively, based on the amounts invoiced by suppliers during the year and the amounts owed to trade creditors at the end of the year.

Charitable donations

During the year, the Group made charitable donations of £2,596 (2013: £3,145). 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 auditors are 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 auditors are aware of that information.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 9 September 2014 is set out in a letter to Shareholders together with explanatory notes relating to the resolutions.

During the year, the external audit was put out to tender and Deloitte and PricewaterhouseCoopers were invited to tender alongside the incumbent firm, KPMG. After careful consideration the Audit Committee decided to recommend to the Board the re-appointment of KPMG. The Board accepted the Audit Committee's recommendation to re-appoint KPMG, notwithstanding the longevity of its audit tenure, and accordingly a resolution to re-appoint KPMG LLP as auditor and to authorise the Directors to set its 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 Review on pages 33 to 40.

Financial risk management

Details of the Group's financial risk management objectives and policies, including the exposure to price, credit and liquidity risk are set out in Note 19 to the Financial Statements.

Diversity and inclusion

The Board recognises that its employees are fundamental to the Group's success. The Group's aim is to ensure there are equal opportunities for all employees and that there is an inclusive culture where differences are valued and people are given the environment in which they can do their best work. The Corporate Responsibility Review on page 24 further describes how diversity and inclusion is managed within Oxford Instruments.

Greenhouse gas emissions

To meet the requirements of the Companies Act 2006 (strategic and Directors' Report) Regulations 2013 CO_2 emissions are reported on as part of our reporting on greenhouse gas emissions in the Corporate Responsibility Review on page 24.

Material events

There were no material events since 31 March 2014 to report.

By order of the Board

Susan Johnson-Brett
Company Secretary
10 June 2014

Corporate Governance

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

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

The Board's policies and procedures are documented in the Board Reference File that sets out the roles and delegated authorities applying to the Directors, the Board and the Board Committees. The Board Reference File is reviewed annually by the Board as part of the annual governance review undertaken by the Chairman.

Board constitution

In late 2010, prior to Oxford Instruments' promotion to the FTSE 250, the Nomination Committee reviewed its Board Development programme and put in place a multi-year plan to allow for an orderly refreshing of its Non-Executive Directors over this extended period. This programme is under annual review. The Board Development programme ensures that the constitution of the Board is compliant with the Governance Code following the Company's admission to the FTSE 250.

In line with the programme, Jennifer Allerton has joined the Board as an Independent Non-Executive Director in June 2013 and Mike Hughes stepped down from the Board at last year's AGM. Since 2010, the Company has been through a strong period of growth and the Executive team has reorganised the business into a divisional structure. In light of the Group's new divisional structure, the Nomination Committee recommended that the Executive representation on the Board be the Chief Executive and the Group Finance Director. Accordingly, Charles Holroyd also stepped down from the Board at last year's AGM.

At this year's AGM, Mike Brady will not seek re-election as a Non-Executive Director having served for an extended period of time. The Board is in the process of identifying a Non-Executive Director with a strong scientific background to serve on the Board as an Independent Non-Executive Director.

Resolutions for the election of Directors will be put to Shareholders at the Company's forthcoming AGM. This will continue to deliver a Board which meets the requirements of Provision B.1.2 of the Governance Code.

Compliance

The Board considers that, throughout the period under review, the Group has complied with the provisions recommended in the UK Corporate Governance Code (June 2010 and September 2012), other than in respect of:

- Provision D.2.1: Nigel Keen was Chairman of the Remuneration Committee until the Company's AGM in September 2013. However, as more fully explained below, the Group became compliant with this provision when Thomas Geitner took over as Remuneration Committee Chairman at the conclusion of the AGM; and
- Provision B.1.2: Up until the AGM in September 2013 less than half the Board, excluding the Chairman, comprised Independent Non-Executive Directors. Following the changes described above, the constitution of the Board has been compliant since the AGM in September 2013.

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.

Read more in the Strategic Report
Turn to pages 10 and 12

Changes in the Board

Joining the Board

Jennifer Allerton
Independent Non-Executive Director
Joined: 10/06/13

Retiring from the Board

Mike Hughes
Non-Executive Director
Retired: 10/09/13

Charles Holroyd
Executive Director
Retired: 10/09/13

Mike Brady
Chairman and Non-Executive Director
Retires: 09/09/14

Key

⊕ Entering Board
⊖ Leaving Board

Corporate Governance continued

Board of Directors and management structure

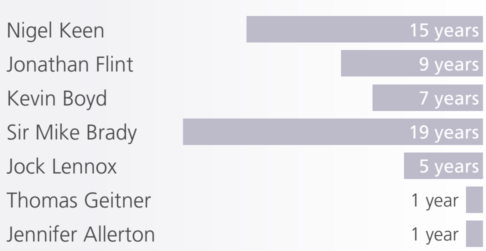
Board of Directors

The Board currently comprises the Chairman, four Non-Executive Directors and two Executive Directors. The Directors' biographies and details of length of service are shown on pages 28 to 29. 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 Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The division of responsibilities between the role of Chairman and the Chief Executive has been set out in writing and agreed by the Board.

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

Board members length of service



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, the Group Operations Director and the Group Human Resources & Brand Director and the Divisional Managing Directors.

The Management Board meets monthly either physically 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, maintains the policy and decision making framework in which this strategy is implemented, verifies that the necessary financial and human resources are in place to meet strategic aims, monitors performance against key financial and non-financial indicators, oversees the system of risk management and sets values and standards in governance matters.

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

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

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

The Board meets on a regular basis, at least nine times a year, and otherwise as required. Of the nine regular meetings, typically six are held at Group locations and the remaining three are held by telephone conference. Other Board meetings are held on an as needed basis and during the year an additional four single issue meetings were held to consider matters relating to proposed acquisitions. The Board also had an off site 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 business units, is embedded in the reporting system. On a rotating basis, the Board receives presentations from the business units and key functional areas enabling it to explore specific issues in more detail. Any matter requiring a decision by the Board will be supported by a pre-circulated paper analysing all relevant aspects of the proposal and recommending a course of action.

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

The Non-Executive Directors meet without the Executive Directors at least annually, with the Chairman leading these meetings. The Non-Executive Directors also meet annually without the Chairman in attendance. The Deputy Chairman chairs these meetings.

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

Board balance and independence

The Governance Code requires the Board should be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and that there is a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making. The composition of the Board and the combination of diverse backgrounds and expertise of the Non-Executive Directors meet these principles.

Nigel Keen, Chairman, has been a member of the Board since February 1999. He has a degree in engineering from Cambridge University, is a Fellow of the Institute of Chartered Accountants and of the Institute of Engineering and Technology and has been involved in the formation and development of high technology businesses for more than 30 years. He fulfilled the independence criteria at the time of his appointment as set out in the Governance Code. Nigel Keen also serves as Chairman of Oxford Instruments Pension Trustee Limited, the Trustee of the Company's UK defined benefit pension scheme.

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

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

He was Chairman of the Remuneration Committee until the conclusion of the 2013 AGM as the Board considered that whilst the Company was a SmallCap company it was appropriate and necessary for the Chairman of the Board to also be Chairman of the Remuneration Committee. In January 2013, the Board appointed Thomas Geitner as an Independent Non-Executive Director with the appropriate mix of skills to take over the Chair of the Remuneration Committee which he did once the reporting requirements for the 2012/13 reporting year were completed.

Mike Brady, Deputy Chairman and Non-Executive Director, has been a member of the Board since June 1995. He is Professor of Oncological Imaging in the Department of Oncology at the University of Oxford, having retired as BP Professor of Information Engineering at that university, and is one of the UK's leading engineers. His technical expertise as the only Non-Executive Director from a scientific profession brings a depth of technical expertise to Board discussions. As a result of his tenure as a Director of the Company, the Board has, in the light of guidance by the Governance Code, determined that he should not be considered independent. Mike is a member of the Nomination Committee. Mike will be retiring from the Board immediately following the AGM in September.

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

She has extensive international business experience which strengthens the skills and expertise of the Board. Jennifer is a member of the Audit, Remuneration and Nomination Committees.

Thomas Geitner was appointed to the Board as an Independent Non-Executive Director on 15 January 2013. He is a graduate of the Technische Universität München and holds an INSEAD MBA.

Thomas has extensive international experience in the technology and engineering sectors, having spent more than 30 years in businesses operating across the globe. Having worked in a number of global companies he understands the importance of remuneration connecting with strategy to appropriately incentivise the executive team.

The Board believes that his skills, experience and knowledge make Thomas well suited to run the Remuneration Committee and accordingly he was appointed Chairman of the Remuneration Committee at the conclusion of the AGM in September 2013. Thomas is a member of the Audit, Remuneration and Nomination Committees.

Jock Lennox was appointed to the Board as an Independent Non-Executive Director on 1 April 2009. Prior to that he was a Senior Audit Partner at EY where he gained extensive experience advising clients in a variety of industries on financial reporting, financing, transactions and international expansion.

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

He was appointed Senior Independent Director at the close of 2013's AGM when Mike Hughes retired from the Board.

Corporate Governance continued

Board balance and independence continued

Independence of Non-Executive Directors

In the opinion of the Board, Jock Lennox, Thomas Geitner and Jennifer Allerton are independent. Mike Brady is no longer considered independent in accordance with the guidelines set out in the Governance Code and is due to retire from the Board at the Company's forthcoming AGM.

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

Term of appointment of Non-Executive Directors

Each Non-Executive Director was appointed for an initial term of three years. In line with provision B.7.1 of the Governance Code, the Board has determined that all Directors of the Board are to be subject to annual re-election by Shareholders and accordingly the appropriate resolutions will be put to Shareholders at the Company's forthcoming AGM.

Composition of the Board: Independent vs. non-independent

50%*

Independent members of the board

* rising to 60% after the AGM

Independent (3) non-independent (3)

(In line with the Governance Code the Chairman is excluded from these numbers)

Board development and evaluation

Board development

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

The operating business units' senior management teams present to the Board on a regular basis. Non-Executive Directors are encouraged to meet individual members of the senior management team and have done so during the year under review.

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

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

Board evaluation

In light of the provisions of Section B.6.2 of the Governance Code which expects that an externally facilitated evaluation of the Board be carried out at least triennially, John Stopford, an emeritus professor of the London Business School, carried out a "light touch" external evaluation of the governance review process in 2011. He found that the process described below effectively reviews the mechanics of the operation of the Board and he found the written statement on governance each Director completes a very helpful input. His observation was that the Board was functional and effective.

The Board has sought proposals from external providers to undertake an external Board effectiveness review. This will be carried out over the summer of 2014 and will be reported on in next year's report.

For the year ended 31 March 2014 the Board has conducted its annual effectiveness evaluation exercise, including a specific review of the effectiveness of its principal committees and members. This was an internal exercise under the control of the Chairman using a detailed questionnaire 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, Board induction and training, internal control and risk management. In addition, each Director has prepared a written statement concerning governance of the Company and has discussed the statement with the Chairman at the individual one-to-one interviews which the Chairman holds with each Director. The Chief Executive is also involved in the process by giving his input on the way the Board helps him in his role. The output from these evaluations allows the Chairman to review objectively the overall balance and effectiveness of the Board and will be used as an input to the independent review currently in process. The Non-Executive Directors meet annually to appraise the Chairman's performance.

Attendance at meetings

No one other than the Committee Chairman and members is entitled to be present at a meeting of the Nomination, Audit or Remuneration Committee, but others may attend by invitation of the Committee. No Director votes on matters where he has a conflict of interest. Further details of the individual Committees' activities are described below.

The following table sets out the frequency of, and attendance at, Board and principal Board Committee meetings for the year to 31 March 2014:

	Main Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	13	6	6	3
Nigel Keen	13	6[1]	6	2
Jonathan Flint	13	6[1]	2[1]	1[1]
Kevin Boyd	13	6[1]	1[1]	1[1]
Mike Brady	13	6[1]	6[1]	3
Jock Lennox	13	6	6	3
Thomas Geitner	13	5	6	3
Jennifer Allerton[3]	10	4	3	2
Charles Holroyd[2]	5	3[1]	—	1[1]
Mike Hughes[2]	5	3	2	3

Note:
1 Attended by invitation.
2 Charles Holroyd and Mike Hughes resigned on 10 September 2013.
3 Jennifer Allerton was appointed to the Board on 10 June 2013.

Board committees

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

Membership of Board Committees, which is set out on pages 28 to 29, is determined by the Board and is reviewed regularly. The written terms of reference of the Board Committees are reviewed annually by each Committee and the Board and are available on the Company's website at www.oxford-instruments.com/investors and from the Company on request. They will be on display at the Annual General Meeting.

Nomination Committee

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

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

Corporate Governance continued

Board committees continued

Nomination Committee continued

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

Following this process, the Committee has during the year:

- recommended the appointment of Jennifer Allerton to the Board as an Independent Non-Executive Director. Her appointment to the Board commenced 11 June 2013; and
- has started the process of identifying a Non-Executive Director with a strong scientific background to serve on the Board as an Independent Non-Executive Director.

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

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

Remuneration Committee

The Remuneration Committee comprises all the Independent Non-Executive Directors and the Chairman of the Board. Thomas Geitner, appointed to the Board in January 2013, worked closely with Nigel Keen on remuneration matters until he took over as Chairman of the Remuneration Committee at the end of the Company's AGM on 10 September 2013. The Board considers that Thomas, with his experience of working at senior levels in global companies, including high technology companies, has an appropriate blend of skills to make a successful Chairman of the Remuneration Committee. Prior to that, the Chairman of the Board, Nigel Keen, who fulfilled the independence criteria at the time of his appointment as set out in the Governance Code, was Chairman of the Remuneration Committee as the Board considered that in a SmallCap company it was essential that the Chairman be involved in setting remuneration policy. The members of the Committee are appointed by the Board.

The Remuneration Committee is responsible for recommending to the Board the remuneration packages for Executive Directors and the bonus and share option strategy for the Group's executive management.

Independent professional advice is sought when considered necessary. Under its terms of reference the Chairman of the Board may be Chairman of the Committee. The Chairman and the Executive Directors are responsible for fixing the remuneration of the Non-Executive Directors and the Non-Executive Directors are responsible for fixing the remuneration of the Chairman.

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

Further details of the work of the Remuneration Committee are included in the Directors' Remuneration Report set out on pages 47 to 65.

Audit Committee

The Audit Committee comprises all the Independent Non-Executive Directors and its chairman is Jock Lennox. Other members of the Board, senior management and the external auditor are invited to attend all or part of any meetings. The Board has determined that, as a Chartered Accountant and former Senior Audit Partner at EY, Jock Lennox is the designated financial expert.

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

Full details of the operation and the work of the Audit Committee are included in the Audit Committee Report set out on pages 41 to 46.

Administration Committee

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

Annual General Meeting (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 Chairmen. The Group arranges for the Annual Reports and Financial Statements and related papers to be posted on its website and, where Shareholders have elected to receive paper copies, posted to Shareholders so as to allow at least 20 working days for consideration prior to the AGM. The next AGM will be held on 9 September 2014 at the Group's offices in Tubney Woods, Oxfordshire.

Investor relations

The Group places considerable importance on regular communications with its Shareholders with whom it has an ongoing programme of dialogue. All Shareholders are encouraged to participate in the AGM at which the Chairman and Chief Executive present an overview of the Group's business and review the results and make comments on strategy and current business activity.

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

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

Risk management

Within the Group there is an ongoing embedded process for identifying, evaluating and managing the significant risks faced by the Group. Day-to-day management of this process has been delegated by the Board to the Executive Directors. Detail of the process is set out in the Audit Committee Report on pages 41 to 46. This process has been in place for the year under review and up to the date of approval of the Annual Report and Financial Statements. It is regularly reviewed by the Board of Directors and accords with the Turnbull principles.

Details of all major risks identified and the mitigating actions in place are reported to and reviewed by the Board. The Principal Risks (page 16) gives an overview of the major risks and uncertainties faced by the Group. A standard process is in place throughout the Group that requires the senior management of each business to identify significant business risks and to classify them both as to probability and potential impact. Once identified, mitigating action, where possible, is formulated and responsibility within the management team assigned. On a regular basis each business reviews and updates its risk summary which is then reported to the Chief Executive. If a material risk changes or arises, the Managing Director of the business reports this in writing to the Chief Executive at which time there is a discussion on the adequacy of the mitigating actions taken.

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

> **"The management of each business is responsible for risk management and control within their business"**

Internal audit and assurance

The Group's Internal Audit function has responsibility for independently assessing the adequacy and effectiveness of the management of significant risk areas and acts as a third line of defence behind operational management's front line and own assurance activities. Further details of this are set out in the Audit Committee Report on pages 41 to 46.

Internal control

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

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

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

Read more about Principal Risks and Uncertainties
Turn to pages 16 and 17

Corporate Governance continued

Internal control continued

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

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

- there is a formal schedule of matters reserved to the Board for decision; other than these matters, the Board delegates to the Chief Executive and reviews the delegation of authorities throughout the management structure;
- the Group's management structure is headed up by the Management Board. Its membership comprises the Executive Directors, senior managers with Group-wide functional responsibilities and the heads of the principal businesses of the Group's activities. Day-to-day responsibility for the management of the Group is delegated to the Management Board. The responsibility is based on the identification of separate businesses for each of the Group's activities for which there are clearly defined lines of management responsibilities at all levels up to and including the Group Board and the Group's accounting and reporting functions reflect this organisation;
- 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 three year planning model of the Group and its individual businesses;
- annual budgets are prepared for each of the Group's businesses which include monthly figures for turnover, profit, capital expenditure, cash flow and borrowings. The budgets are reviewed through the Group management structure and result in a Group financial budget which is considered and approved by the Board;
- the businesses prepare monthly management accounts which compare the actual operating result with both the budget and the prior year. The businesses also prepare rolling reforecasts for orders, turnover, operating profit and cash. Both are reviewed by the Board monthly;
- the Board approves all acquisition and divestment proposals and there are established procedures for the planning, approval and monitoring of capital expenditure;
- for all major investments the performance of at least the first 12 months against the original proposal is reviewed by the Board;
- each Group site, except for representative sales offices, is required to submit a self-assessment internal control questionnaire annually;
- internal audit is carried out through a system of regular reviews of the financial and non-financial internal controls at each site and this is further reported on in the Audit Committee Report on pages 41 to 46. These reviews are coordinated by the Group Audit & Risk Manager;
- the Board receives regular updates on treasury, tax, property, pensions, insurance, litigation, human resources, corporate social responsibility, business ethics and health and safety matters;
- authorisation limits are set at appropriate levels throughout the Group; compliance with these limits is monitored by the Group Finance Director and the Group Audit & Risk Manager;
- all requests to quote for substantial fixed price contracts are reviewed by the Chief Executive and/or the Group Finance Director to assess both technical and financial risk and to fix an appropriate balance between risk and reward. However, no procedure can guarantee the avoidance of losses on fixed price contracts of a technical nature; and
- with respect to the UK pension scheme, the Group nominates half of the trustee directors of the corporate trustee to the pension scheme, involves its own independent actuary with whom actuarial assumptions are reviewed, agrees the investment policy with the trustee, works with the trustee on its investment sub-committee to deal with day-to-day investment matters and to act as a co-ordinator between the investment advisors, investment managers and the trustee, ensures there is an independent actuarial valuation every three years and agrees funding levels to provide adequate funding to meet the benefit payments of the members as they fall due.

Susan Johnson-Brett
Company Secretary
10 June 2014

Audit Committee Report

Dear Shareholder,

The role of the Audit Committee is to undertake an independent assessment of the integrity of the Financial Statements and to ensure that there is a sound system of internal financial control throughout the Group. The recent revisions to the UK Corporate Governance Code serve to highlight this further, particularly the new duties to:

- advise the Board on whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy;
- ensure that the external audit is put out to tender at least once every ten years; and
- report formally to the Board and Shareholders on how it has discharged its responsibilities.

I would therefore like to present to you our report which describes in more detail than in previous years the role of the Committee and the way in which our structured programme of activities enables us to discharge our responsibilities. The programme not only supports the key events in the Group's financial reporting cycle, but enables us to monitor the effectiveness of the internal financial control and risk management systems and to monitor the activities and performance of both our internal and external auditors. Our report also highlights the significant matters which we dealt with in 2013/14 and how we satisfied ourselves as to their appropriateness.

Composition of the Audit Committee

Chairman
Jock Lennox

Members
Jennifer Allerton
Thomas Geitner
Mike Hughes

During the year, we also decided it would be appropriate to put the external audit out to tender. Mindful of the longevity of KPMG's audit tenure and that we had reached the point of partner rotation, we invited Deloitte and PricewaterhouseCoopers to tender alongside KPMG. After careful consideration we decided to re-appoint KPMG and recommended such decision to the Board.

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

I hope that you will be supportive of the resolutions to be proposed at our AGM. If you have any queries in the meantime I will be pleased to engage with you.

Jock Lennox
Audit Committee Chairman

Audit Committee Report continued

Composition

The members of the Audit Committee are Jock Lennox (Chair), Jennifer Allerton and Thomas Geitner. The composition of the Committee changed during the year with the appointment of Jennifer Allerton to the Board and the Committee in June 2013 and the retirement from the Board and the Committee of Mike Hughes in September 2013. The Chairman and Deputy Chairman of the Board, Chief Executive, Group Finance Director, Group Audit and Risk Manager and the external auditor, KPMG, are invited to attend all or part of any meetings at the discretion of the Audit Committee. The Company Secretary acts as secretary to the Committee. Other relevant people from the business are also invited to attend certain meetings in order to provide a deeper level of insight into key issues and developments. Each meeting allows time for the Committee to speak with the external auditors without the presence of the executive management. The Board has determined that, as a Chartered Accountant, Audit Committee Chairman of certain other public companies and former Senior Audit Partner of EY, Jock Lennox is deemed to be independent and have recent and relevant financial experience.

Role

The remit of the Committee is summarised below and is detailed in full in the terms of reference, a copy of which can be found on our website at www.oxford-instruments.com/investors. The main responsibilities of the Committee are focused on the following five areas:

Financial reporting

- Reviewing our financial results announcements and Financial Statements and monitoring compliance with relevant statutory and listing requirements.
- Advising the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model, strategy and risks.
- Reviewing and challenging significant financial reporting judgements and accounting policies and compliance with accounting standards.

External audit

- Overseeing the relationship with the external auditor.
- Monitoring and reviewing auditor independence and objectivity and evaluating the effectiveness of the audit process.
- Reviewing and approving the annual audit plan and audit findings.
- Making recommendations to the Board for the appointment or re-appointment of the external auditor.
- Reviewing and monitoring the non-audit services policy and the level of non-audit services provided by the external auditor.

Internal audit

- Monitoring the role, resources and effectiveness of the Group Internal Audit function.
- Approving an annual programme of internal audit work and reviewing the results of such work.

Internal controls and risk management

- Monitoring the adequacy and effectiveness of the internal financial control environment.
- Reviewing the operation of the Group's risk management processes.

Whistle-blowing

- Reviewing the Group's whistle-blowing arrangements and matters reported to the whistle-blowing hotline.

The Committee periodically reviews its terms of reference and its effectiveness and recommends to the Board any changes required as a result of such review.

Activities of the Audit Committee in respect of the financial year ended 31 March 2014

The Committee has worked largely to a recurring and structured programme of activities developed from its terms of reference and agreed with the Committee Chair at the start of the financial year. A summary of the items discussed in each meeting is set out in the table below:

Agenda item	July 2013	September 2013	November 2013	January 2014	March 2014	June 2014
Review the integrity of the draft Financial Statements, appropriateness of accounting policies and going concern assumption (reports received from management and KPMG)			✓		✓	✓
Review and recommend for approval the half-year and year end announcements, interim management and AGM statements and the Annual Report	✓	✓	✓			✓
External audit tender process	✓			✓	✓	
Assess the effectiveness of the external audit process	✓					
Approve external audit plan and fee proposal				✓		
Review and approve non-audit services policy				✓		
Consider independence and objectivity of external auditor				✓		✓
Review internal management representation letters						✓
Agree internal audit plan					✓	
Review the output of the internal audit work			✓	✓		✓
Re-evaluate the effectiveness of the internal audit function					✓	
Review internal control framework						✓
Review risk management process				✓		
Annual review of whistle-blowing arrangements			✓			
Discuss Audit Committee effectiveness survey and review the Committee composition and terms of reference	✓					

In addition to its usual business as described above the Committee met individual business managers in order to gain a deeper insight into areas relevant to the Committee's work and to provide an opportunity to discuss specific areas of interest. These included progress updates on the Group-wide Enterprise Resource Planning (ERP) project, Project Connect, and a presentation on the nature of the cyber security threat posed to the Group.

Following the publication of the revised version of the UK Corporate Governance Code, which applies to financial years commencing on or after 1 October 2012, the Board requested that the Committee advise it on whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Significant matters related to the Financial Statements

The Committee reviews all significant issues concerning the Financial Statements. The principal matters considered concerning the 2014 Financial Statements were:

Acquisition accounting

During the year the Group acquired Andor plc and two smaller companies.

For each acquisition the consideration was required to be allocated to the identifiable assets, liabilities and contingent liabilities with any positive balance remaining being recognised as goodwill. This requires the assets and liabilities to be valued at their fair value at the acquisition date and identifiable intangible assets to be recognised separately from goodwill. The total value of intangibles acquired during the year was valued at £172.6m, further details of which can be found in Note 5 to the Financial Statements.

Audit Committee Report continued

Significant matters related to the Financial Statements continued

Acquisition accounting continued

The fair value of the intangible assets was assessed, using the advice of independent experts, by discounting the estimated future cash flows generated from the ownership of the asset over its useful economic life. This requires making assumptions on variables such as discount rates, economic life of the asset, future expected cash flows from product sales, customer contracts and acquired developed technologies and patents. The selection of these assumptions is subjective and small changes would have a significant impact on the valuation of the intangible and on the allocation of the consideration between intangible assets and goodwill.

The Committee received reports from management on the valuation techniques and significant estimates used and satisfied itself that these had been reasonably and appropriately applied.

Impairment of intangible assets

The Group has undertaken a number of acquisitions, both in the current year and historically. Any goodwill acquired in these acquisitions is required, in accordance with IFRS, to be tested for impairment on an annual basis. The value of goodwill amounts to £106.4m at 31 March 2014.

Impairment testing for goodwill is always carried out in the context of a cash generating unit (CGU) or groups of CGUs, since goodwill does not generate cash flows independently. Any goodwill acquired is allocated, at acquisition, to the CGU that is expected to benefit from the acquisition. The Group's CGUs are set out in Note 13.

Goodwill is considered to be impaired when its recoverable amount falls below its carrying amount. In determining the recoverable amount the value in use of the associated CGU is calculated by discounting expected future cash flows. This requires making assumptions on discount rates, growth rates, expected selling volumes and prices and direct costs.

This year, the outcome of the impairment review concluded that the carrying value of the Omicron CGU was less than its recoverable amount by £2.6m.

Management highlighted to the Committee how it arrived at the key assumptions to estimate the expected future cash flows for the CGUs. Management also brought to the attention of the Committee the sensitivity analysis to be disclosed in Note 13 to the Financial Statements with regards to the recoverable amount of the CGUs goodwill that had not been impaired.

The external auditor reported to the Committee its audit procedures to test management's impairment assessment and its assessment of the Group's disclosures on the subject. No additional impairment to the carrying amount at 31 March 2014 had been identified through the auditor's work.

Provisions for other liabilities and charges

A provision is required to be made for any claim or dispute when it is considered probable that an adverse outcome will occur and the amount of the loss can be reasonably estimated. From time to time the Group will be subject to a variety of legal claims and disputes which, as a result of its high technology products, may include patent infringement claims and disputes. Details of provisions and contingencies can be found in Note 23 and 26 to the Financial Statements.

The level of provisioning, when required, will be subject to a significant degree of estimation since at the point of recognition the liability may be of an uncertain amount.

Revenue recognition

Certain products supplied by the Group contain customer specific design and a high degree of technical specification. Although considerable technical expertise is employed to manufacture and install these products at the customer site, there is a risk that a particular term of sale is not achieved and revenue is recognised incorrectly.

The external auditor considers revenue recognition to be a significant risk and has included this as an area of audit focus in its plan which was presented and approved by the Committee in January 2014.

Specific policies are applied by the Group's management such that revenue recognition is appropriate in these circumstances. The Committee was satisfied that revenue has been appropriately recognised within the Financial Statements.

Misstatements

Management reported to the Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The auditor reported to the Committee the misstatements that it had found in the course of their work none of which were material and required adjustment. The Committee concluded that it was satisfied that the auditor had fulfilled their responsibilities with diligence and professional scepticism.

After reviewing the presentations and reports from management, and after consulting, where necessary, with the external auditor the Committee was satisfied that the Financial Statements appropriately addressed the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Committee was also satisfied that the significant assumptions used for determining the value of assets and liabilities, including the pension commitments of the Group, had been appropriately scrutinised and challenged.

External auditor

The Committee is responsible for monitoring the performance, objectivity and independence of the external auditor, recommending the appointment of the external auditor to the Board and approval of its fees. At the Committee meeting in January 2014 the external auditor, KPMG, provided the Committee with its plan for undertaking the external audit. This highlighted the proposed approach, scope and planned materiality of the audit for the coming year and identified the key risks and areas of audit focus, including the approach for these areas in detail.

The Committee reviewed and, as appropriate, challenged the basis for these before agreeing the plan. The Committee assesses the effectiveness of the audit process in addressing these matters through the reporting received from KPMG at the half year and year end and through feedback from key stakeholders at all levels across Oxford Instruments.

The current KPMG audit engagement partner, Simon Haydn-Jones, will rotate off the Oxford Instruments' audit account at the conclusion of the 2014 audit having completed his permitted tenure of five years. It was decided by the Committee that, mindful of the regulatory changes in Europe and the longevity of the KPMG audit tenure, it would be appropriate to put the external audit out to tender aligned to the partner rotation. Oxford Instruments has adopted the policy to tender the external audit at least every ten years, aligned with the audit engagement partner rotation and subject to the Financial Reporting Council's implementation in the UK of the European regulation on statutory audit.

KPMG, Deloitte and PricewaterhouseCoopers were approached in January 2014 and a six stage tender process was conducted. During the process the tendering firms were granted access to the Group's manufacturing sites in the UK, the USA and Germany; to the Non-Executive Directors; to key management; and to company information through an online data room. This information gathering stage was conducted over five weeks and allowed the firms the opportunity to obtain a more in-depth knowledge of our business. Each audit firm was then required to submit a written proposal and make a presentation to the selection panel chaired by the Committee Chairman. Each firm was rated against pre-determined selection criteria and the final score, which included feedback from senior business management involved in the process, was used to support the decision. Following this process the Committee recommended to the Board at a Committee meeting convened in April 2014 that KPMG LLP be re-appointed as the Group's external auditors. Greg Watts will replace Simon Haydn-Jones as the lead audit partner for 2015.

Auditor independence

In its assessment of the independence of the auditor the Committee receives confirmation of any relationships between the Group and KPMG that may have a bearing on its independence and receives confirmation that it is independent of the Group.

To further safeguard the objectivity and independence of the external auditor firm becoming compromised, the Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. No change to this policy has been made during the year. All non-audit related engagements over £50,000 require formal advance approval by the Committee. The details of the audit fees for the year, together with fees for non-audit services, are set out in Note 4 (page 89) to the Financial Statements.

Internal audit

Internal Audit plays an important role in assessing the effectiveness of internal controls. This is achieved through an audit programme that includes rotational site visits providing core assurance over the Group's financial processes and risk-based reviews to provide assurance that controls over certain key risks are operating effectively.

During the year a significant amount of Internal Audit's time has been spent on providing assurance over the input into the design of Project Connect and on reviewing the implementation of the findings of a third party audit of Project Connect.

The Committee has assessed the internal audit plan so that it provides appropriate coverage over the internal control environment and provides a balanced overview across the Group, taking into account the level of risk, other assurance activities and previous coverage. Reports from the Group Audit & Risk Manager include updates on audit activities, progress against the audit plan, and the results of the audit work and status of any control remediation plans.

The Group Audit & Risk Manager has direct access and a reporting line to the Chairman of the Audit Committee and meets independently with him during the year. The Committee monitors the resources and scope of work of the internal audit function to ensure that its development is commensurate with the increasing scale and complexity of the business.

Audit Committee Report continued

Internal control and risk management

As we continue to expand and increase our global footprint it is recognised that the management of risk continues to be ever more important to the Group achieving its key strategic plans and objectives. This year the Group has refreshed its risk management process to ensure that the Group continues to effectively identify and respond to the risks it faces. The Group's risk management process is underpinned by business risk reports and a reporting framework that escalates risks to the appropriate stakeholders. Annually the business risk reports are consolidated into the Group Risk Register and reviewed by executive management before being reported to the Board.

Internal audit provides assurance on the risk management processes as part of its audit work and utilises the output of the business risk reporting to identify the risk-based reviews to be included within its audit plan.

The Committee reviewed the system of internal financial control on behalf of the Board and satisfied itself that the Group is meeting the required standards both for the year ended 31 March 2014 and up to the date of approval of this Annual Report. No concerns were raised with the Committee in 2014 about possible improprieties in matters of financial reporting.

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

Whistle-blowing

The Group's Business Malpractice Policy comprises an internal process that has been communicated directly to all employees by which employees can raise a concern, including concerns relating to fraud, damage to the environment, criminal activity or danger to health and safety, in the knowledge that it will be taken seriously, treated as confidential and that no action will be taken against the employee raising the concern. There is also provision within the Policy for employees to raise concerns directly with the Senior Independent Director. This policy is reviewed annually by the Committee. No serious matters were reported during the year.

Summary

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

A discussion of our principal risks and uncertainties can be found on
pages 16 and 17

Remuneration Report

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2013/14.

In accordance with the new Directors' remuneration reporting regulations our Remuneration Report has been split into two parts. The Directors' Remuneration Policy, which sets out our remuneration policy for 2014/15 and beyond, will be put to a binding Shareholder resolution at the AGM on 9 September 2014. The Annual Report on Remuneration, which sets out the remuneration paid to the Executive and Non-Executive Directors in respect of 2013/14 and how our policy will be implemented in 2014/15, will be put to an advisory Shareholder resolution. Shareholders will also be asked to approve a new long term incentive plan at the AGM.

Composition of the Remuneration Committee

Chairman
Thomas Geitner

Members
Nigel Keen
Jock Lennox
⊕ Jennifer Allerton
⊖ Mike Hughes

Summary of main remuneration policy decisions during the year

During the year the Remuneration Committee reviewed the Company's long term incentive arrangements to ensure they supported the Group's strategy for growth and, as explained in the Strategic Report on pages 5 to 27, the evolution of that strategy to extend Oxford Instruments' reach into adjacent new markets. Up until now, the Company has operated two share plans, the Executive Share Option Scheme (ESOS), using market value options, and the Senior Executive Long Term Incentive Scheme (SELTIS), using performance shares. As a result of this review and with a view to simplification of the executives' remuneration arrangements the Committee has determined that for the next policy period it will make awards of performance shares only instead of the current combination of market value options and performance shares. A higher level of performance share awards (to replace the previous combination of market value options and performance shares) cannot be made under the award limits of the existing performance share plan. A new long term incentive plan will therefore be put to Shareholders for approval at the AGM to replace the existing performance share plan, the SELTIS. This new Performance Share Plan (PSP) will be similar in design to the existing SELTIS but will take into account where relevant developments in market best practice including a reduced level of vesting for threshold performance (25% of maximum instead of the current 33.33%). The ESOS will continue to be used, but only for Executives below Board level.

The first awards will be made under the new PSP following the AGM. As in previous years, the 2014/15 awards will be subject to relative Total Shareholder Return and growth in earnings per share performance conditions. Given the international nature of our business, the Committee has agreed to remove the CPI reference in the EPS targets and will instead build into the targets set assumptions about the global inflationary environment.

As part of its review the Committee also considered award levels under the new PSP. While the Committee has determined that the PSP awards to be made to the Executive Directors following the 2014 AGM will be at a level amounting to 150% of salary, it wishes to retain the flexibility to increase award levels in future years, up to the maximum plan limit of 250% of salary, if it determines that this is appropriate to support and drive the Company's strategy for growth. The Committee would not make awards in excess of the current level of 150% of salary without first consulting with major Shareholders on quantum, structure and performance conditions for the incremental awards.

The Committee has had oversight of the overall Group compensation policy when setting the Executive Directors' compensation. Taking into account all relevant matters, including the salary increases within the Group, the salary of the Executive Directors is to be increased by 3% with effect from 1 July 2014.

A summary of the remuneration policy is set out on pages 48 to 54, with more details on how it will be applied for 2014/15 set out in the Annual Report on Remuneration on pages 55 to 65.

As part of the Committee's review of its long term incentive arrangements, the Committee consulted extensively with its Shareholders, the views of whom have been taken into account in arriving at the proposals which will be submitted to the Shareholders for approval at the AGM.

Remuneration Report continued

Corporate performance and remuneration for 2013/14

The Group has delivered another successful year, with orders, sales and profits all ahead of the prior year.

- As we reported last year, following consultation with major Shareholders in 2012, it was agreed that the Executive Directors would receive the second part of a two-stage salary increase on 1 July 2013. The Executive Directors asked and the Committee agreed for the second part of that salary increase to be deferred to 1 March 2014 at which point it was put into payment.
- The Committee sets stretching performance targets for the annual bonus which are clearly linked to the strategy and financial performance of the Group. In the outturn, the growth rates for the Group were low and as a result the financial targets for the annual bonus were not met and these elements of the bonus did not pay out. The Committee awarded 15% of salary to the CEO and GFD (out of a total 15% of salary) in respect of achievement against the strategic targets and reflecting the importance of executing the strategic targets which lay the foundations for future growth of the business.
- The Executive Directors received share awards in 2011 under the Executive Share Option Scheme (ESOS) and SELTIS and the performance periods for these awards ended during the year. The ESOS award is subject to an earnings per share (EPS) performance target and the SELTIS award a relative Total Shareholder Return (TSR) performance target. Both the performance conditions for the ESOS and SELTIS awards vested in full reflecting the strong EPS growth and Total Shareholder Return over the three year performance periods.

Summary

The Committee believes that the Remuneration Policy will both support and motivate our senior team to achieve the Company's strategic objectives and long term growth for our Shareholders.

I hope that you will be supportive of the resolutions to be proposed at our AGM. If you have any queries in the meantime I will be pleased to engage with you either at the AGM or beforehand.

Yours sincerely

Thomas Geitner
Chairman of the Remuneration Committee

Part A: Directors' Remuneration Policy

This part of the Remuneration Report sets out the Group's remuneration policy for its Directors. The policy will be put to a binding Shareholder vote at the AGM on 9 September 2014 and subject to Shareholder approval will take effect from that date.

Policy overview

The remuneration policy promotes the delivery of the Group's strategy and seeks to align the interests of Directors and Shareholders. The Committee regularly reviews the link between incentive structure and strategy to ensure that remuneration packages are appropriate to attract, motivate and retain the high calibre Executives who are needed to deliver the Group's strategy.

The Company has an incentive driven policy that seeks to reward executives fairly and responsibly based on Group performance and their individual contribution

The Company has a strategy aimed at delivering significant growth and it is important for motivation and retention that the remuneration of the executives reflects its sustainable, profitable growth and the increasing complexity of the business.

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

Other matters taken into consideration in determining policy

The Committee reviews the Executive Directors' packages annually taking account of the level of remuneration paid for comparable positions in similar companies. Comparative pay data is used carefully recognising the potential for an upward ratchet in remuneration caused by over reliance on such data.

In determining the remuneration of the Group's Directors, the Committee also takes into account the general trends in pay and conditions across the Group as a whole. The Committee seeks to ensure that the underlying principles which form the basis for decisions on Directors' pay are consistent with those on which pay decisions for the rest of the workforce are taken. Employees have not been consulted on Executive pay. The Committee will keep this under review.

The Remuneration Committee considers feedback from Shareholders received at each AGM and any feedback from additional meetings, as part of any review of Executive remuneration. In addition, the Remuneration Committee engages proactively with Shareholders and will ensure that Shareholders are consulted in advance, where any material changes to the remuneration policy are proposed. During the year, the Committee consulted with Shareholders holding approximately 50% of the Company's shares. Taking into account the feedback received from them, the Committee was able to finalise its remuneration policy for the forthcoming period and has formulated the proposals for a new PSP which will be put to Shareholders at the AGM in September.

Remuneration policy table

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	• To provide a competitive and appropriate level of basic fixed pay to recruit and retain superior talent and avoid excessive risk taking that might otherwise result from an over-reliance on variable remuneration. • Reflects the experience, performance and responsibilities of the individual.	• Reviewed annually with any increase usually effective 1 July. • Takes account of experience, performance and responsibilities as well as the performance of the Company, the complexity of the role within the Group and salary increases for employees generally. • Set with regard to market data for comparable positions in similar companies in terms of size, internationality, business model, structure and complexity, including within the industry.	• No maximum or maximum annual increase. • Higher increases than the average percentage for the workforce may be appropriate, for example, where an individual changes role, where the complexity of the Group changes, where an individual is materially below market comparators or is appointed on a below market salary with the expectation that his/her salary will increase with experience and performance. • Current salary levels are disclosed on pages 56 and 57.
Benefits	• Provided on a market-competitive basis, aids retention and follows reward structure for all employees.	• Currently include but are not limited to: • life assurance, private medical, company car benefit. • The benefits provided may be subject to amendment from time to time by the Committee within this policy. • Relocation costs may be provided as necessary and reasonable. • Benefits are not part of pensionable earnings.	• The value of benefits varies from year to year depending on the cost to the Company and is not subject to a specific cap. Benefit costs are monitored and controlled and represent a small element of total remuneration costs.
Pension	• To provide a market-competitive benefit for retirement.	• Company contributions to a money purchase pension scheme; or • Salary supplement where HMRC annual or lifetime allowances exceeded.	• 14% of base salary.
Annual bonus	• Drives and rewards the successful achievement of short term targets set at the start of the year.	• Paid annually in June. • Performance targets based on the key performance indicators and strategic objectives of the business. • At least 70% of the bonus based on financial metrics and the balance on non-financial strategic metrics. • Clawback applies for financial years commencing 2013/14 for misstatement, error or misconduct.	• 75% of salary at year end payable at target performance. • 100% of salary at year end payable for maximum performance. • Bonuses start to be earned from 0% of salary for achieving threshold performance.

Remuneration Report continued

Part A: Directors' Remuneration Policy continued

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Long term incentives	• To incentivise the Executives and reward them for meeting stretching targets in the long term which accrue substantial value to and align the Directors' interests with Shareholders. • Facilitates share ownership to provide further alignment with Shareholders. • Annual awards aid retention.	• Annual awards under the 2014 Performance Share Plan (PSP) of performance shares (or nil cost options) with vesting subject to achievement of performance targets. Both the vesting and performance period will be over a minimum of three years but may be up to five years at the discretion of the Committee. • It is the Committee's intention to set relative TSR targets for 50% of the award and for the other 50% absolute EPS growth targets although the Committee will review the performance conditions each year prior to awards being made. • 25% of the awards will vest at threshold performance under each performance condition. • Clawback may be applied for misstatement, error or misconduct.	• The maximum limit under the plan rules is 250% of salary (value of shares at date of grant). The Committee will not increase above the 2014 award levels of 150% of salary without prior consultation with major Shareholders. • Dividend equivalents may accrue on the PSP awards over the vesting period and be paid out either as cash or as shares on vesting and in respect of the number of shares that have vested.
All-employee share schemes	• To encourage employee share participation.	• The Company may from time to time operate tax-approved share schemes (such as the HMRC-approved Share Incentive Plan) for which executive Directors could be eligible. • The SIP is open to all UK permanent staff employed for at least six months.	• The schemes are subject to the limits set by tax authorities.
Shareholding guideline	• To further align Executive Directors' interests with Shareholders.	• The Committee has established shareholding guidelines which encourage the Executive Directors to build and retain a holding of Company shares equivalent to a multiple of base salary, as determined by the Committee. The guideline and current shareholdings of the Directors are set out in the Annual Report on Remuneration. • Until the guideline is met in full, Executive Directors are expected to retain or acquire shares equivalent to the value of 50% of the net amount realised from exercise/vesting of share awards as appropriate after allowing for tax payable.	• Not applicable.
Non-Executive Director fees	• To remunerate Chairman and Non-Executive Directors.	• Reviewed annually. • For the Non-Executive Directors agreed by the Executive Directors and Chairman. • For the Chairman agreed by the Non-Executive Directors. • Determined and reviewed taking into account time commitment, experience, knowledge and responsibilities of the role as well as market data for similar roles in other companies of a similar size and/or business to Oxford Instruments.	• There is no prescribed maximum or maximum annual increase.

Differences in the remuneration policy of the Executive Directors and the general employees

There are no material differences in the structure of remuneration arrangements for the Executive Directors and senior management population, aside from quantum and participation levels in incentive schemes, which reflect the fact that a greater emphasis is placed on performance-related pay for Executive Directors and the most senior individuals in the management team. Outside the senior management team, the Company aims to provide remuneration structures for employees which reflect market norms.

Choice of performance measures and approach to setting targets

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

The Committee sets appropriate and demanding targets for variable pay in the context of the Company's trading environment and strategic objectives. The targets for the annual bonus plan will be set each year with reference to the Company's budget and business and strategic plan. The Committee will review the performance conditions and targets for awards under the PSP each year prior to awards being made taking account of the Company's internal financial planning, market forecasts and the business environment (e.g. to determine whether the TSR peer group continues to remain appropriate, whether the range of EPS performance targets remains appropriate and, more generally, in light of the Company's long term strategy and growth aspirations). Should there be a material change in the Company's performance conditions (e.g. introducing an additional performance metric) appropriate dialogue with the Company's major Shareholders would take place along with a full explanation in the Annual Report on Remuneration to support any such change.

The metrics for awards granted under this policy are set out in the Annual Report on Remuneration.

Discretions retained by the Committee in operating its incentive plans

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

- select the participants in the plans;
- determine the timing of grants and/or payments;
- determine the quantum of grants and/or payments (within the limits set out in the policy table above);
- determine the extent of vesting based on the assessment of performance;
- determine "good leaver" status and where relevant extent of vesting in the case of the share-based plans;
- where relevant determine the extent of vesting in the case of share-based plans in the event of a change of control;
- 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 the annual bonus plan and share-based awards only if an event occurs which causes the Committee to reasonably consider that the performance conditions would not without alteration achieve its original purpose and the varied conditions are no less difficult to satisfy than the original conditions. Any changes and the rationale for those changes will be set out clearly in the Annual Report on Remuneration in respect of the year in which they are made.

Remuneration Report continued

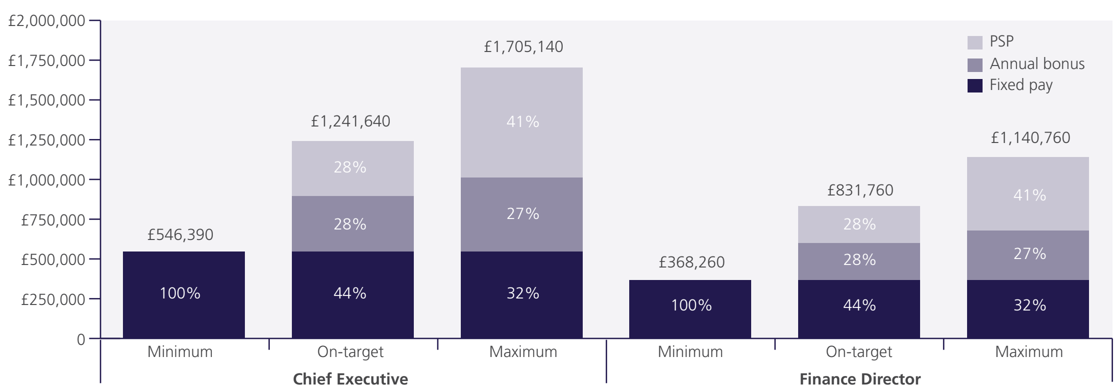
Part A: Directors' Remuneration Policy continued

Legacy arrangements

In approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting or exercise of past share awards) that have been disclosed to and approved by Shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise. This will include all subsisting awards granted under the Executive Share Option Scheme (ESOS) and the Senior Executive Long Term Incentive Scheme (SELTIS) details of which are disclosed in the Annual Report on Remuneration.

Remuneration scenarios for Executive Directors

The charts below show the level of remuneration potentially payable to Executive Directors under different performance scenarios for the financial year 2014/15 (see notes for assumptions):



Assumptions for charts above:

1. Fixed pay comprises salary levels as at 1 July 2014, pension contribution of 14% and the value of benefits received in 2013/14.
2. The on-target level of bonus is 75% of the maximum opportunity, i.e. 75% of salary.
3. The on-target level of vesting under the annual PSP is taken to be 50% of the face value of the award at grant, i.e. 75% of salary.
4. The maximum level of bonus and vesting under the PSP is 100% of the bonus opportunity and 100% of the face value of the PSP award at grant, i.e. 100% and 150% of salary respectively.
5. No share price appreciation has been assumed for the PSP awards and for simplicity SIP awards are excluded.

Recruitment and promotion policy for Executive Directors

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

The Company would seek to align the remuneration package with the remuneration policy approved by Shareholders, including the maximum plan limit for the long term incentives and an annual bonus entitlement in line with that of the other Executive Directors. Currently, this would facilitate annual bonus and PSP awards of no more than 100% and 250% of base salary respectively (not including any arrangements to replace forfeited deferred pay). Salary would be provided at such a level as required to attract the most appropriate candidate. For new appointments base salary and total remuneration may be set initially at below normal market rates on the basis that it may be increased once expertise and performance has been proven and sustained.

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

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

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

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

Executive Directors' service contracts and policy on cessation

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

	Contract date	Unexpired term of contract
Jonathan Flint	21 February 2005	Rolling contract
Kevin Boyd	9 May 2006	Rolling contract

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

Contractual provision	Detailed terms
Notice period	12 months by the Company or by the Director.
Termination payment	A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, in the event of gross misconduct. If the Company terminates the employment of an Executive Director in other circumstances, compensation is limited to base salary due for any unexpired notice period. The Company has a right to pay 12 months' salary in lieu of notice if it so determines. In addition, any statutory entitlements in connection with the termination would be paid as necessary.
Remuneration entitlements	Pro-rata bonus may also become payable for the period of active service along with vesting for outstanding share awards (in certain circumstances – see below).
Change of control	No Executive Director's contract contains additional provisions in respect of a change of control.

Remuneration Report continued

Part A: Directors' Remuneration Policy continued

Executive Directors' service contracts and policy on cessation continued

Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. The default treatment for existing awards is that any unvested awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, injury, ill health, disability, retirement or other circumstances at the discretion of the Committee, "good leaver" status may be applied. For good leavers, under the ESOS awards will vest at cessation to the extent the performance condition is satisfied, but with the Committee having discretion to vest on the normal vesting date if appropriate and to waive the performance condition. In the case of the SELTIS, awards continue on their normal terms.

Under the 2014 PSP, awards to good leavers will vest on the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and be scaled back to reflect the proportion of the performance period actually served. The Committee has discretion in exceptional circumstances to disapply time pro-rating and/or to measure performance to and vest awards at the date of cessation. Vesting at cessation would be the default position where a participant dies.

In the event of a takeover:

- under the ESOS awards vest at that time to the extent the performance condition is satisfied (with no scaling back);
- under the SELTIS awards continue on their normal terms; and
- under the new 2014 PSP, awards vest to the extent the performance condition is satisfied and are scaled back to reflect the actual period of service with the Committee having the discretion in exceptional circumstances not to scale back.

External appointments

The Board encourages Executive Directors to accept appropriate external non-executive appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Director concerned may retain fees paid for these services, which will be subject to approval by the Board.

Non-Executive Directors

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

Non-Executive Directors do not have service contracts but are appointed under letters of appointment for an initial period of three years with subsequent reviews. With the introduction in the UK Corporate Governance Code of annual re-election of all Directors, Non-Executive Director appointments are now renewed for periods of one year. Their appointment can be terminated without notice and with no compensation payable on termination, other than accrued fees and expenses.

Chairman

Under an arrangement between the Company and Imperialise Limited, Nigel Keen is retained to act as Chairman of the Company and Chairman of the Trustee to the Oxford Instruments Pension Scheme via Imperialise Limited. His current term of appointment commenced on 25 February 2014 and is for one year. This arrangement can be terminated by either party at any time by the giving of six months' notice.

	Date of last appointment	Notice period
Nigel Keen	25 February 2014	Six months
Jennifer Allerton	10 June 2013	None
Mike Brady[1]	6 March 2013	None
Thomas Geitner	15 January 2013	None
Jock Lennox	6 March 2013	None

1 Mike Brady will retire from the Board on 10 September 2014.

PART B: Annual Report on Remuneration

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

The Remuneration Committee (unaudited)

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

The role of the Committee includes:

- considering and determining the remuneration policy for the Executive Directors and executive management;
- within this agreed policy, considering and determining the total remuneration packages of each Executive Director of the Company;
- approving the design and performance targets for all performance-related plans for Executives as well as the overall total annual payments made under such plans;
- reviewing and noting remuneration trends across the Group; and
- determining the policy for pension arrangements, service agreements and termination payments to Executive Directors.

The members of the Committee are appointed by the Board and during the year comprised all the Independent Non-Executive Directors: Thomas Geitner, Jennifer Allerton, Jock Lennox, Mike Hughes; and the Chairman of the Board, Nigel Keen. As of 10 September 2013, Thomas Geitner took over Chairmanship of the Committee from Nigel Keen and Mike Hughes stepped down from the Board and therefore the Committee. Jennifer Allerton joined the Board and the Committee on 11 June 2013.

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 on significant Group-wide changes in salary structure and terms and conditions affecting other employees at senior executive level. However, no Executive Director is present when the Committee is determining his or her remuneration.

The Committee acts within its agreed written terms of reference (which are published on the company's website: www.oxford-instruments.com/investors) and complies with the provisions of the Governance Code regarding best practice on the design of performance-related remuneration.

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

During the year the Committee fulfilled its duties, as laid down in the Committee's terms of reference and, as described above, considered the future remuneration requirements of the Executive Directors to carry Oxford Instruments through its next period of growth.

New Bridge Street (a trading name of Aon Hewitt Limited and part of Aon plc) ("NBS") is the Committee's independent remuneration consultants. NBS was appointed by the Committee to provide advice on all aspects of Executive remuneration as required by the Committee.

NBS is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres to the Code. During the year NBS met with the Committee and the Committee Chairman to discuss remuneration matters which are of particular relevance to the Company and how best it can work with the Company to meet the Committee's needs.

Fees are charged predominately on a "time spent" basis. The total fees paid to NBS for the advice provided to the Committee during the year was £150,659.

No other services are provided to the Company by the Aon plc group and the Committee is satisfied that the advice it has received from NBS is objective and independent.

Remuneration Report continued

PART B: Annual Report on Remuneration continued

Directors' remuneration (audited)

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

£'000		Salary and fees[3]	Benefits[4]	Pension[5]	Annual bonus[6]	Long term incentive awards[7]	Other[8]	Total
Executive								
Jonathan Flint[1]	**2014**	**423**	**18**	**59**	**68**	**891**	**1**	**1,460**
	2013	403	18	56	290	1,578	3	2,348
Kevin Boyd	**2014**	**284**	**16**	**40**	**45**	**614**	**1**	**1,000**
	2013	273	16	38	196	1,078	3	1,604
Charles Holroyd[2]	**2014**	**93**	**7**	**13**	**18**	**—**	**1**	**132**
	2013	208	15	29	109	881	3	1,245
Total	**2014**	**800**	**41**	**112**	**131**	**1,505**	**3**	**2,592**
	2013	884	49	123	595	3,537	9	5,197

1 In 2010 the Company and Jonathan Flint purchased a house in joint ownership with the Company contributing £300,000. Jonathan Flint bought a further proportion of the house owned by the Company and Jonathan Flint by paying £99,900 to the Company in each of the years to 31 March 2012, 31 March 2013 and 31 March 2014. These proportions were recalculated based on the original purchase price. Independent valuations have established that the price paid by Jonathan Flint was in excess of the market value of the house at the time of each payment. Jonathan Flint lives in the house and paid a full commercial rent amounting to £757 (2013: £4,640) during the financial year for use of the Company asset.

2 Charles Holroyd stepped down from the Board on 10 September 2013. His remuneration is in respect of the period 1 April 2013 to 10 September 2013. LTI values are not included in the table above but are referred to on page 62 under Payments to past Directors.

3 Under the terms of a salary sacrifice arrangement, UK employees are able to elect to cease making personal contributions into relevant pension schemes. Each employee's salary is reduced by the amount of their pension contributions and the Company pays the same amount directly to the pension schemes. Accordingly, the annual salaries of Jonathan Flint, Kevin Boyd and Charles Holroyd were reduced to £422,500, 274,247 and £78,666 (pro-rated) respectively (2013: 402,242, £260,793 and £187,238 respectively). For reasons of clarity, the salaries shown in the table above for these Directors are the amount they would have been paid had they not made such salary sacrifices. These "notional" base salaries are used to calculate salary linked remuneration such as bonus and some benefits.

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

5 Each Executive Director receives a contribution to a money purchase pension scheme worth 14% of salary. Where the contractual pension contribution exceeds the annual allowance, any balancing payment is made by the Company in a cash allowance.

6 "Annual bonus" represents cash bonus payments.

7 "Long term incentive awards" are those awards where the vesting is determined by performance periods ending in the year under report under both the SELTIS and ESOS and therefore calculates the value of the SELTIS option granted in January 2011 and the ESOS option granted in December 2011. Further details of how these sums are arrived at are set out below. The prior year has been restated using the share price on the date of vesting for the ESOS options. Charles Holroyd ceased to be a Director on 10 September 2013 at which point neither of these long term incentive awards had vested.

8 The Company operates a Share Incentive Plan (SIP) which is open to all UK permanent staff employed for at least six months. "Other" includes the value of matching SIP shares attributable to the year. The Executive Directors all participate in the SIP to the maximum extent permitted by HMRC. The Company offers a 1:5 match for partnership shares purchased by employees.

Directors' remuneration (audited) continued

£'000		Salary and fees	Benefits	Pension	Annual bonus	Long term incentive awards	Total
Non-Executive							
Nigel Keen[1]	**2014**	**183**	**—**	**—**	**—**	**—**	**183**
	2013	183	—	—	—	—	183
Mike Brady	**2014**	**45**	**—**	**—**	**—**	**—**	**45**
	2013	45	—	—	—	—	45
Mike Hughes[2]	**2014**	**20**	**—**	**—**	**—**	**—**	**20**
	2013	45	—	—	—	—	45
Jock Lennox	**2014**	**45**	**—**	**—**	**—**	**—**	**45**
	2013	45	—	—	—	—	45
Thomas Geitner[3]	**2014**	**43**	**—**	**—**	**—**	**—**	**43**
	2013	8	—	—	—	—	8
Jennifer Allerton[3]	**2014**	**32**	**—**	**—**	**—**	**—**	**32**
	2013	—	—	—	—	—	—
Bernard Taylor[2]	**2014**	**—**	**—**	**—**	**—**	**—**	**—**
	2013	20	—	—	—	—	20
Total	**2014**	**368**	**—**	**—**	**—**	**—**	**368**
	2013	346	—	—	—	—	346

1 Under an arrangement between the Company and Imperialise Limited, Nigel Keen is retained to act as Chairman of the Company and Chairman of the Trustee to the Oxford Instruments Pension Scheme and he must account to Imperialise Limited for his services. Imperialise Limited is paid fees for Nigel Keen's services together with a sum equivalent to the employer's national insurance contributions on these fees as it is responsible for the cost of national insurance on payments to Nigel Keen, whereas national insurance contributions in respect of the other Non-Executive Directors are made direct to the UK Inland Revenue. For the year to 31 March 2014, Nigel Keen's fees as Chairman were £161,000 (2013: £161,000) and as Chairman to the Trustee were £25,000 (2013: £25,000) for his services for which he must account to Imperialise Limited. In addition, Imperialise Limited has been paid a sum equivalent to the national insurance on both these fees of £25,668.

2 Mike Hughes and Bernard Taylor retired from the Board on 10 September 2013 and 9 September 2012 respectively.

3 Thomas Geitner and Jennifer Allerton were appointed Non-Executive Directors on 15 January 2013 and 11 June 2013 respectively.

External appointments (unaudited)

The Board encourages Executive Directors to accept appropriate external commercial non-executive appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Director concerned may retain fees paid for these services, which will be subject to approval by the Board.

Jonathan Flint was appointed a Non-Executive Director of Cobham plc on 1 May 2013 and received fees of £52,375 during the year.

Kevin Boyd was a Non-Executive Director of Guidance Ltd until 26 March 2013 and a member of the London Stock Exchange's Primary Markets Group. During the year he received fees of £8,900 and shares with a value at date of acquisition of £9,814 (2013: £15,567) for his role at the former. Since the year end, Kevin was appointed a Non-Executive Director of EMIS Group plc with effect from 9 May 2014.

External appointments

Jonathan Flint
Cobham plc

Kevin Boyd
Emis Group plc,
London Stock Exchange Primary Markets Group

Remuneration Report continued

PART B: Annual Report on Remuneration continued

Details of variable pay earned in year (audited)

Bonus

For the year ended 31 March 2014 the Committee set stretching performance targets for the annual bonus which were clearly linked to the strategy and financial performance of the Group. In the outturn, the growth rates for the Group were low and as a result the financial targets for the annual bonus were not met and no payment was payable against these metrics. The Committee awarded 15% of salary to the CEO and GFD (out of a total 15% of salary) and 18.5% to Charles Holroyd (the GBDD) (out of a total 20% of salary) in respect of achievement against the strategic targets and reflecting the importance of executing the strategic targets and laying the foundations for future growth of the business.

	% of salary						Performance required				
	Threshold		On-target		Maximum						
Measure	CEO/GFD	GBDD	CEO/GFD	GBDD	CEO/GFD	GBDD	Threshold £m	On-target £m	Maximum £m	Actual £m	Payout % of maximum
Adjusted PBT	12%	9%	20%	15%	45%	55%	50	52	54	44.6	0%
Organic sales	12%	6%	20%	10%	20%	10%	350	369	—	345.2	0%
Cash generation	0%	0%	20%	15%	20%	15%	—	16.2	—	8.6	0%
Strategic objectives	0%	0%	15%	20%	15%	20%				See below	15% and 18.5%

The Committee set strategic objectives for each of the Executive Directors at the beginning of the year which included succession planning, acquisitions and the development of the Company's strategic plan. Given the development of the new five year plan and the successful acquisition of Andor Technology plc, the Committee determined that the Executives' performance against these objectives merited the payment of 15% of salary for the CEO and GFD and 18.5% of salary for Charles Holroyd.

The on-target and maximum bonus potentials for the Executive Directors as well as the amount actually payable for the year ended 31 March 2014 are set out below.

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2013/14 (% of salary[1])	Actual bonus payable for 2013/14 (£'000)
Jonathan Flint	75%	100%	15%	£67,500
Kevin Boyd	75%	100%	15%	£45,000
Charles Holroyd	60%	100%	18.5%	£17,696[2]

1 Bonus is calculated on salary as at 31 March 2014.

2 Pro-rated for service as an Executive Director until 10 September 2013.

Long Term Incentive Plans (audited)

The performance conditions and the resulting payout in respect of the long term incentive awards that will vest based on a performance period ending in the year under report were as follows:

Executive Share Option Scheme (ESOS)

The performance conditions which applied to the 14 December 2011 award (vesting on 14 December 2014), for the performance period which came to end in the year under review and actual performance achieved against these were as follows:

Performance level	EPS growth over CPI performance required	% of award that will vest
Below threshold	Less than 5% per annum over three years	0%
Threshold	5% per annum over three years	33.3%
Between threshold and maximum	5% to 10% per annum over three years	33.3%–100%
Maximum	10% per annum and above over three years	100%
Actual achieved over the period	**CPI + 15% per annum**	**100%**

Long Term Incentive Plans (audited) continued

Executive Share Option Scheme (ESOS) continued

The total percentage of each Executive's option vesting (subject to continued service to 14 December 2014) is set out below:

	Total number shares subject to option	Percentage of award vesting	Number of shares that will vest	Exercise price	Value of shares that will vest (£'000)[1]
Jonathan Flint	70,700	100%	70,700	£9.90	£392
Kevin Boyd	48,700	100%	48,700	£9.90	£270

1 Value determined using a share price of £15.45, being the average for the three months ending on 31 March 2014 less the exercise price. Charles Holroyd, who stepped down from the Board on 10 September 2013, also holds options from this grant over 20,200 shares.

Senior Executive Long Term Incentive Scheme (SELTIS)

The performance conditions which applied to the 7 January 2011 award (vesting on 7 January 2014), for the performance period which came to an end in the year under review and actual performance achieved against these were as follows:

	TSR relative to FTSE Small Cap (excluding certain sectors)	
Performance level	Performance required	% of total award vesting
Below threshold	Below median	0%
Threshold	Median	33%
Between threshold and stretch	Between median and upper quartile	33%–100%
Stretch or above	Upper quartile	100%
Actual achieved	**Upper quartile TSR = 123%** **Oxford Instruments' TSR = 153%**	**100%**

1 Sectors excluded are food and drug retailers, general retailers, banks, non-life insurance, life insurance, real estate, general financial, equity investment instruments and non-equity investment instruments.

The total percentage of shares that vested is 100%. This resulted in the following awards vesting to the Executive Directors:

	Total number shares granted	Percentage of award vesting	Number of shares vesting	Value of shares vesting (£'000)[1]
Jonathan Flint	27,500	100%	27,500	£498
Kevin Boyd	19,000	100%	19,000	£344

1 Value determined using a share price of £18.11 being the mid-market closing price on the day of vesting. Charles Holroyd, who stepped down from the Board on 10 September 2013, also holds options from this grant over 15,500 shares.

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

Annual awards under the ESOS and SELTIS are usually made around early December following the Company's half yearly announcement. The 2013/14 awards were not made at the usual time because the Company was in a close period due to the acquisition of Andor Technology. The Board has determined that these awards should be made in the 42 day window following the announcement of preliminary results in June 2014. As such there were no ESOS or SELTIS awards made in the year ending 31 March 2014.

PART B: Annual Report on Remuneration continued

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

As at the 31 March 2014, the outstanding options[3] for Jonathan Flint and Kevin Boyd under the ESOS and SELTIS schemes were as follows:

			Movements during the year								
Name	Scheme	**March 2014**	Granted	Exercised[1]	Lapsed	March 2013	Exercise price	Share price on date of grant	Date of grant	Date for earliest exercise	Date for latest exercise
Jonathan Flint[2]	ESOS	**60,500**				60,500	£13.88	£14.08	19/12/12	19/12/15	18/12/22
	ESOS	**70,700**				70,700	£9.90	£9.87	14/12/11	14/12/14	13/12/21
	ESOS	—		55,000		55,000	£7.05	£7.02	07/01/11	07/01/14	06/01/21
	SELTIS	**15,100**				15,100	Nil	£14.08	19/12/12	19/12/15	18/12/19
	SELTIS	**17,600**				17,600	Nil	£9.87	14/12/11	14/12/14	13/12/18
	SELTIS	—		27,500		27,500	Nil	£7.02	07/01/11	07/01/14	06/01/18
Kevin Boyd	ESOS	**40,750**				40,750	£13.88	£14.08	19/12/12	19/12/15	18/12/22
	ESOS	**48,700**				48,700	£9.90	£9.87	14/12/11	14/12/14	13/12/21
	ESOS	**2,127**		35,873		38,000	£7.05	£7.02	07/01/11	07/01/14	06/01/21
	ESOS	—		7,371		7,371	£2.035	£2.03	17/12/09	17/12/12	16/12/19
	SELTIS	**10,150**				10,150	Nil	£14.08	19/12/12	19/12/15	18/12/19
	SELTIS	**12,100**				12,100	Nil	£9.87	14/12/11	14/12/14	13/12/18
	SELTIS	—		19,000		19,000	Nil	£7.02	07/01/11	07/01/14	06/01/18

1 During the year Kevin Boyd exercised ESOS options on 11 December 2013 when the mid-market closing price on the date of exercise was £17.16 and Jonathan Flint and Kevin Boyd exercised SELTIS and ESOS options on 8 January 2014 when the mid-market closing price on the date of exercise was £18.14. The gain yielded on the exercise of options during the year for Jonathan Flint and Kevin Boyd was £1,108,800 and £853,978 respectively.

2 Jonathan Flint's wife, an employee of the Company, exercised ESOS options on 8 January 2014 when the mid-market closing price on the date of exercise was £18.14. The gain yielded on the exercise of options was £277,250. She holds as at 31 March 2014 ESOS options over 33,250 shares with exercise prices ranging from £9.90 to £13.88.

3 Charles Holroyd, who ceased to be a Director on 10 September 2013, holds ESOS options over 66,300 shares and SELTIS options over 33,150 shares.

The market price of the shares at 31 March 2014 was £12.67 (2013: £16.55) and the range during the year was £12.09–£18.14 (2013: £10.81–£17.78).

Performance conditions outstanding for awards are described below:

Date of award	ESOS	SELTIS
7 January 2011	EPS growth – CPI 5% p.a. (33.3% vesting) to 10% p.a. (100% vesting)[1]	TSR v FTSE Small Cap Index (excluding certain sectors[2]) – median (33.3% vesting) to upper quartile (100% vesting)
14 December 2011	EPS growth – CPI + 5% p.a. (33.3% vesting to 10% p.a. (100% vesting)[1]	TSR v FTSE 250 Index (excluding Financial companies[3]) – median (33.3% vesting) to upper quartile (100% vesting)
19 December 2012	EPS growth – CPI + 5% p.a. (33.3% vesting to 10% p.a. (100% vesting)[1]	TSR v FTSE 250 Index (excluding Financial companies[3]) – median (33.3% vesting) to upper quartile (100% vesting)

1 For employees who are not Executive Directors, options become exercisable in full for achieving the threshold level.

2 Sectors excluded Food & Drug Retailers, General Retailers, Banks, Non-life Insurance, Life Insurance, Real Estate, General Financial, Equity Investment Instruments and Non-equity Investment Instruments Sectors.

3 Sectors excluded banks, equity investment instruments, finance services, life insurance, non-life insurance, real estate investment trusts and real estate investment services.

Achievement of performance conditions (unaudited)

The calculation of the TSR performance conditions are independently measured. EPS performance conditions are measured using the audited accounts of the Company. All performance conditions are then verified by the Remuneration Committee.

Dilution limits (unaudited)

The ESOS and SELTIS provide that overall dilution through the issuance of new shares for employee share schemes should not exceed an amount equivalent to 10% of the Company's issued share capital over a ten year period. Awards made under the SELTIS scheme prior to 2009 and shares required by the SIP are satisfied by market purchased shares. The SIP scheme only uses market purchased shares.

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

Shareholding guidelines (audited)

The Committee has established shareholding guidelines which encourage the Executive Directors to build and retain a shareholding equivalent in value to 100% of basic salary. Until the guideline is met in full whenever ESOS or SELTIS options are exercised Executive Directors are expected to retain or purchase shares equivalent to the value of 50% of the net amount realised from exercise of the options after allowing for tax payable.

Executive Directors' shareholdings as at 31 March 2014 are shown in the table below.

	Legally owned	Percentage of salary held in shares under share holding guideline[1]	Guideline met as at 31 March 2014	LTIP options vested but unexercised	Subject to performance conditions under the LTIP unvested
Jonathan Flint[2]	201,130	566%	Yes	0	163,900
Kevin Boyd	91,611	387%	Yes	2,127	111,700

1 Shares valued using the market price of the shares on 31 March 2014: £12.67.
2 In addition, Jonathan Flint's wife holds 4,673 Oxford Instruments shares.

Pension plans

For UK employees and Executive Directors, the Company operates the Oxford Instruments Group Personal Pension Plan (a defined contribution scheme). It also operates the Oxford Instruments Defined Benefit Pension Scheme which was closed to new employees in April 2001 and closed to new accruals at the end of July 2010.

Oxford Instruments Defined Benefit Pension Scheme (unaudited)

For UK based Executive Directors and employees employed prior to April 2001, a contributory pension, depending on length of service, of up to two-thirds of pensionable salary is provided on retirement through the Oxford Instruments Pension Scheme ("Defined Benefit Scheme"). This was a contracted-out contributory pension scheme and it provides benefits at or near retirement based on earnings and is funded through a separate trust. Early retirement is possible on a reduced pension from age 55 with the consent of the Company. Pensions in payment are guaranteed to increase by a level of inflation up to a maximum of 3% per year on pension earned before 1 April 1997 and a maximum of 5% per year thereafter, subject to any applicable statutory requirements. In the case of death before retirement a spouse's pension of one half of the member's pension at death is payable together with a refund of the member's contributions. This Scheme was closed to future accrual on 31 July 2010.

Oxford Instruments Group Personal Pension Plan (unaudited)

Employees and Executive Directors are offered membership of the Oxford Instruments Group Personal Pension Plan ("GPP Plan"). The Company contribution rate and employee contribution rate varies between grades and whether the individual had previously been in the Defined Benefit Scheme. The Company contribution ranges between 2% and 14% of base salary.

Remuneration Report continued

PART B: Annual Report on Remuneration continued

Executive Director Pension Arrangements (audited)

Under the terms of their service contracts Executive Directors can ask the Company to contribute to a pension plan of their choice. The Company contributes a maximum of 14% of base salary if matched by a contribution of 10% by the Director or, if lower, a contribution by the Director which brings the total pension contribution to the annual allowance (the maximum tax relieved pension contribution allowable per tax year). Only base salary is pensionable and contributions are not included in the calculation of bonus and share award entitlements. Where the Company's pension contribution exceeds the annual allowance a balancing payment is paid by the Company to the Director which is taxed as income.

During the year the Company contributed £39,999 (2013: £49,472) into a personal defined contribution pension plan in respect of Jonathan Flint, £39,818 (2013: £38,167) into a personal defined contribution plan in respect of Kevin Boyd and for the period to 10 September 2013, £13,020 (2013: £29,050) into the GPP Plan in respect of Charles Holroyd. Charles Holroyd is a deferred member of the Defined Benefit 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 2014 was £473,471 (2013: £536,526). His normal retirement date is 12 January 2021.

Payments for loss of office (audited)

Charles Holroyd stepped down from the Board following the AGM on 10 September 2013 but continues as an employee of the Group. No payments were made for loss of office.

On the same date, having served nine years on the Board, Professor Mike Hughes stepped down from the Board. Professor Hughes received fees to 10 September 2013 and no payment was made for loss of office.

Payments to past Directors (audited)

Charles Holroyd continues to work within the business and has received no payments in respect of loss of office. He received total remuneration of £159,373 in respect of his employment with the Company from the date he stepped down from the Board (10 September 2013) to the year ended 31 March 2014. This comprised a salary of £116,667, benefits of £9,000 and pension contribution of £11,667. He also received an annual bonus of £21,931 in respect of the period 10 September 2013 to 31 March 2014. Consistent with the current Executive Directors, under the SELTIS, 15,500 shares vested on 7 January 2014 with a value of £280,705 and an option over 20,200 shares will vest on 14 December 2014 (subject to continued service to that date) under the ESOS with an estimated value of £112,110, based on the three month share price to 31 March 2014. As at the 31 March 2014, his outstanding options under the ESOS and SELTIS schemes were as follows:

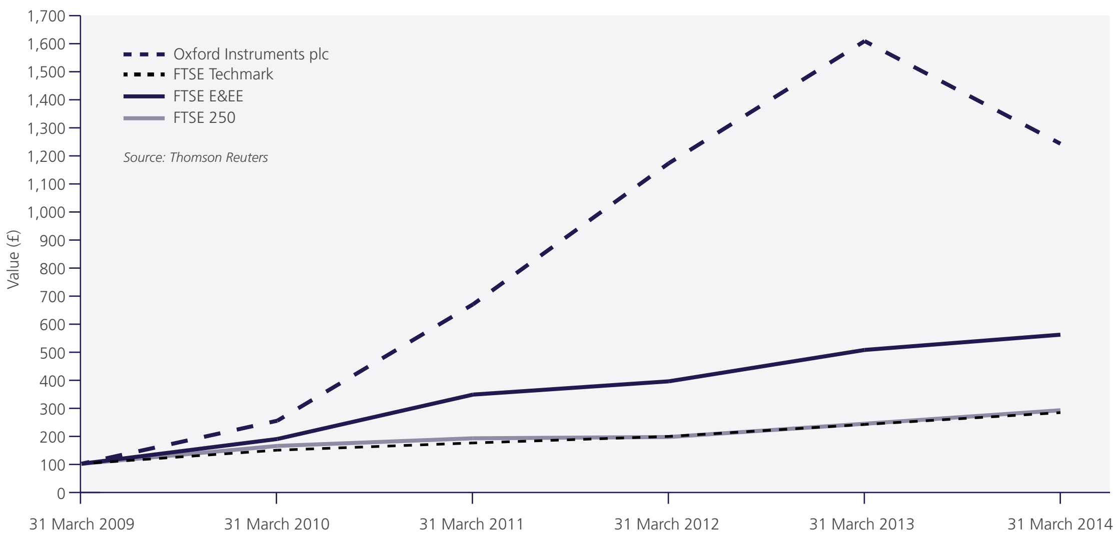
		At 31 March 2014	Exercise price	Date of grant	Date for earliest exercise	Date for latest exercise
Charles Holroyd	ESOS	**15,100**	£13.88	19/12/12	19/12/15	18/12/22
	ESOS	**20,200**	£9.90	14/12/11	14/12/14	13/12/21
	ESOS	**31,000**	£7.05	07/01/11	07/01/14	06/01/21
	SELTIS	**7,550**	Nil	19/12/12	19/12/15	18/12/19
	SELTIS	**10,100**	Nil	14/12/11	14/12/14	13/12/18
	SELTIS	**15,500**	Nil	07/01/11	07/01/14	06/01/18

Mr Holroyd remains an employee of the Group and will continue to be remunerated as such going forwards.

Performance graph and CEO's remuneration (unaudited)

The graph below shows for the five years ended 31 March 2014 the Total Shareholder Return (TSR) on a holding of the Company's ordinary shares compared with a hypothetical holding of shares made up of shares of the same kind and number as those by reference to which the FTSE 250, FTSE Techmark and FTSE Electronic and Electrical Equipment indices are calculated. These indices have been chosen as they are considered to be the most appropriate comparator groups for the Company. TSR has been calculated by reference to the relevant share price for each constituent company assuming dividends are reinvested.

This graph shows the value, by 31 March 2014, of £100 invested in Oxford Instruments plc on 31 March 2009 compared with the value of £100 invested in the FTSE Techmark All.



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

	Year ending 31 March				
	2010	2011	2012	2013	**2014**
Total remuneration (£'000)	939	2,596	3,464	2,348	**1,460**
Annual bonus outcome (%)	100%	100%	100%	69.1%	**15%**
ESOS vesting (%)	100%	100%	100%	100%	**100%**
SELTIS vesting (%)	50%	50%	100%	100%	**100%**

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

The table below shows the percentage change in each of the CEO's salary, taxable benefits and annual bonus earned between 2012/13 and 2013/14, compared to that for the average UK based employee of the Group (on a per capita basis).

	Jonathan Flint, CEO			Average employee[1]		
£'000	**2013/14**	2012/13	% change	**2013/14**	2012 /13	% change
Salary	**422.5**	402.5	5.0%	**37.8**	36.5	3.6%
Benefits	**18.3**	18.3	0%	**1.7**	1.6	6.3%
Bonus[2]	**67.5**	290.2	-76.7%	**1.0**	2.6	-45.3%

1 Average employee includes all UK employees in service on 31 March 2012 and 31 March 2014 but excludes those who were on maternity or long term sick leave.

2 The value of the average employee bonus for the year ended 31 March 2014 (to be paid at the end of June 2014) was not known at the time the Report and Financial Statements were approved and has been subsequently included.

Remuneration Report continued

PART B: Annual Report on Remuneration 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 2013	**Year ended 31 March 2014**	% change
Employee costs (£m)	91.6	**98.5**	8%
Dividends (£m)	5.6	**6.4**	14%
Share buybacks (£m)	0.0	**0.0**	0%

Statement of Shareholder voting (unaudited)

At last year's AGM, the Directors' Remuneration Report received the following votes from Shareholders:

	Remuneration Report	
	Total number of votes	% of votes cast
For	42,350,613	96.49
Against	1,538,716	3.51
Total	**43,889,329**	**100**
Abstentions	831,621	

How the policy will be applied in 2014/15 (unaudited)

Base salaries

As reported last year, following a consultation with major Shareholders in 2012, it was agreed that the Executive Directors would receive the second part of a two-stage salary increase as of 1 July 2013. The Executive Directors asked for the second part of the salary increase to be deferred to 1 March 2014. Therefore with effect from 1 March 2014 the CEO's salary was increased from £420,000 to £450,000 (7.1%) and the GFD's salary was increased from £283,000 to £300,000 (6%).

In line with the general workforce, the Executive Directors will receive salary increases of 3% for 2014/15 effective from 1 July 2014. The CEO's salary as a result of the increase will be £463,500 and the GFD's £309,000.

Benefits and pension

These will be made in accordance with the approved policy.

Annual bonus

The maximum opportunity under the annual bonus plan for 2014/15 will be 100% of base salary.

A combination of financial (85%) and non-financial strategic (15%) metrics will be used to determine the level of payment under the annual bonus and as detailed in the table below:

	Weighting as a % of opportunity	
Measure	CEO	GFD
Organic sales (£m)	20%	20%
Profit (£m)	45%	45%
Cash generation (£m)	20%	20%
Strategic objectives	15%	15%

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive. Retrospective disclosure of the performance against them will be made in next year's Annual Report on Remuneration.

How the policy will be applied in 2014/15 (unaudited) continued

Long term incentives in respect of the 2014/15 financial year

As detailed in the Directors' Remuneration Policy Report a new Performance Share Plan (PSP) will be put to Shareholders for approval at the Annual General Meeting to be held on 9 September 2014.

Subject to Shareholder approval, the Committee will make the 2014/15 annual awards under the new PSP following the AGM. These awards will be over shares with a market value at grant of 150% of salary for the CEO and GFD. Vesting will be subject to the performance condition as set out below, to be achieved over three financial years commencing with the 2014/15 financial year:

Half of the award	Half of the award
EPS growth – 7% p.a. (25% vesting) to 12% p.a. (100% vesting)	TSR v FTSE 250 Index (excluding financial companies) – median (25% vesting) to upper quartile (100% vesting)

Long term incentives in respect of the 2013/14 financial year

As explained on page 59 the Board was unable to make awards in 2013/14 under the existing ESOS and SELTIS plans because the Company was in a close period due to its acquisition of Andor Technology. These 2013/14 awards will be made during the 42 day window following the announcement of the Company's preliminary results in June 2014.

The levels of awards will be the same as for 2012/13 being 200% of salary under the ESOS and 50% of salary under the SELTIS. The number of shares subject to these awards will be determined using the salaries of the CEO and GFD as at 31 December 2013 and using the average share price for the month of December 2013 replicating as far as possible the quantum and structure of the awards had they been made at the usual time. The performance conditions for these awards are as set out below. The performance period for these awards will be the three year period commencing on 1 April 2013 reflecting the fact that these awards relate to the 2013/14 financial year.

ESOS	SELTIS
EPS growth – CPI + 5% p.a. (33.3% vesting) to CPI +10% p.a. (100% vesting)	TSR v FTSE 250 Index (excluding financial companies) – median (33.3% vesting) to upper quartile (100% vesting)

Non-Executive Directors' fees

	2014/15	2013/14	% increase[1]
Board Chairman	£161,000	£161,000	0%
Additional fee Deputy Chairman[3]	£5,000	£5,000	0%
Basic fee	£44,000	£40,000	10%
Additional fee for Senior Independent Director[3]	£5,000	£5,000	0%
Additional fee for Committee Chairman[3]	£7,500	£5,000	50%

1 Fees for Non-Executive Directors were last increased on 1 April 2012.

2 The increase in fees shown for 2014/2015 is effective 1 July 2014.

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

Approval

This report was adopted by the Committee at a meeting on 3 June 2014 and has been approved subsequently by the Board for submission to Shareholders at the Annual General Meeting to be held on 10 September 2014.

Thomas Geitner
Chairman of the Remuneration Committee
10 June 2014

Directors' Responsibilities

in relation to the Report and Financial Statements

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

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK Accounting Standards.

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report, included in this annual financial report includes a fair review of the development and performance of the business and the position of the Company and Group taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and provides the information necessary for Shareholders to assess the company's performance, business model and strategy.

Signed on behalf of the Board

Jonathan Flint
Chief Executive
10 June 2014

Kevin Boyd
Group Finance Director

Independent Auditor's Report

to the Members of Oxford Instruments plc only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Oxford Instruments plc for the year ended 31 March 2014 set out on pages 70 to 122. 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 2014 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Revenue recognition in the Nanotechnology Tools segment (Revenue: £180.5m, Adjusted operating profit: £21.2m)

Refer to page 41 (Audit committee report), page 70 (accounting policy) and pages 85 to 114 (financial disclosures)

Risk – There is a risk that revenue is recognised on sales of individual products produced by the Group's Nanotechnology Tools segment before the significant risks and rewards of ownership have passed. This is because these products require considerable technical expertise to manufacture, they can be of individually high value, and customer specifications vary. As such there is a risk that particular terms of sale may not be met and, as a result, revenue may be recognised in the incorrect period. Consequently this is one of the key areas our audit is focused on.

Our response – Our audit procedures in this area included, among others, assessing the effectiveness of internal controls and policies regarding the recognition of revenue such as matching a sample of sales invoices recognised to sales orders and dispatch notes. We also tested, on a sample basis, whether specific revenue transactions around the year end had been recognised in the appropriate period on the basis of the terms of sale within sales contracts or orders with reference to the Group's accounting policies. We considered whether a sample of credit notes issued after the year end should reduce revenue in the period and challenged those that were not recorded by obtaining evidence and rationale for significant reversals.

We also assessed, and discussed with business unit management, the ageing and post year end realisation of accrued income, customer deposits and installation balances with respect to the agreed terms of sale, any of which may indicate the associated revenue has been recognised too soon or too late. In addition we assessed whether there was any evidence of management bias by forming an expectation of the current year revenue profile, with reference to historical trends, and comparing to actual. We also considered the adequacy of the Group's disclosures in respect of revenue and the related estimates and judgements in the financial statements (see section (e) of Accounting Policies).

Recoverability of acquired intangible assets (£232.9m)

Refer to page 41 (Audit committee report), page 70 (accounting policy) and pages 85 to 114 (financial disclosures)

Risk – The Group balance sheet includes a significant amount of goodwill and other acquired intangible assets that have arisen as a result of acquisitions, both in the current year and historically. There is a risk that below forecast performance of the business, or the cash generating unit, to which the assets are allocated will result in impairment. This could be due to weaker than forecast demand, product obsolescence, or other factors, and is particularly the case in the current year in respect of Omicron Nanoscience, which is carried at the directors' estimate of recoverable amount following the recognition of an impairment to goodwill of £0.4m and an impairment to other intangibles of £2.2m. Furthermore, there is inherent uncertainty and complexity involved in estimating future cash flows, growth rates and discount rates that are the basis for the assessment of recoverability and, as such, this is one of the key judgement areas our audit is focused on.

Our response – In this area our audit procedures included, among others, performing our own assessments of the key estimates and assumptions used to estimate recoverable amount such as forecast cash flows, long term growth rates and the discount rate applied with reference to externally and internally derived data including, but not limited to, industry growth rates, historical performance of similar lines of business and market interest rates. We compared the sum of the discounted cash flows to the value derived from the Group's market capitalisation to assess the reasonableness of those cash flows. We recalculated and assessed the impairment applied to assets in respect of Omicon Nanoscience. We also performed sensitivity analysis in relation to the key assumptions and considered whether the Group's disclosures regarding the valuation of goodwill and intangible assets appropriately reflected the sensitivity, headroom and assumptions made in preparing the valuations.

Independent Auditor's Report continued

to the Members of Oxford Instruments plc only

Opinions and conclusions arising from our audit continued

2 Our assessment of risks of material misstatement continued

Valuation of acquired intangible assets (£172.6m)

Refer to page 41 (Audit committee report), page 70 (accounting policy) and pages 85 to 114 (financial disclosures)

Risk – During the year the Group completed the acquisition of Andor Technology plc and two smaller companies. For each acquisition the consideration was allocated to the identifiable intangible assets, tangible assets, liabilities and contingent liabilities with the positive balance remaining being recognised as goodwill. The identification and valuation of acquired intangible assets involved estimating future cash flows, growth and discount rates and, as such, this is one of the key judgement areas our audit focused on.

Our response – Our audit procedures in this area included, among others, assessing the independence, objectivity and competence of the external expert engaged by the Group to value intangible assets recognised as a result of the Andor Technology plc acquisition by considering, among other matters, their professional qualifications and the terms of their engagement. We tested the principles and integrity of the valuation model used and assessing whether the key assumptions underlying the valuations were appropriate, taking into account our experience of similar assets acquired in other comparable situations. We used our own valuation specialist to assist us in evaluating the assumptions and methodologies used by the Group.

Completeness of provisions in respect of product related claims

Refer to page 41 (Audit committee report), page 70 (accounting policy) and pages 85 to 114 (financial disclosures)

Risk – The Group designs and builds customised, high technology products, notably in the NanoTechnology Tools segment, and as such there is a risk that products are subject to customer claims in respect of deficiencies in design or performance. In addition, since the Group's products incorporate specific design features and intellectual property that are critical to ensuring the product meets its marketed, or customer specific, performance specifications, there is a risk that the Group inadvertently infringes the intellectual property belonging third parties. This could result in a material unrecorded, or understated, provision for compensation required to be paid to customers or third parties respectively, or alternatively for the cost of rectification, should the Group be required to recall or rework previously supplied products.

Our response – Our audit procedures in this area included, among others, making enquiries of relevant business unit management regarding the existence of any previously unidentified product related claims and inspecting the Group's litigation register for any ongoing or potential patent litigation. Where product related claims arise, or are brought forward from previous periods, we consider the specific circumstances by inspecting correspondence between the Group and other parties, such as legal advisors, and challenge the reasonableness of the key assumptions made by management to our own expectations based on our historical knowledge, experience, and understanding. We also considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at any provision.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £2.1m. This has been determined with reference to a benchmark of group profit before tax, which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the Group. Materiality represents 6.5% of group profit before tax adjusted for: the reversal of acquisition related fair value adjustments to inventory; the settlement loss on US pension scheme; the acquisition related costs; the unwind of discount in respect of deferred consideration; and the mark-to-market gain as disclosed in Note 1 to the financial statements, or 8.8% of group profit before tax.

We agreed with the audit committee to report to it: separately each corrected or uncorrected misstatement we identified through our audit with a value in excess of £1.6m; other audit misstatements below £1.6m that we believe warranted separate reporting on qualitative grounds; and the aggregate of other corrected and uncorrected misstatements we identified through our audit with an individual value in excess of £0.1m but less than £1.6m.

Audits for group reporting purposes were performed at the key reporting components in the following countries: Japan; Germany; China; and Finland, and by the Group audit team in the following countries: the United Kingdom; and the United States of America. In addition, specified audit procedures were performed by component auditors in Japan and by the group audit team in the United Kingdom and the United States of America. These group procedures covered 97% of total group revenue; 91% of group profit before taxation; and 99% of total group assets.

The audits undertaken for group reporting purposes at the key reporting components of the group were all performed to materiality levels agreed with the group audit team. These materiality levels were set individually for each component and ranged from £0.01m to £1.9m.

Detailed audit instructions were sent to all the auditors in these locations. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the group audit team. The group audit team visited the following locations: the United Kingdom; Germany; and the United States of America.

Opinions and conclusions arising from our audit continued

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

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5 We have nothing to report in respect of matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy; or
- the Audit committee report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 23, in relation to going concern;
- the part of the Corporate Governance Statement on page 33 relating to the company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review; and
- certain elements of the report to Shareholders by the Board on directors' remuneration.

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

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 66, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Simon Haydn-Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
10 June 2014

Accounting Policies

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

The Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its Parent Company Financial Statements in accordance with UK GAAP; these are presented on pages 115 to 121.

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Performance and Strategy section on pages 5 to 20. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 21 to 23.

The relatively diverse nature of the Group together with its current financial strength provides a solid foundation. The Directors have reviewed the Group's forecasts and flexed them to incorporate a number of potential scenarios relating to changes in trading performance and believe that the Group will be able to operate within its existing debt facilities which expire between December 2018 and March 2021. This review also considered hedging arrangements in place. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

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

The Financial Statements were authorised for issuance on 10 June 2014.

(a) New accounting standards

The following standards and interpretations are applicable to the Group and have been adopted as they are mandatory for the year ended 31 March 2014.

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income: The amendments require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The adoption of this standard has had no significant impact.
- Amendments to IAS 19 Employee Benefits: The amendments require immediate recognition of actuarial gains and losses in other comprehensive income and eliminate the corridor method. The principal amendment that has affected most entities with a defined benefit plan is the requirement to calculate net interest income or expense using the discount rate used to measure the defined benefit obligation. The new standard requires retrospective application and will impact the Group's Income Statement and Statement of Comprehensive Income as a result of the changes in assessing the return on pension scheme assets. A prior year restatement has been made to reflect these changes, which is explained in further detail below.
- IFRS 13 Fair Value Measurement: This is a new standard to replace existing guidance on fair value measurement in different IFRSs with a single definition of fair value, a framework for measuring fair values and disclosures about fair value measurements. This standard applies to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value or when disclosure of fair value is provided. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The adoption of this standard has had no significant impact.
- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities: The amendment requires specific disclosure for financial assets and financial liabilities within the scope of the common disclosures. The adoption of this standard has had no significant impact.

There are no other new standards, amendments to standards or interpretations mandatory for the first time for the year ending 31 March 2014.

IAS 19 restatement

As a result of the amendments to IAS 19 Employee Benefits, the Group has changed its accounting policy with respect to determining the income or expense related to its defined benefit pension scheme. The standard prescribes that an interest expense or income is calculated on the net defined benefit liability by applying the discount rate to the net defined benefit liability. This replaces the interest expense on the defined benefit obligation and the expected return on plan assets. In addition, the revised standard clarifies the treatment for scheme administration expenses. The revised standard requires retrospective application, therefore the table below reflects the adjustments made to the comparative amounts for the year ended 31 March 2013.

The restatements in the year ended 31 March 2013 comprise the reversal of the interest expense on the defined benefit obligation of £10.4m and the interest income on pension scheme assets of £9.5m to be replaced by a net interest expense of £1.7m and an increase in the scheme administration expenses charged to the consolidated income statement of £0.4m. The associated income tax has been restated accordingly. Actuarial losses recognised in the consolidated statement of comprehensive income of £16.9m have been restated into a remeasurement loss of £15.7m with the associated income tax also restated.

(a) New accounting standards continued

IAS 19 restatement continued

	31 March 2013 £m
Consolidated income statement	
Increase in administrative and shared service expenses	(0.4)
Decrease in finance expense	8.7
Decrease in finance income	(9.5)
Decrease in income tax expense	0.2
Decrease in profit for the period	**(1.0)**
Decrease in basic and diluted earnings per share	(1.8p)
Consolidated statement of comprehensive income	
Other comprehensive income:	
Decrease in remeasurement of defined benefit plans	1.2
Decrease in income tax on other comprehensive income	(0.2)
Increase in other comprehensive income	**1.0**

The revised standard stipulates that remeasurement gains and losses are recognised immediately in the periods in which they occur. The Group already adopted this policy and therefore there are no changes to the consolidated balance sheet and consolidated cash flow statement.

In the current year, the revised standard has had the effect of reducing the Group's profit after tax by £2.0m and reducing the remeasurement loss on post-retirement benefits by the same amount.

(b) Basis of preparation

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

The preparation of Financial Statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgements and estimates made in applying the Group accounting policies relate to:

Fair value measurements on business combinations

The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities. The key judgements involved are the identification and valuation of intangible assets which require the estimation of future cash flows and the selection of a suitable discount rate (see Note 15).

Impairment of intangible assets (including goodwill) and tangible assets

Goodwill is held at cost and tested annually for impairment and amortised intangibles and tangible assets are tested for impairment where there are indications of impairment. These impairment tests require the Group to make an estimate of the expected cash flows and to select suitable discount rates. These require an estimation of the value in use of these assets (see Note 15).

Provisions

Provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past expectations or events which can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances which can be subject to change. Amounts provided represent the Group's best estimate of exposure based on currently available information.

Accounting Policies continued

(b) Basis of preparation continued

Revenue recognition

Revenue is recognised when, in the opinion of the Group, the significant risks and rewards of ownership have transferred to the buyer. The complex technical nature of the Group's products means that the application of judgement is required in determining whether those risks and rewards have passed.

The following other significant judgements and estimates were made in applying the Group accounting policies:

Measurement of defined benefit scheme liabilities

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

Contingent purchase consideration

Contingent purchase consideration is measured at fair value at the date of acquisition and tested annually against the criteria for payment. The key judgements involved are the estimation of future cash flows and profitability of the acquired business and the selection of a suitable discount rate.

Capitalised development costs

Capitalised development costs involve judgements around the future economic benefits that will flow from the associated development activity and in particular the Group's assessment of the technical and commercial feasibility of the product to be developed.

Deferred tax assets

A deferred tax asset is recognised in the period if it is probable that future taxable profits will be available against which the asset can be utilised. This requires the exercise of judgement in relation to the estimation of future taxable profit.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key areas where estimates have been used and assumptions applied are in the calculation of provisions, the valuation of acquired intangible assets, the impairment testing of goodwill and the estimation of defined benefit pension plan liabilities.

(c) Basis of consolidation

The Group Financial Statements include the accounts of Oxford Instruments plc and its subsidiary companies adjusted to eliminate intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the control, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The results of subsidiary companies are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

(d) Foreign currency

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

(e) Financial instruments

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

(i) Derivative financial instruments of the Group are used to hedge its exposure to interest rate, foreign currency and commodity pricing risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes. All derivatives are initially recognised at fair value; attributable transaction costs are recognised in profit or loss as incurred. Derivatives comprising interest rate swaps, foreign exchange contracts and options and metal futures contracts are classified as "fair value through profit and loss" under IAS 39, unless designated as hedges. Subsequent to initial recognition, derivatives are measured at fair value and gains or losses on the settlement of such derivatives are recognised in operating expenses. Where such derivatives relate to the following year's exposure, any gains or losses resulting from the change in fair value are taken to the mark to market gains/losses line within financial income or expense.

(ii) Changes in the fair value of the derivative hedging instruments designated as cash flow hedges are recognised in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the Consolidated Statement of Income. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the Consolidated Statement of Income in the same period that the hedged item affects profit or loss.

(iii) The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(iv) The fair value of forward exchange contracts is their market price at the Consolidated Statement of Financial Position date, being the present value of the forward price. The gain or loss on remeasurement to fair value of forward exchange contracts is recognised immediately in the Consolidated Statement of Income.

(v) Contingent purchase consideration is measured at fair value at the date of acquisition and tested annually against the criteria for payment.

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

(f) Property, plant and equipment

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

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

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

Accounting Policies continued

(g) Intangible assets

(i) Goodwill

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

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

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

(ii) Development costs

Research and development costs are charged to the Consolidated Statement of Income in the year in which they are incurred unless development expenditure is applied to a plan or design for the production of new or substantially improved products, in which case they are capitalised. The criteria for capitalisation include demonstration of the technical feasibility of completing a new intangible asset that will be available for sale and that the asset will generate probable future economic benefits. Where expenditure meets the criteria, development costs are capitalised and amortised through the Consolidated Statement of Income over their useful economic lives.

(iii) Acquired intangible assets

An intangible asset acquired with a subsidiary undertaking is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be reliably measured. The asset is amortised through the Consolidated Statement of Income over it useful economic life.

(iv) Amortisation

Amortisation of intangible assets is charged to the Consolidated Statement of Income on a systematic basis in proportion to the use of the assets over their estimated useful economic lives as follows:

Capitalised development costs	3 to 5 years
Technology related acquired intangibles	5 to 12 years
Customer related acquired intangibles	6 months to 15 years
Software	10 years

(h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently stated at their amortised cost less appropriate allowances for amounts which are expected to be non-recoverable.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour, an attributable proportion of production overheads based on normal operating capacity and all other expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provision is made for obsolete, slow-moving and defective stock where appropriate in light of recent usage, expected future requirements, new product introduction plans and likely realisable values.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the 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) Non-current assets held for sale

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

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

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

(l) Impairment of non-current assets

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

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

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

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

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

(m) Employee benefits

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

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

The charge to the Consolidated Statement of Income reflects the current service cost. The interest expense or income is calculated on the net defined benefit liability by applying the discount rate to the net defined benefit liability, and is included within financial expenditure or financial income in the Consolidated Statement of Income respectively.

(iii) Share-based payment transactions

The fair value of equity settled share option programmes is measured at grant date and charged to the Consolidated Statement of Income, with a corresponding increase in equity, on a straight-line basis over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market performance conditions not being met.

Accounting Policies continued

(n) Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision for warranty and product related liability is recognised when the underlying products are sold. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A provision for a claim or dispute is made when it is considered probable that an adverse outcome will occur and the amount of the loss can be reasonably estimated.

Contractual and other provisions represent the Directors' best estimate of the cost of settling future obligations where the Directors, taking into account professional advice received, assess that it is more likely than not that such proceedings may be successful.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liabilities.

(o) Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequently stated at amortised cost.

(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 significant risks and rewards of ownership have transferred to the buyer. In the Industrial Products segment this is generally considered to be on dispatch, as products have a low level of customisation and are manufactured on a routine basis. In the Nanotechnology Tools segment products are generally bespoke and customer contracts more complex. As such, there are a number of conditions which must be satisfied before revenue can be recognised. These can include: legal, contractual ownership; passing internal quality control testing; dispatch from manufacturing sites; installation at customer sites; customer inspection both before and after installation; and/or, ultimately, customer acceptance. Given these conditions, a greater degree of consideration is given as to whether the terms of sale have been met and whether revenue can be recognised for each product. In the Services segment, revenue for maintenance and support is recognised on a pro-rata basis over the length of the contract period. Revenue excludes value added tax and similar sales based taxes and is stated before commissions payable to agents.

(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.

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 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) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense.

(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

A number of new standards, amendments to standards and interpretations have been issued by the IASB and endorsed by the EU and are effective for annual periods beginning after 1 April 2014. They have not been applied in preparing these consolidated Financial Statements. Those which may be relevant to the Group are set out below:

- IFRS 10 Consolidated Financial Statements which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2014. The Group has considered the impact of this amendment in future periods on profit, earnings per share and net assets. It is not expected to have a material impact.
- IFRS 11 Joint Arrangements which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2014. The Group has considered the impact of this amendment in future periods on profit, earnings per share and net assets. It is not expected to have a material impact.
- IFRS 12 Disclosure of Interests in Other Entities which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2014. It is not expected to have a material impact.
- IAS 27 (2011) Separate Financial Statements: which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2014. The Group has considered the impact of this amendment in future periods on profit, earnings per share and net assets. It is not expected to have a material impact.
- IAS 28 (2011) Investments in Associates and Joint Ventures: which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2014. The Group has considered the impact of this amendment in future periods on profit, earnings per share and net assets. It is not expected to have a material impact.
- Amendments to IAS 32 Financial Instruments: Disclosure and Presentation – Offsetting Financial Assets and Financial Liabilities: which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2014. The Group has considered the impact of this amendment in future periods on profit, earnings per share and net assets. It is not expected to have a material impact.
- IFRS 15 Revenue from Contracts with Customers: which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning 1 April 2017. The potential impact on the Group of the new standard is still being assessed.

A number of other new standards, amendments to standards and interpretations have been issued by the IASB, although they are not yet endorsed by the EU, and are effective for annual periods beginning after 1 April 2014. They have not been applied in preparing these consolidated Financial Statements. The one standard which may be relevant to the Group is set out below:

- IFRS 9 Financial Instruments: which becomes mandatory for the Group's consolidated Financial Statements for the annual period beginning on 1 April 2015 and could change the classification and measurement of financial assets.

Consolidated Statement of Income

year ended 31 March 2014

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

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

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

The attached notes form part of the Financial Statements.

Consolidated Statement of Income

year ended 31 March 2013 – as restated**

	Notes	Adjusted* £m	Adjusting items* £m	Total £m
Revenue	3	350.8	—	350.8
Cost of sales		(194.0)	(0.5)	(194.5)
Gross profit		156.8	(0.5)	156.3
Research and development	5	(24.3)	—	(24.3)
Selling and marketing		(51.1)	—	(51.1)
Administration and shared services		(35.3)	(15.9)	(51.2)
Foreign exchange		3.2	—	3.2
Operating profit		49.3	(16.4)	32.9
Other financial income	7	0.3	—	0.3
Financial income		0.3	—	0.3
Interest charge on pension scheme net liabilities	23	(1.7)	—	(1.7)
Other financial expenditure	8	(0.9)	(2.2)	(3.1)
Financial expenditure		(2.6)	(2.2)	(4.8)
Profit before income tax		47.0	(18.6)	28.4
Income tax (expense)/credit	12	(9.7)	2.3	(7.4)
Profit for the year attributable to equity Shareholders of the parent		37.3	(16.3)	21.0

	Notes	pence		pence
Earnings per share				
Basic earnings per share	2	66.5		37.4
Diluted earnings per share	2	65.7		37.0
Dividends per share				
Dividends paid	13			10.0
Dividends proposed	13			11.2

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

** See Accounting Policies for details of restatement of comparative information.

Consolidated Statement of Comprehensive Income

year ended 31 March 2014

	Notes	2014 £m	2013 (Restated)* £m
Profit for the year		**18.2**	21.0
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss			
Gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled		**—**	—
Foreign exchange translation differences		**(8.4)**	3.4
Tax on items that may be reclassified to profit or loss		**—**	—
Items that will not be reclassified subsequently to profit or loss			
Remeasurement loss in respect of post-retirement benefits	23	**(1.9)**	(15.7)
Tax on items that will not be reclassified to profit or loss	12	**(1.0)**	3.5
Total other comprehensive expense		**(11.3)**	(8.8)
Total comprehensive income for the year attributable to equity Shareholders of the parent		**6.9**	12.2

* See Accounting Policies for details of restatement of comparative information.

Consolidated Statement of Financial Position

as at 31 March 2014

	Notes	**2014 £m**	2013 £m
Assets			
Non-current assets			
Property, plant and equipment	14	**34.4**	32.9
Intangible assets	15	**247.9**	91.9
Deferred tax assets	16	**11.2**	25.0
		293.5	149.8
Current assets			
Inventories	17	**68.3**	58.1
Trade and other receivables	18	**80.9**	71.8
Current income tax recoverable		**1.0**	0.4
Derivative financial instruments	20	**5.3**	2.2
Cash and cash equivalents		**32.6**	39.2
		188.1	171.7
Total assets		**481.6**	321.5
Equity			
Capital and reserves attributable to the Company's equity Shareholders			
Share capital	21	**2.9**	2.8
Share premium		**61.3**	60.6
Other reserves		**0.1**	0.1
Translation reserve		**(4.4)**	4.0
Retained earnings		**80.3**	70.2
		140.2	137.7
Liabilities			
Non-current liabilities			
Bank loans	22	**141.4**	—
Other payables	24	**13.1**	11.1
Retirement benefit obligations	23	**46.3**	47.9
Deferred tax liabilities	16	**12.0**	6.2
		212.8	65.2
Current liabilities			
Bank loans	22	**15.5**	—
Trade and other payables	24	**99.2**	101.4
Current income tax payables		**3.7**	4.3
Derivative financial instruments	20	**0.5**	2.6
Provisions	25	**9.7**	10.3
		128.6	118.6
Total liabilities		**341.4**	183.8
Total liabilities and equity		**481.6**	321.5

The Financial Statements were approved by the Board of Directors on 10 June 2014 and signed on its behalf by:

Jonathan Flint
Director
Company Number: 775598

Kevin Boyd
Director

Consolidated Statement of Changes in Equity

year ended 31 March 2014

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

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

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

The Group holds 183,145 (2013: 183,145) of its own shares in an employee benefit trust. The cost of these shares is included within retained earnings. There was no movement in the shares held by the trust during the year.

Consolidated Statement of Changes in Equity

year ended 31 March 2013 – as restated*

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2012	2.8	60.2	0.1	0.6	63.4	127.1
Total comprehensive income:						
Profit for the year	—	—	—	—	21.0	21.0
Other comprehensive income:						
– Foreign exchange translation differences	—	—	—	3.4	—	3.4
– Gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	—	—	—	—	—	—
– Remeasurement loss in respect of post-retirement benefits	—	—	—	—	(15.7)	(15.7)
– Tax on items recognised directly in other comprehensive income	—	—	—	—	3.5	3.5
Total comprehensive income attributable to equity Shareholders of the parent	—	—	—	3.4	8.8	12.2
Transactions with owners recorded directly in equity:						
– Credit in respect of employee service costs settled by award of share options	—	—	—	—	1.4	1.4
– Tax credit in respect of share options	—	—	—	—	2.2	2.2
– Proceeds from shares issued	—	0.4	—	—	—	0.4
– Dividends paid	—	—	—	—	(5.6)	(5.6)
Total transactions with owners recorded directly in equity:	—	0.4	—	—	(2.0)	(1.6)
Balance at 31 March 2013	2.8	60.6	0.1	4.0	70.2	137.7

* See Accounting Policies for details of restatement of comparative information.

Consolidated Statement of Cash Flows

year ended 31 March 2014

	2014 £m	2013 (Restated)* £m
Profit for the year	**18.2**	21.0
Adjustments for:		
Income tax expense	**5.8**	7.4
Net financial expense	**—**	4.5
Acquisition related fair value adjustments to inventory	**3.7**	0.5
Acquisition related costs	**7.8**	2.1
Settlement loss on US pension scheme	**0.1**	—
Amortisation and impairment of acquired intangibles	**14.7**	13.8
Depreciation of property, plant and equipment	**5.0**	4.6
Amortisation and impairment of capitalised development costs	**3.9**	3.9
Adjusted earnings before interest, tax, depreciation and amortisation	**59.2**	57.8
Loss on disposal of property, plant and equipment	**0.3**	0.2
Cost of equity settled employee share schemes	**1.6**	1.4
Acquisition related costs paid	**(6.4)**	(1.2)
Cash payments to the pension scheme more than the charge to operating profit	**(5.4)**	(4.9)
Operating cash flows before movements in working capital	**49.3**	53.3
(Increase)/decrease in inventories	**(2.9)**	4.7
Increase in receivables	**(3.8)**	(9.4)
(Decrease)/increase in payables and provisions	**(3.3)**	2.8
Decrease in customer deposits	**(10.9)**	(1.0)
Cash generated from operations	**28.4**	50.4
Interest paid	**(1.0)**	(0.5)
Income taxes paid	**(6.2)**	(8.4)
Net cash from operating activities	**21.2**	41.5
Cash flows from investing activities		
Proceeds from sale of product line and subsidiary	**—**	1.0
Acquisition of subsidiaries, net of cash acquired	**(165.7)**	(20.1)
Acquisition of property, plant and equipment	**(6.8)**	(8.6)
Capitalised development expenditure	**(5.4)**	(4.6)
Net cash used in investing activities	**(177.9)**	(32.3)
Cash flows from financing activities		
Proceeds from issue of share capital	**0.8**	0.4
Increase in borrowings	**156.9**	—
Dividends paid	**(6.4)**	(5.6)
Net cash from financing activities	**151.3**	(5.2)
Net (decrease)/increase in cash and cash equivalents	**(5.4)**	4.0
Cash and cash equivalents at beginning of the year	**39.2**	35.1
Effect of exchange rate fluctuations on cash held	**(1.2)**	0.1
Cash and cash equivalents at end of the year	**32.6**	39.2

	2014 £m	2013 (Restated)* £m
Reconciliation of changes in cash and cash equivalents to movement in net debt		
(Decrease)/increase in cash and cash equivalents	**(5.4)**	4.0
Effect of foreign exchange rate changes on cash and cash equivalents	**(1.2)**	0.1
	(6.6)	4.1
Cash inflow from increase in debt	**(156.9)**	—
Movement in net cash in the year	**(163.5)**	4.1
Net cash at start of the year	**39.2**	35.1
Net debt at the end of the year	**(124.3)**	39.2

* See Accounting Policies for details of restatement of comparative information.

Notes to the Financial Statements
year ended 31 March 2014

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

Reconciliation between profit before income tax and adjusted profit

	2014 £m	2013 (Restated)* £m
Profit before income tax	**24.0**	28.4
Reversal of acquisition related fair value adjustments to inventory	**3.7**	0.5
Acquisition related costs	**7.8**	2.1
Amortisation and impairment of acquired intangibles	**14.7**	13.8
Unwind of discount in respect of deferred consideration	**0.9**	0.2
Mark to market (gain)/loss in respect of derivative financial instruments	**(4.1)**	2.0
Settlement loss on US pension scheme	**0.1**	—
Adjusted profit before income tax	**47.1**	47.0
Share of taxation	**(8.7)**	(9.7)
Adjusted profit for the year	**38.4**	37.3

* See Accounting Policies for details of restatement of comparative information.

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

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

In common with a number of other companies adjusted profit excludes the non-cash amortisation and impairment of acquired intangible assets and goodwill, along with the unwind of discounts in respect of deferred consideration.

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

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

In calculating the share of tax attributable to adjusted profit before tax in 2011 a one-off recognition of deferred tax assets relating to the Group's UK businesses of £11.3m was excluded. At that time the Group announced its intention to exclude the reversal of this deferred tax from the calculation of the share of tax attributable to adjusted profit before tax in the years in which it reverses. In the current period deferred tax of £2.2m (2013: £3.3m) has reversed and consequently been excluded from the tax attributable to adjusted profit before tax.

Notes to the Financial Statements continued

year ended 31 March 2014

2 Earnings per share

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

	2014 £m	2013 (Restated)* £m
Basic earnings	**18.2**	21.0
Adjusted earnings *(Note 1)*	**38.4**	37.3
Weighted average number of shares	**56.8**	56.2
	pence	pence
Basic earnings per share	**32.1**	37.4
Adjusted earnings per share	**67.7**	66.5

* See Accounting Policies for details of restatement of comparative information.

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

	2014 Shares million	2013 Shares million
Weighted average number of shares outstanding	**57.0**	56.4
Less shares held by Employee Share Ownership Trust	**(0.2)**	(0.2)
Weighted average number of shares used in calculation of basic earnings per share	**56.8**	56.2

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

	2014 Shares million	2013 Shares million
Weighted average number of ordinary shares per basic earnings per share calculations	**56.8**	56.2
Effect of shares under option	**0.4**	0.6
Weighted average number of ordinary shares per diluted earnings per share calculations	**57.2**	56.8

3 Segment information

The Group has seven 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 results of Andor Technology, acquired during the year, are included in this segment;
- the Industrial Products segment contains a group of businesses supplying high technology products and components manufactured in medium volume for industrial customers; and
- the Service segment contains the Group's service business as well as service revenues from other parts of the Group.

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

3 Segment information continued

a) Analysis by business

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

Year to 31 March 2013	Nanotechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	165.8	124.5	60.5	350.8
Inter-segment revenue	0.3	0.6	0.1	
Total segment revenue	166.1	125.1	60.6	
Segment adjusted operating profit (restated*)	20.6	17.3	11.4	49.3

Reconciliation of reportable segment profit

	2014 £m	2013 (Restated)* £m
Adjusted profit for reportable segments	**50.3**	49.3
Acquisition related costs	**(7.8)**	(2.1)
Settlement loss on US pension scheme	**(0.1)**	—
Reversal of acquisition related fair value adjustments to inventory	**(3.7)**	(0.5)
Amortisation and impairment of acquired intangibles	**(14.7)**	(13.8)
Financial income	**4.4**	0.3
Financial expenditure	**(4.4)**	(4.8)
Profit before income tax	**24.0**	28.4

* See Accounting Policies for details of restatement of comparative information.

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

	2014		2013	
	Depreciation £m	**Capital expenditure £m**	Depreciation £m	Capital expenditure £m
Nanotechnology Tools	**2.6**	**3.0**	2.6	2.6
Industrial Products	**1.8**	**1.6**	1.6	4.3
Service	**0.2**	**0.7**	0.2	0.4
Unallocated Group items	**0.4**	**1.5**	0.2	1.3
Total	**5.0**	**6.8**	4.6	8.6

Notes to the Financial Statements continued
year ended 31 March 2014

3 Segment information continued
a) Analysis by business continued

	2014		2013	
	Amortisation and impairment £m	**Capitalised development costs £m**	Amortisation and impairment £m	Capitalised development costs £m
Nanotechnology Tools	**3.0**	**3.8**	2.8	2.7
Industrial Products	**0.9**	**1.6**	1.1	1.9
Service	**—**	**—**	—	—
Unallocated Group items	**14.7**	**—**	13.8	—
Total	**18.6**	**5.4**	17.7	4.6

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

b) Geographical analysis
The Group's reportable segments are located across a number of geographical locations and make sales to customers in countries across the world.

The analysis below shows revenue and non-current assets (excluding deferred tax) for individual countries or regions that represent more than 5% of revenue.

Revenue from external customers by destination

	2014 £m	2013 £m
USA	**95.9**	86.5
Rest of Europe	**59.7**	72.6
Rest of Asia	**34.9**	37.2
UK	**33.6**	30.6
Japan	**37.4**	33.5
China	**50.4**	52.3
Germany	**30.3**	23.0
Rest of World	**17.9**	15.1
Total	**360.1**	350.8

Non-current assets (excluding deferred tax)

	2014 £m	2013 £m
UK	**212.4**	45.4
Germany	**27.3**	34.3
USA	**30.0**	37.0
Japan	**0.7**	0.2
China	**0.4**	0.3
Rest of World	**11.5**	7.6
Total	**282.3**	124.8

4 Auditor's remuneration

	2014 £'000	2013 £'000
Audit of these Financial Statements	**136**	115
Amounts received by the auditor and their associates in respect of:		
– Audit of Financial Statements of subsidiaries pursuant to legislation	**283**	282
– Taxation compliance services	**21**	16
– Other non-audit services	**1**	26
Total fees paid to the auditor and its associates	**441**	439

5 Research and development (R&D)

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

	2014			2013		
	Nanotechnology Tools £m	**Industrial Products £m**	**Total £m**	Nanotechnology Tools £m	Industrial Products £m	Total £m
R&D expense charged to the Consolidated Statement of Income	**17.6**	**7.5**	**25.1**	17.0	7.3	24.3
Less: depreciation of R&D related fixed assets	**(0.2)**	**(0.6)**	**(0.8)**	(0.2)	(0.5)	(0.7)
Add: amounts capitalised as fixed assets	**0.6**	**1.5**	**2.1**	0.1	0.7	0.8
Less: amortisation of R&D costs previously capitalised as intangibles	**(3.0)**	**(0.9)**	**(3.9)**	(2.9)	(1.0)	(3.9)
Add: amounts capitalised as intangible assets	**3.8**	**1.6**	**5.4**	2.7	1.9	4.6
Total cash spent on R&D during the year	**18.8**	**9.1**	**27.9**	16.7	8.4	25.1

6 Acquisitions

Andor Technology plc

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

The book and provisional fair values of the assets and liabilities acquired are given in the table below. Fair value adjustments have been made to better align the accounting policies of the acquired business with the Group accounting policies and to reflect the fair value of assets and liabilities acquired. The business has been acquired for the purpose of integrating into the Nanotechnology Tools segment where it is believed that synergies can be obtained particularly in respect of routes to market.

	Book value £m	Provisional adjustments £m	Provisional fair value £m
Intangible fixed assets	9.4	70.2	79.6
Tangible fixed assets	6.0	(4.0)	2.0
Inventories	11.1	3.0	14.1
Trade and other receivables	10.3	—	10.3
Trade and other payables	(13.5)	(1.3)	(14.8)
Deferred tax	(0.5)	(15.6)	(16.1)
Cash	17.2	—	17.2
Net assets acquired	40.0	52.3	92.3
Goodwill			83.0
Total consideration			175.3
Cash acquired			(17.2)
Net cash outflow relating to the acquisition			158.1

Notes to the Financial Statements continued

year ended 31 March 2014

6 Acquisitions continued

Andor Technology plc continued

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.

The fair values shown are provisional in respect of deferred tax assets and liabilities and provisions relating to certain claims since at the time of publication of these financial statements it has not been possible to fully ascertain all information necessary to compute the amounts which should be included in the opening balance sheet.

RoentgenAnalytik Systeme GmbH

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

The book and provisional fair values of the assets and liabilities acquired are given in the table below. Fair value adjustments have been made to better align the accounting policies of the acquired business with the Group accounting policies and to reflect the fair value of assets and liabilities acquired. The business has been acquired to strengthen Oxford Instruments' range of X-ray Fluorescence (XRF) materials and coating thickness analysers.

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

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

The fair values shown are provisional in respect of provisions relating to certain claims since at the time of publication of these financial statements it has not been possible to fully ascertain all information necessary to compute the amounts which should be included in the opening balance sheet.

6 Acquisitions continued

RMG Technology Ltd

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

The book and provisional fair values of the assets and liabilities acquired are given in the table below. Fair value adjustments have been made to better align the accounting policies of the acquired business with the Group accounting policies. The business has been acquired for the purpose of integrating into the Industrial Analysis segment where it will add a unique hand-held analyser to the Group's product portfolio.

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

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 £4m is payable based on revenue of the acquired business in the year to 31 March 2015.

The fair values shown are provisional in respect of provisions relating to certain claims since at the time of publication of these financial statements it has not been possible to fully ascertain all information necessary to compute the amounts which should be included in the opening balance sheet.

The book value of receivables in the tables above represents the gross contractual amounts receivable. The fair value adjustments to receivables represent the best estimate at acquisition date of the cash flows not expected to be collected.

The three acquisitions above contributed revenue of £15.3m and a reported operating profit of £2.9m to the Group's result for the period. Had the acquisitions taken place on 1 April 2013 the equivalent Group numbers would have been revenue of £409.1m and a reported operating profit of £28.6m.

Acquisition costs of £4.0m, £0.1m and £0.1m have been charged to the consolidated statement of income as adjusting items in respect of the purchases of Andor Technology plc, RoentgenAnalytik Systeme GmbH and RMG Technology Ltd respectively.

Notes to the Financial Statements continued

year ended 31 March 2014

6 Acquisitions continued

Asylum Research Corporation

On 19 December 2012 the Group acquired the trade and certain assets of Asylum Research Corporation for an initial cash consideration of £19.8m. Further contingent consideration of between £2.0m and £31.6m is payable based on post acquisition business performance. At 31 March 2014 £6.5m is provided in the accounts in respect of this contingent consideration being the fair value of the contingent consideration payable. Asylum Research is a leading manufacturer of atomic force and scanning probe microscopes and is headquartered in Santa Barbara, USA with subsidiaries in the UK, Germany and Taiwan.

The book and fair value of the assets and liabilities acquired is given in the table below. Fair value adjustments have been made to better align the accounting policies of the acquired business with the Group accounting policies. The business was acquired for the purpose of integrating into the Nanotechnology Tools segment where it is believed that synergies can be obtained particularly in respect of routes to market.

	Book value £m	Adjustments £m	Fair value £m
Intangible fixed assets	—	14.4	14.4
Tangible fixed assets	0.4	(0.1)	0.3
Inventories	2.4	(0.3)	2.1
Trade and other receivables	1.7	—	1.7
Trade and other payables	(2.3)	(0.2)	(2.5)
Deferred tax	—	0.3	0.3
Net assets acquired	2.2	14.1	16.3
Goodwill			9.3
Total consideration			25.6
Contingent consideration at acquisition			(5.8)
Net cash outflow relating to the acquisition			19.8

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

7 Financial income

	2014 £m	2013 £m
Interest receivable	**0.3**	0.3
Fair value movement on derivative financial instruments	**4.1**	—
	4.4	0.3

8 Financial expenditure

	2014 £m	2013 £m
Interest payable	**1.5**	0.9
Interest charge on pension scheme net liabilities	**2.0**	1.7
Unwind of discount on deferred consideration	**0.9**	0.2
Fair value movement on derivative financial instruments	**—**	2.0
	4.4	4.8

9 Personnel costs

	2014 £m	2013 £m
Wages and salaries	**83.8**	77.0
Social security costs	**9.4**	9.7
Contributions to defined contribution pension plans	**3.7**	3.5
Charge in respect of employee share options	**1.6**	1.4
	98.5	91.6

Directors' emoluments are disclosed in the Directors' Remuneration Report on pages 46 to 65 of this Annual Report.

10 Employees

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

	2014 Number	2013 Number
Production	**958**	958
Sales and marketing	**478**	414
Research and development	**337**	281
Administration and shared services	**277**	274
Total average number of employees	**2,050**	1,927

Notes to the Financial Statements continued

year ended 31 March 2014

11 Share option schemes

The Group operates three share option schemes:

All employee Share Incentive Plan (SIP)

All UK employees are eligible to participate in the Group's HM Revenue and Customs approved SIP. Participating employees make a cash contribution to the plan each month. The Group contributes a further amount equal to 20% of the employee's contribution. Independent trustees then purchase matching shares in the market on behalf of the employees. The matching shares vest on the completion by the participating employee of a further three years' service and can be withdrawn from the plan tax-free after five years' service.

Executive Share Option Scheme (ESO)

Options awarded under the Executive Share Option Scheme are made annually to certain senior managers. The exercise prices are determined according to the mid-market closing share price on the day before the date of grant. Options have a life of ten years and a vesting period of three years.

Senior Executive Long Term Incentive Scheme (SELTIS)

Options awarded under the Senior Executive Long Term Incentive Scheme are made annually to certain senior managers. The exercise prices are nil. Options have a life of seven years and a vesting period of three years.

Both the Executive Share Option Scheme and Senior Executive Long Term Incentive Scheme are subject to performance conditions which can be found in the Directors' Remuneration Report on pages 46 to 65.

Administrative expenses include a charge of £1.6m (2013: £1.4m) in respect of the cost of providing share options. The cost is calculated by estimating the fair value of the option at grant date and spreading that amount over the vesting period after adjusting for an expectation of non-vesting.

Fair values are determined using an internal valuation model based on a modified Black-Scholes model. Expected volatility has been based on historical volatility over a period of time of the same length as the expected option life and ending on the grant date. Half of the ESO options issued before 2009 and all SELTIS options use Total Shareholder Return (TSR) as a performance condition. As TSR is a market based performance condition, the accounting treatment differs from that for shares 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 2014 and 2013, the fair value per option granted and the assumptions used in the calculation are as follows:

	Senior Executive Long Term Incentive Scheme	Executive Share Option Scheme		
	December 2012	**March 2014**	**June 2013**	December 2012
Fair value at measurement date	£9.74	**£4.99**	**£5.49**	£5.16
Share price at grant date	£13.85	**£12.72**	**£14.55**	£13.85
Exercise price	£nil	**£12.89**	**£14.55**	£13.88
Expected volatility	36.1%	**41.8%**	**40.7%**	40.6%
Expected option life (expressed as weighted average life used in the modelling)	3 years	**6 years**	**6 years**	6 years
Expected dividend yield	0.7%	**0.9%**	**0.8%**	0.7%
Risk free interest rate	0.5%	**2.1%**	**1.5%**	1.2%

No options were granted under the Senior Executive Long Term Incentive Scheme during the year.

11 Share option schemes continued

The options existing at the year end were as follows:

	2014 Number of shares	Exercise price	Period when exercisable	2013 Number of shares
Options subsisting at the year end on unissued ordinary shares				
Executive Share Option Schemes				
July 2003	**—**	**£1.88**	**15/07/06–14/07/13**	3,000
July 2004	**1,500**	**£2.18**	**15/07/07–14/07/14**	6,250
July 2005	**1,715**	**£2.19**	**15/07/08–14/07/15**	1,715
July 2006	**10,250**	**£2.10**	**15/07/09–14/07/16**	13,875
September 2007	**6,000**	**£2.32**	**28/08/10–27/09/17**	15,000
December 2008	**14,839**	**£1.35**	**16/12/11–15/12/18**	33,243
December 2009	**35,051**	**£2.04**	**17/12/12–16/12/19**	87,987
January 2011	**136,987**	**£7.05**	**07/01/14–06/01/21**	414,000
December 2011	**433,050**	**£9.90**	**14/12/14–13/12/21**	464,720
December 2012	**373,775**	**£13.88**	**19/12/15–18/12/22**	386,825
June 2013	**10,670**	**£14.55**	**12/06/16–11/06/23**	—
March 2014	**110,000**	**£12.89**	**20/03/17–19/03/24**	—
Total options subsisting on existing ordinary shares	**1,133,837**			1,426,615
Percentage of issued share capital	**2.0%**			2.5%
Options subsisting at the year end on existing ordinary shares held in trust				
Senior Executive Long Term Incentive Scheme				
December 2009	**—**	**nil**	**17/12/12–16/12/16**	—
January 2011	**15,500**	**nil**	**07/01/14–06/01/18**	62,000
December 2011	**39,800**	**nil**	**14/12/14–13/12/18**	39,800
December 2012	**32,800**	**nil**	**19/12/15–18/12/19**	32,800
Total options subsisting on existing ordinary shares held in trust	**88,100**			134,600
Percentage of issued share capital	**0.2%**			0.2%

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

	Weighted average exercise price 2014	Number of options 2014	Weighted average exercise price 2013	Number of options 2013
Outstanding at the beginning of the period	**£8.47**	**1,561,215**	£4.83	2,016,715
Granted during the year	**£13.04**	**120,670**	£12.81	428,625
Forfeited during the year	**£10.37**	**(42,270)**	£7.26	(44,741)
Exercised during the year	**£4.85**	**(334,005)**	£1.81	(750,107)
Lapsed during the year	**£7.10**	**(83,673)**	£3.56	(89,277)
Outstanding at the year end	**£9.94**	**1,221,937**	£8.47	1,561,215
Exercisable at the year end	**£4.96**	**221,842**	£1.93	161,070

The weighted average share price at the time of exercise of the options was £16.98 (2013: £14.10).

Notes to the Financial Statements continued

year ended 31 March 2014

12 Income tax expense

Recognised in the Consolidated Statement of Income

	2014 £m	2013 (Restated)* £m
Current tax expense		
Current year	**6.5**	8.8
Adjustment in respect of prior years	**(0.1)**	(1.0)
	6.4	7.8
Deferred tax expense		
Origination and reversal of temporary differences	**0.2**	(0.4)
Recognition of deferred tax not previously recognised	**—**	(0.2)
Adjustment in respect of prior years	**(0.8)**	0.2
	(0.6)	(0.4)
Total tax expense	**5.8**	7.4
Reconciliation of effective tax rate		
Profit before income tax	**24.0**	28.4
Income tax using the UK corporation tax rate of 23% (2013: 24%)	**5.5**	6.8
Effect of:		
Tax rates other than the UK standard rate	**1.7**	1.9
Change in rate at which deferred tax recognised	**(0.2)**	(0.3)
Non-taxable income and expenses	**(0.1)**	0.8
Tax incentives not recognised in the Consolidated Statement of Income	**(0.4)**	(1.2)
Recognition of deferred tax not previously recognised	**—**	(0.2)
Movement in unrecognised deferred tax	**0.2**	0.4
Adjustment in respect of prior years	**(0.9)**	(0.8)
Total tax expense	**5.8**	7.4
Taxation charge/(credit) recognised in other comprehensive income		
Deferred tax – relating to employee benefits	**1.0**	(3.5)
	1.0	(3.5)
Taxation charge/(credit) recognised directly in equity		
Deferred tax – relating to share options	**0.4**	(2.2)

* See Accounting Policies for details of restatement of comparative information.

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

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

13 Dividends per share

The following dividends per share were paid by the Group:

	2014 pence	2013 pence
Previous year interim dividend	**3.05**	2.772
Previous year final dividend	**8.15**	7.228
	11.20	10.000

13 Dividends per share continued

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

	2014 pence	2013 pence
Interim dividend	**3.36**	3.05
Final dividend	**9.04**	8.15
	12.40	11.20

The interim dividend was not provided for at the year end and was paid on 7 April 2014. The payment of the interim dividend remains discretionary until it is paid. The final proposed dividend of 9.04p per share (2013: 8.15p) was not provided at the year end and will be paid on 23 October 2014 subject to authorisation by the Shareholders at the forthcoming Annual General Meeting.

14 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
Balance at 1 April 2012	21.2	41.7	8.8	71.7
Additions – business combinations	—	0.3	—	0.3
Additions – other	2.4	5.6	0.6	8.6
Disposals	(0.1)	(1.0)	(0.1)	(1.2)
Effect of movements in foreign exchange rates	0.3	0.7	0.1	1.1
Balance at 31 March 2013	23.8	47.3	9.4	80.5
Balance at 1 April 2013	**23.8**	**47.3**	**9.4**	**80.5**
Additions – business combinations	**0.9**	**0.9**	**0.2**	**2.0**
Additions – other	**1.2**	**5.0**	**0.6**	**6.8**
Disposals	**(0.8)**	**(3.5)**	**(0.1)**	**(4.4)**
Transfer to intangible assets	**—**	**(0.9)**	**—**	**(0.9)**
Effect of movements in foreign exchange rates	**(0.8)**	**(1.4)**	**(0.2)**	**(2.4)**
Balance at 31 March 2014	**24.3**	**47.4**	**9.9**	**81.6**
Depreciation and impairment losses				
Balance at 1 April 2012	5.4	32.0	6.1	43.5
Depreciation charge for the year	0.8	3.3	0.5	4.6
Disposals	—	(0.9)	(0.1)	(1.0)
Effect of movements in foreign exchange rates	0.1	0.4	—	0.5
Balance at 31 March 2013	6.3	34.8	6.5	47.6
Balance at 1 April 2013	**6.3**	**34.8**	**6.5**	**47.6**
Depreciation charge for the year	**0.9**	**3.3**	**0.8**	**5.0**
Disposals	**(0.7)**	**(3.2)**	**(0.1)**	**(4.0)**
Effect of movements in foreign exchange rates	**(0.3)**	**(1.0)**	**(0.1)**	**(1.4)**
Balance at 31 March 2014	**6.2**	**33.9**	**7.1**	**47.2**
Carrying amounts				
At 1 April 2012	15.8	9.7	2.7	28.2
At 31 March 2013 and 1 April 2013	17.5	12.5	2.9	32.9
At 31 March 2014	**18.1**	**13.5**	**2.8**	**34.4**

At 31 March 2014, the net book value of plant and equipment included £1.0m (2013: £3.4m) of assets under construction.

Notes to the Financial Statements continued

year ended 31 March 2014

15 Intangible assets

	Goodwill £m	Customer related acquired intangibles £m	Technology related acquired intangibles £m	Development costs acquired intangibles £m	Development costs internally generated £m	Software £m	Total £m
Cost							
Balance at 1 April 2012	15.3	27.4	44.4	4.8	33.3	—	125.2
Additions – business combinations	9.3	0.3	14.1	—	—	—	23.7
Additions – internally generated	—	—	—	—	4.6	—	4.6
Effect of movements in foreign exchange rates	1.2	1.1	1.9	0.1	0.3	—	4.6
Balance at 31 March 2013	25.8	28.8	60.4	4.9	38.2	—	158.1
Balance at 1 April 2013	**25.8**	**28.8**	**60.4**	**4.9**	**38.2**	**—**	**158.1**
Additions – business combinations	**83.6**	**19.6**	**67.6**	**1.8**	**—**	**—**	**172.6**
Additions – internally generated	**—**	**—**	**—**	**—**	**5.4**	**—**	**5.4**
Transfers from property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**0.9**	**0.9**
Effect of movements in foreign exchange rates	**(1.4)**	**(2.0)**	**(2.8)**	**(0.2)**	**(0.5)**	**—**	**(6.9)**
Balance at 31 March 2014	**108.0**	**46.4**	**125.2**	**6.5**	**43.1**	**0.9**	**330.1**
Amortisation and impairment losses							
Balance at 1 April 2012	1.2	8.9	14.4	1.0	21.6	—	47.1
Amortisation and impairment charge for the year	—	8.0	4.8	1.0	3.9	—	17.7
Effect of movements in foreign exchange rates	0.1	0.4	0.5	—	0.4	—	1.4
Balance at 31 March 2013	1.3	17.3	19.7	2.0	25.9	—	66.2
Balance at 1 April 2013	**1.3**	**17.3**	**19.7**	**2.0**	**25.9**	**—**	**66.2**
Amortisation and impairment charge for the year	**0.4**	**5.1**	**6.6**	**2.6**	**3.9**	**—**	**18.6**
Effect of movements in foreign exchange rates	**(0.1)**	**(1.2)**	**(0.4)**	**(0.1)**	**(0.8)**	**—**	**(2.6)**
Balance at 31 March 2014	**1.6**	**21.2**	**25.9**	**4.5**	**29.0**	**—**	**82.2**
Carrying amounts							
At 1 April 2012	14.1	18.5	30.0	3.8	11.7	—	78.1
At 31 March 2013 and 1 April 2013	24.5	11.5	40.7	2.9	12.3	—	91.9
At 31 March 2014	**106.4**	**25.2**	**99.3**	**2.0**	**14.1**	**0.9**	**247.9**

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

15 Intangible assets continued

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:

	2014 £m	2013 £m
Nanotechnology Tools		
NanoScience	**2.2**	2.3
NanoAnalysis	**3.9**	4.2
Asylum	**8.8**	9.8
Omicron	**—**	0.4
Unallocated	**83.0**	—
Industrial Products		
Industrial Analysis	**4.0**	3.2
Magnetic Resonance	**2.3**	2.3
Austin Scientific	**1.6**	1.7
Service		
OI Service	**0.6**	0.6
	106.4	24.5

Unallocated goodwill of £83.0m relates to goodwill arising on the acquisition of Andor Technology plc (see Note 6). Since fair values acquired remain provisional and synergistic savings have not yet been fully forecast, the goodwill has not yet been allocated to CGUs.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Accounting standards require an impairment test to be carried out by determining the recoverable amount of each cash generating unit which contains goodwill. The recoverable amount is calculated as the higher of the fair value less costs to sell or the value in use of the CGU. In the Group's case the recoverable amount is based on value in use calculations, with the exception of Andor. Value in use is calculated by discounting expected future cash flows and in particular Board-approved three year cash flow forecasts, prepared by the management of each CGU, are used together with 2.5% (2013: 2.5%) per annum growth for each CGU for the subsequent 20 years. This growth rate is considered to be at or below long term market trends for the Group's businesses. The Andor CGU has not been tested for impairment based on its fair value less costs to sell. The Directors consider the recent arm's length transaction to be reflective of the fair value of the assets acquired.

The Omicron business, part of the Nanotechnology Tools sector, was acquired in 2011. It has underperformed against expectations and, consequently, during the year the Group made changes to its management and laid out a new strategy. Management have reviewed the carrying values of the intangible assets which initially arose on acquisition of Omicron. As a result of that review the carrying value of the intangible assets in respect of its brand name and acquired development costs have been impaired to zero. This has resulted in charges to the income statement of £0.4m and £1.8m respectively. Additionally, an impairment charge of £0.4m has been made against the remaining carrying value of the goodwill of the Omicron CGU.

Key assumptions

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

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

The pre-tax weighted average costs of capital used for Nanotechnology Tools, Industrial Products and Service in impairment testing are 10.95%–11.45% (2013: 12.25%), 10.45%–10.95% (2013: 11.75%) and 10.45% (2013: 11.25%) respectively in line with the risk associated with each of the business segments. Management have estimated these discount rates by reference to past experience and an industry average weighted cost of capital as adjusted for appropriate risk factors reflecting current economic circumstances and the risk profiles of each CGU.

Notes to the Financial Statements continued

year ended 31 March 2014

15 Intangible assets continued

Sensitivity analysis

The Group's estimate of impairments are most sensitive to changes in the discount rate and forecast cash flows. Sensitivity analysis has been carried out by reference to both of these assumptions. This demonstrated that an impairment would only be required if there were an increase in the discount rates by 58% (2013: 23%) or more or a greater than 36% (2013: 19%) reduction in forecast cash flows on the CGU with the lowest level of headroom. Sensitivity testing on the other CGUs shows an even greater level of headroom.

Based on the above, the Group considers that its impairment calculations are not sensitive to any reasonable change to the key assumptions.

16 Deferred tax

Movements in deferred tax assets and liabilities were as follows:

	Property, plant and equipment £m	Inventory £m	Employee benefits £m	Intangible assets £m	Tax losses £m	Other £m	Total £m
Balance 31 March 2012	1.6	2.0	10.2	(10.1)	5.7	2.9	12.3
Recognised in income	(0.2)	0.4	(0.9)	4.4	(2.3)	(1.1)	0.3
Recognised in other comprehensive income	—	—	3.5	—	—	—	3.5
Recognised directly in equity	—	—	2.2	—	—	—	2.2
Acquisitions	—	—	—	—	—	0.3	0.3
Foreign exchange	—	0.1	—	—	—	0.1	0.2
Balance 31 March 2013	**1.4**	**2.5**	**15.0**	**(5.7)**	**3.4**	**2.2**	**18.8**
Reclassification	**—**	**—**	**(0.7)**	**0.7**	**—**	**—**	**—**
Recognised in income	**(1.4)**	**0.7**	**(1.5)**	**4.2**	**(2.3)**	**0.9**	**0.6**
Recognised in other comprehensive income	**—**	**—**	**(1.0)**	**—**	**—**	**—**	**(1.0)**
Recognised directly in equity	**—**	**—**	**(0.4)**	**—**	**—**	**—**	**(0.4)**
Acquisitions	**0.3**	**(0.7)**	**—**	**(18.6)**	**1.3**	**—**	**(17.7)**
Foreign exchange	**0.1**	**(0.3)**	**(0.3)**	**(0.3)**	**—**	**(0.3)**	**(1.1)**
Balance 31 March 2014	**0.4**	**2.2**	**11.1**	**(19.7)**	**2.4**	**2.8**	**(0.8)**

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

	Assets		Liabilities		Net	
	2014 £m	2013 £m	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Gross assets/(liabilities)	**25.0**	29.8	**(25.8)**	(11.0)	**(0.8)**	18.8
Offset	**(13.8)**	(4.8)	**13.8**	4.8	**—**	—
Net assets/(liabilities)	**11.2**	25.0	**(12.0)**	(6.2)	**(0.8)**	18.8

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

	2014 £m	2013 £m
Deductible temporary differences	**1.2**	1.0
Tax losses	**10.7**	10.4
	11.9	11.4

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.

16 Deferred tax continued

No deferred tax liability has been recognised in respect of £37.4m (2013: £46.6m) 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.

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

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

17 Inventories

	2014 £m	2013 £m
Raw materials and consumables	**23.0**	17.0
Work in progress	**26.2**	23.6
Finished goods	**19.1**	17.5
	68.3	58.1

The amount of inventory recognised as an expense was £172.0m (2013: £168.9m). 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 £0.5m in the current period (2013: £0.7m). There were no credits reversing previous impairments in either the current or prior period. Impairments are included within gross profit.

Inventory carried at fair value less costs to sell is £0.7m (2013: £2.1m) due to the acquisitions as described in Note 6.

18 Trade and other receivables

	2014 £m	2013 £m
Trade receivables	**75.3**	61.3
Less provision for impairment of receivables	**(1.6)**	(1.5)
Net trade receivables	**73.7**	59.8
Prepayments and accrued income	**4.4**	6.1
Other receivables	**2.8**	5.9
	80.9	71.8

Trade receivables are non-interest-bearing. Standard credit terms provided to customers differ according to business and country and are typically between 30 and 60 days.

The maximum exposure to credit risk for trade and other receivables by geographic region was:

	2014 £m	2013 £m
UK	**5.7**	4.9
China	**12.3**	9.2
Japan	**11.5**	8.2
USA	**20.1**	14.0
Germany	**4.6**	9.3
Rest of Europe	**12.2**	9.9
Rest of Asia	**5.7**	6.7
Rest of the World	**4.4**	3.5
Total	**76.5**	65.7

Notes to the Financial Statements continued

year ended 31 March 2014

18 Trade and other receivables continued

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

	2014 £m	2013 £m
Current (not overdue)	**44.8**	40.1
Less than 31 days overdue	**18.6**	13.4
More than 30 days but less than 91 days overdue	**9.4**	9.1
More than 90 days overdue	**3.7**	3.1
	76.5	65.7

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:

	2014 £m	2013 £m
Balance at start of year	**1.5**	1.8
Acquired on acquisition	**0.3**	—
Decrease in allowance	**(0.2)**	(0.3)
Balance at end of year	**1.6**	1.5

Valuation allowances are used to record provisions for credit losses. The valuation allowance is reduced and the asset impaired when the customer is in liquidation.

19 Financial risk management

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

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

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

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

Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of Sterling (translational exposures). The Group has operations around the world which record their results in a variety of different local functional currencies. In countries where the Group does not have operations, it invariably has some customers or suppliers that transact in a foreign currency. The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies but the Group's primary exposures relate to the US Dollar, the Euro and the Japanese Yen. To reduce uncertainty the Group maintains a rolling hedge equivalent to 80% of the exposure expected to arise over the following 12 months. The hedge comprises a mixture of fixed forward contracts and option based products. The remaining 20% is sold on the spot market as it arises. The fair value of outstanding currency contracts recognised as a liability as at 31 March 2014 amount to £0.4m (2013: £2.5m) and those recognised as an asset amount to £5.3m (2013: £2.2m).

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

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

19 Financial risk management continued

Interest rate risk

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates. The Group's policy is to use a mixture of revolving short and medium term floating rate debt under pinned by longer term fixed rate debt. The short and medium term floating rate debt provides flexibility to reduce debt levels as appropriate. The longer term fixed rate debt provides stability and cost certainty to the Group's financing structure.

Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk by maintaining adequate committed lines of funding from high quality lenders. The facilities committed to the Group as at 31 March 2014 are set out in Note 22.

Credit risk

Credit risk arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial assets such as cash balances, derivative financial instruments, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables and cash balances. The amounts recognised in the Consolidated Statement of Financial Position are net of appropriate allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Trade receivables are subject to credit limits and control and approval procedures in the operating companies.

Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables. Credit risk associated with cash balances and derivative financial instruments is managed by transacting with financial institutions with high quality credit ratings. In particular a Board approved policy sets out guidelines for which categories of institutions may be used and the maximum amount which may be invested with each institution within a particular category. Accordingly the Group's associated credit risk is limited. The Group has no significant concentration of credit risk. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the 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 at 31 March 2014 was £114.4m (2013: £107.1m).

	2014 £m	2013 £m
Trade receivables	**73.7**	59.8
Other receivables	**2.8**	5.9
Cash and cash equivalents	**32.6**	39.2
Forward exchange contracts	**5.3**	2.2
	114.4	107.1

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

Other receivables include £1.5m (2013: £0.8m) in respect of VAT and similar taxes which are not past due date.

Commodity risk

The Group is exposed to changes in commodity prices, particularly in respect of copper used as a major component in one of the Group's USA operations. It manages this exposure using derivative commodity hedging instruments.

At 31 March 2014, the Group had outstanding commodity hedge contracts with a fair value liability of £0.1m (2013: £0.1m liability) that were designated and effective as cash flow hedges of committed and highly probable forecast transactions. Fair value movements of these contracts have been deferred in equity until the hedged transaction takes place. These contracts all mature within one year of the Consolidated Statement of Financial Position date.

A £0.1m loss net of tax (2013: £0.1m loss) has been deferred in equity as at 31 March 2014 in respect of these contracts. A loss of £0.2m (2013: £0.2m loss) has been recycled to current assets (inventory) in respect of contracts designated as cash flow hedges that have matured during the year to 31 March 2014.

Notes to the Financial Statements continued

year ended 31 March 2014

19 Financial risk management continued

Capital management

The Board considers capital to comprise share capital, reserves and the net cash or net debt position of the Company. The Company was in a net debt position at the year end. Total capital at the end of the current year totalled £264.5m (2013: £98.5m).

The Board's long term objective is to have an efficient capital structure by maintaining a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. This is monitored by reference to the ratio of net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) and the Board has set itself internal limits, which are well inside any covenants the Group has with lenders. The Group maintains the right to purchase its own shares in the market; the timing of these purchases would depend on market prices. Buy and sell decisions are made on a specific transaction basis by the Board.

The Board carefully considers dividend payments and the Company moved from a fixed dividend policy to a progressive one in the year ended March 2011. In doing this the Board will look to increase dividends as adjusted earnings per share increase although there will not be a direct correlation. The Board does not have a policy to pay a fixed dividend yield or to maintain a fixed rate of dividend cover, but assess both of these metrics together with dividends paid by peers when assessing what dividend to recommend.

As set out in the Chief Executive's Statement the Group's strategy is to grow its business in its core markets of physical and materials science and to exploit convergence to expand into life sciences. An essential part of this will be to make acquisitions. In line with the objective of maintaining a balance between borrowings and equity the Group would seek to finance smaller "bolt-on" acquisitions from operating cash flow thus maintaining balance sheet efficiency. Larger acquisitions would be financed either by equity or a mixture of equity and debt so as to ensure the Group has a manageable ratio of net debt to EBITDA.

The Board encourages employees to hold shares in the Company. As well as various share option plans (full details of which are given in Note 11), from April 2008 all UK employees have been offered the opportunity to take part in a Share Incentive Plan (SIP). Under this plan, employees are able to invest up to £1,500 each tax year in shares in the Company. The Company awards one additional free share (a matching share) for every five shares bought by each employee.

There were no changes to the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

20 Financial instruments

Fair values of financial assets and liabilities

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

	Fair value hierarchy	**Carrying amount 2014 £m**	**Fair value 2014 £m**	Carrying amount 2013 £m	Fair value 2013 £m
Assets carried at amortised cost					
Trade receivables		**73.7**	**73.7**	59.8	59.8
Other receivables		**2.8**	**2.8**	5.9	5.9
Cash and cash equivalents		**32.6**	**32.6**	39.2	39.2
Assets carried at fair value					
Derivative financial instruments:					
– Foreign currency contracts	2	**5.3**	**5.3**	2.2	2.2
		5.3	**5.3**	2.2	2.2
Liabilities carried at fair value					
Derivative financial instruments:					
– Foreign currency contracts	2	**(0.4)**	**(0.4)**	(2.5)	(2.5)
– Copper hedging contracts (designated as an IAS 39 hedge)	2	**(0.1)**	**(0.1)**	(0.1)	(0.1)
Contingent consideration	3	**(10.7)**	**(10.7)**	(11.7)	(11.7)
		(11.2)	**(11.2)**	(14.3)	(14.3)
Liabilities carried at amortised cost					
Trade and other payables		**(84.9)**	**(84.9)**	(72.4)	(72.4)
Borrowings		**(156.9)**	**(156.9)**	—	—

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

20 Financial instruments continued

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 specific future timeframe.

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.

Maturity of financial liabilities

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

31 March 2013	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due 1–5 years £m
Trade and other payables	74.2	74.2	72.4	1.8
Deferred consideration	9.9	12.6	0.6	12.0
Foreign exchange contracts	2.5	2.5	2.0	0.5
Copper hedging contracts	0.1	0.1	0.1	—
	86.7	89.4	75.1	14.3

Notes to the Financial Statements continued

year ended 31 March 2014

20 Financial instruments continued

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

	Carrying amount 2014 £m	Carrying amount 2013 £m
Variable rate instruments		
Financial assets	**32.6**	39.2
Financial liabilities	**(87.8)**	—
Fixed rate instruments		
Financial liabilities	**(69.1)**	—

Sensitivity analysis

The Group has estimated the impact on the Consolidated Statement of Income and on Equity of the following changes in market conditions at the balance sheet date:

- one percentage point increase in interest rates;
- ten percentage point weakening in the value of Sterling against all currencies;
- ten percentage point strengthening in the value of Sterling against all currencies;
- five percentage point increase in the cost of copper; and
- five percentage point decrease in the cost of copper.

The sensitivities above represent the Directors' view of reasonably possible changes in each risk variable, not worst case scenarios or stress tests. The outputs from the sensitivity analysis are estimates of the impact of market risk assuming that the specified changes occur at the year end and are applied to the risk exposures at that date. Accordingly they show the impact on the balance sheet of an instantaneous shock. The calculations include all hedges in place at the year end.

Actual results in the future may differ materially from these estimates due to commercial actions taken to mitigate any potential losses from such rate movements, to the interaction of more than one sensitivity occurring and to further developments in global financial markets. As such this table should not be considered as a projection of likely future gains and losses.

	1% increase in interest rates £m	10% weakening in Sterling[1] £m	10% strengthening in Sterling[2] £m	5% increase in copper prices £m	5% decrease in copper prices £m
At 31 March 2014					
Impact on Consolidated Statement of Income	**—**	**4.5**	**(3.7)**	**—**	**—**
Impact on equity	**—**	**4.5**	**(3.7)**	**0.1**	**(0.1)**
At 31 March 2013					
Impact on Consolidated Statement of Income	—	7.2	(5.9)	—	—
Impact on equity	—	7.2	(5.9)	0.1	(0.1)

1 Of the effect on the Consolidated Statement of Income, £6.7m (2013: £8.1m) would have been recognised on the "mark to market" line (see Note 1).

2 Of the effect on the Consolidated Statement of Income, £(5.5)m (2013: £(6.6)m) would have been recognised on the "mark to market" line (see Note 1).

21 Called up share capital

Issued and fully paid ordinary shares:

	2014 Number of shares	2013 Number of shares
At the beginning of the year	**56,916,830**	56,166,723
Issued for cash	**334,005**	750,107
At the end of the year	**57,250,835**	56,916,830

	2014		2013	
	Number of shares	**£m**	Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of 5p each	**57,250,835**	**2.9**	56,916,830	2.8

	Number of shares	Aggregate nominal value	Consideration per share
New issues of ordinary shares of 5p each during the year			
Exercise of executive share options	202,123	£10,106	£nil – £9.90
Exercise of executive share options – share appreciation rights	131,882	£6,594	£0.05

The total consideration received from exercise of share options in the year was £0.7m (2013: £0.4m).

The holders of the ordinary shares are entitled to receive dividends as declared, a proportionate amount of capital on a winding up of the Company and one vote per share at meetings of the Company.

22 Borrowings

Current	Effective interest rate	Earlier of re-pricing date or maturity date	**2014 £m**	2013 £m
Term Loans – unsecured	1.73%	April 2014	**15.5**	—
			15.5	—

Non-current	Effective interest rate	Earlier of re-pricing date or maturity date	**2014 £m**	2013 £m
Revolving credit facility – unsecured	2.23%	April 2014	**72.3**	—
European Investment Bank Loan – unsecured	3.30%	August 2019	**24.8**	—
Loan Notes – unsecured	4.36%	March 2021	**44.3**	—
			141.4	—

The Group's undrawn committed facilities available at 31 March 2014 were £27m comprising the undrawn portion of the Group's £100m revolving credit facility. This facility expires on 10 December 2019.

The European Investment Bank loan is repayable in equal quarterly instalments commencing November 2016 with the final maturity in August 2019.

Notes to the Financial Statements continued

year ended 31 March 2014

23 Retirement benefit obligations

The Group operates defined benefit plans in the UK and USA; both offer pensions in retirement and death in service benefit to members. Pension benefits are related to members' final salary at retirement and their length of service. Both schemes have been closed to new members since 2001 and closed to future accrual since 2010.

The amounts recognised in the Consolidated Statement of Financial Position are:

	UK 2014 £m	USA 2014 £m	Total 2014 £m	UK 2013 £m	USA 2013 £m	Total 2013 £m
Present value of funded obligations	**235.7**	**7.2**	**242.9**	235.5	10.4	245.9
Fair value of plan assets	**(191.9)**	**(4.7)**	**(196.6)**	(190.6)	(7.4)	(198.0)
Recognised liability for defined benefit obligations	**43.8**	**2.5**	**46.3**	44.9	3.0	47.9

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

	UK 2014 £m	USA 2014 £m	Total 2014 £m	UK 2013 £m	USA 2013 £m	Total 2013 £m
Benefit obligation at the beginning of the year	**235.5**	**10.4**	**245.9**	206.3	9.1	215.4
Interest on defined benefit obligation	**10.5**	**0.4**	**10.9**	10.0	0.4	10.4
Settlement loss	**—**	**0.1**	**0.1**	—	—	—
Benefits paid	**(5.0)**	**(0.3)**	**(5.3)**	(4.4)	(0.4)	(4.8)
Settlement payments	**—**	**(2.8)**	**(2.8)**	—	—	—
Remeasurement (gain)/loss on obligation	**(5.3)**	**0.1**	**(5.2)**	23.6	0.8	24.4
Exchange rate adjustment	**—**	**(0.7)**	**(0.7)**	—	0.5	0.5
Benefit obligation at the end of the year	**235.7**	**7.2**	**242.9**	235.5	10.4	245.9

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

	UK 2014 £m	USA 2014 £m	Total 2014 £m	UK 2013 £m	USA 2013 £m	Total 2013 £m
Fair value of plan assets at the beginning of the year	**190.6**	**7.4**	**198.0**	173.6	6.6	180.2
Interest on plan assets	**8.6**	**0.3**	**8.9**	8.4	0.3	8.7
Contributions by employers	**5.6**	**0.3**	**5.9**	5.0	0.3	5.3
Benefits paid	**(5.0)**	**(0.3)**	**(5.3)**	(4.4)	(0.4)	(4.8)
Settlement payments	**—**	**(2.8)**	**(2.8)**	—	—	—
Administrative expenses	**(0.4)**	**—**	**(0.4)**	(0.4)	—	(0.4)
Actual return on assets excluding interest income	**(7.5)**	**0.4**	**(7.1)**	8.4	0.3	8.7
Exchange rate adjustment	**—**	**(0.6)**	**(0.6)**	—	0.3	0.3
Fair value of plan assets at the end of the year	**191.9**	**4.7**	**196.6**	190.6	7.4	198.0

Expense recognised in the Consolidated Statement of Income

	2014 £m	2013 £m
Total – defined benefit expense	**2.0**	1.7
Contributions to defined contribution schemes	**3.7**	3.5
	5.7	5.2

The Group expects to contribute approximately £6.4m to defined benefit plans in the next financial year.

23 Retirement benefit obligations continued

Expense recognised in the Consolidated Statement of Income continued

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

	2014 £m	2013 £m
Cost of sales	**1.1**	1.0
Selling and marketing costs	**0.7**	0.8
Administration and shared services	**1.3**	1.2
Research and development	**0.6**	0.5
Financial expenditure	**2.0**	1.7
	5.7	5.2

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

	2014 £m	2013 £m
Actual return on assets excluding interest income	**(7.1)**	8.7
Experience (loss)/gain on scheme obligations	**(0.9)**	0.4
Changes in assumptions underlying the present value of scheme obligations		
– Financial	**2.2**	(24.4)
– Demographic	**3.9**	(0.4)

Cumulative actuarial losses reported in the Consolidated Statement of Comprehensive Income since 1 April 2004, the transition date to IFRS, are £39.6m (2013 restated: £37.7m cumulative actuarial losses).

History of experience gains and losses are as follows:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Present value of benefit obligations	**242.9**	245.9	215.4	184.8	192.7
Fair value of plan assets	**(196.6)**	(198.0)	(180.2)	(173.1)	(157.6)
Recognised liability for defined benefit obligations	**46.3**	47.9	35.2	11.7	35.1
Difference between the expected and actual return:					
Amount £m	**(7.1)**	8.7	(3.0)	4.8	23.8
% of scheme assets	**(4%)**	4%	(2%)	3%	15%
Experience gains/(losses) on scheme liabilities:					
Amount £m	**(0.9)**	0.4	(4.7)	10.9	(46.7)
% of the present value of the scheme liabilities	**—%**	—%	2%	(6%)	24%

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

	Balance at 31 March 2014 £m	Discount rate (-0.1% p.a.) £m	Inflation rate (+0.1% p.a.) £m	Life expectancy (+1 year) £m
Value of funded obligations	242.9	247.4	247.2	250.1
Fair value of plan assets	(196.6)	(196.6)	(196.6)	(196.6)
Deficit	46.3	50.8	50.6	53.5

Notes to the Financial Statements continued
year ended 31 March 2014

23 Retirement benefit obligations continued

Defined benefit scheme – United Kingdom

A full actuarial valuation of the UK plan was carried out as at 31 March 2012 and has been updated to 31 March 2014 by a qualified independent actuary. The major assumptions used by the actuary for the purposes of IAS 19 were (in nominal terms):

	As at 31 March 2014 %	As at 31 March 2013 %
Discount rate	4.5	4.5
Rate of increase in pensions in payment (3LPI)	2.5	2.5
Rate of increase in pensions in payment (5LPI)	3.1	3.2
Rate of inflation (CPI)	2.3	2.35
Mortality – pre and post-retirement – males and females	94% of S1PA tables (97% for females) future improvement in line with CMI 2013 with 1% long term trend	94% of S1PA tables (97% for females) future improvement in line with CMI 2011 with 1% long term trend

The mortality assumptions imply the following expected future lifetime from age 65:

	2014 years	2013 years
Pre-retirement – males	23.8	23.9
Pre-retirement – females	25.9	26.1
Post-retirement – males	22.4	22.5
Post-retirement – females	24.4	24.6

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 2014 £m	Value at 31 March 2013 £m
Equities	84.1	67.2
Corporate bonds	40.4	41.6
Gilts	36.6	51.4
Cash	13.8	12.1
Alternative	17.0	18.3
	191.9	190.6

Defined benefit scheme – United States

A full actuarial valuation of the USA plan was carried out as at 1 January 2012, which for reporting purposes has been updated to 31 March 2014 by a qualified independent actuary. The major assumptions used by the actuary for the purposes of IAS 19 were (in nominal terms):

	As at 31 March 2014 %	As at 31 March 2013 %
Discount rate	4.50	4.25
Rate of increase to pensions in payment	0.00	0.00
Rate of inflation	2.25	2.25
Mortality – pre and post-retirement	RP-2000CH with Projection Scale BB (fully generational), male and female	2013 IRS prescribed mortality – optional combined table for small plans, male and female

23 Retirement benefit obligations continued

Defined benefit scheme – United States continued

The assets in the plan were:

	Value at 31 March 2014 £m	Value at 31 March 2013 £m
Equities	**3.0**	3.5
Bonds	**1.0**	3.3
Property and other	**0.7**	0.6
	4.7	7.4

Defined contribution schemes

In the UK employees are offered participation in the defined contribution Oxford Instruments Stakeholder Plan. The Company contribution rate and employee contribution rate varies between grades and whether the individual had previously been in the Defined Benefit scheme. The Company contribution ranges between 4% and 14% of base salary. The Group also operates a 401k defined distribution plan in the USA. Details of pension schemes contributions made in respect of Directors can be found in the Directors' Remuneration Report.

24 Trade and other payables

	2014 £m	2013 £m
Trade payables	**37.8**	31.4
Customer deposits	**16.7**	28.4
Social security and other taxes	**3.1**	3.0
Accrued expenses and deferred income	**37.2**	36.4
Contingent consideration due within one year	**0.7**	0.6
Other creditors	**3.7**	1.6
Current trade and other payables	**99.2**	101.4
Amounts due after more than one year – contingent consideration	**10.0**	9.3
Amounts due after more than one year – accrued expenses	**3.1**	1.8
Total trade and other payables	**112.3**	112.5

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

	Contingent consideration £m
Balance at 1 April 2013	9.9
Fair value of contingent consideration on acquisitions in the year	1.6
Unwind of discount in respect of deferred consideration	0.9
Contingent consideration paid	(0.5)
Contingent consideration released to the consolidated statement of income	(0.1)
Effect of movement in foreign exchange	(1.1)
Balance at 31 March 2014	**10.7**

Notes to the Financial Statements continued
year ended 31 March 2014

25 Provisions for other liabilities and charges

	Warranties £m	Other £m	Total £m
Balance at 1 April 2013	5.9	4.4	10.3
Provisions made during the year	3.3	0.3	3.6
Provisions used during the year	(1.5)	—	(1.5)
Provisions released during the year	(2.3)	(0.1)	(2.4)
Effect of movement in foreign exchange	(0.2)	(0.1)	(0.3)
Balance at 31 March 2014	**5.2**	**4.5**	**9.7**

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 cover a period of between one and five years and typically apply for a 12-month period. The provision represents the Directors' best estimate of the Group's liability based on past experience.

Other provisions
Other provisions relate to various obligations including obligations in respect of onerous leases, obligations to employees in Japan on termination of their employment and claims and disputes such as intellectual property claims arising against the Group in the ordinary course of business.

The Company has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent 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. However, no provision is made for proceedings which have been or might be brought by other parties against Group companies unless the Directors, taking into account professional advice received, assesses that it is more likely than not that such proceedings may be successful. The Group's expectation is that the majority of the other provisions are likely to be utilised within a 12 month period.

26 Operating leases

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

	2014 £m	2013 £m
Within one year	**2.6**	3.4
Between one and five years	**7.1**	5.4
Over five years	**2.7**	1.7
	12.4	10.5

During the year ended 31 March 2014 £2.6m was recognised as an expense in the Consolidated Statement of Income in respect of operating leases (2013: £1.9m).

The majority of operating leases relate to properties occupied by the Group in the course of its business. There are no material contingent rent payment arrangements, purchase options or escalation clauses. It is expected that most leases could be renewed on the existing or similar terms. The leases do not impose any material restrictions in respect of dividends, additional debt requirements or further leasing.

27 Capital commitments
During the year ended 31 March 2014, the Group entered into contracts to purchase property, plant and equipment which are expected to be settled in the following financial year for less than £0.2m (2013: £0.3m).

28 Contingencies
In an international group of companies a variety of legal claims arise from time to time. The Board, having taken legal advice, are of the opinion that any ongoing actions and investigations will not have a material impact on the Group's financial position.

29 Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of key management personnel is as follows:

	2014 £m	2013 £m
Short term employee benefits	**1.2**	1.7
Post employment benefits	**0.1**	0.1
Share-based payment	**0.6**	0.5
Total	**1.9**	2.3

Short term employee benefits comprise salary and benefits earned during the year and bonuses awarded for the year.

During the year the Company paid £0.2m (2013: £0.2m) to Imperialise Ltd, a company for whom Nigel Keen is a Director. The payment was for his services as Chairman of the Group. The liability due to Imperialise Ltd at the year end was £nil (2013: £nil).

In 2010 the Company and Jonathan Flint purchased a house in joint ownership with the Company contributing £0.3m. During the year Jonathan Flint bought a further proportion of the house paying £0.1m (2013: £0.1m). The balance outstanding at the year end was £nil (2013: £0.1m). An arm's length rent was paid to the Company for the proportion of the house owned by the Company.

30 Principal Group entities

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

** Year end is 31 December.

Notes to the Financial Statements continued
year ended 31 March 2014

30 Principal Group entities continued
Equity owned by the Company represents issued ordinary share capital.

The information given above reflects only the undertakings whose results or financial position principally affect the figures in the Group consolidated financial statements. A full list of the Group companies as at 31 March 2014 is available for inspection at the Company's registered office and will be included in the company's next annual return.

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

31 Subsequent events
The interim dividend of 3.36p per share (total cost £1.9m) was paid after the year end. In addition on 10 June 2014 the Directors proposed a final dividend of 9.04p per ordinary share (total cost £5.2m). The total amount of £7.1m has not been provided for and there are no income tax consequences.

32 Exchange rates
The principal exchange rates to Sterling used were:

Year end rates	2014	2013
US Dollar	**1.67**	1.52
Euro	**1.21**	1.18
Yen	**172**	143

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

Average translation rates 2013	US Dollar	Euro	Yen
Quarter 1	1.58	1.23	127
Quarter 2	1.59	1.26	125
Quarter 3	1.61	1.24	132
Quarter 4	1.56	1.19	142

Parent Company Balance Sheet

as at 31 March 2014

	Notes	2014 £m	2013 £m
Fixed assets			
Tangible assets	c	**2.5**	1.5
Investments in subsidiary undertakings	d	**320.2**	147.1
		322.7	148.6
Current assets			
Debtors (including £84.5m (2013: £48.8m) due after more than one year)	e	**94.3**	60.0
Cash at bank and in hand		**1.5**	29.6
		95.8	89.6
Creditors: amounts falling due within one year			
Bank loans and overdrafts		**(31.7)**	(3.8)
Other creditors	f	**(13.1)**	(25.1)
		(44.8)	(28.9)
Net current assets		**51.0**	60.7
Total assets less current liabilities		**373.7**	209.3
Long term loans		**(141.4)**	—
Provisions for liabilities	g	**—**	(0.2)
Net assets		**232.3**	209.1
Share capital	h	**2.9**	2.8
Share premium account	h	**61.3**	60.6
Capital redemption reserve	h	**0.1**	0.1
Other reserves	h	**7.6**	7.6
Profit and loss account	h	**160.4**	138.0
Equity Shareholders' funds		**232.3**	209.1

The Financial Statements were approved by the Board of Directors on 10 June 2014 and signed on its behalf by:

Jonathan Flint
Director
Company Number: 775598

Kevin Boyd
Director

Notes to the Parent Company Financial Statements

a) Accounting policies

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

Basis of preparation

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

In accordance with FRS 1 Cash Flow Statements, the Company is exempt from preparing its own Cash Flow Statement.

Going concern

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

Taxation

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

Leases

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

Fixed assets and depreciation

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

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

Financial instruments

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

Post-retirement benefits

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

Foreign currencies

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

Own shares held by Employee Benefit Trust (EBT)

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

Investments

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

a) Accounting policies continued

Share-based payments

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

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

Provisions

Provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past expectations or events which can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances which can be subject to change. Amounts provided represent the Group's best estimate of exposure based on currently available information.

Dividends on shares presented within Shareholders' funds

Dividends unpaid at the Balance Sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the Financial Statements.

Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

b) Profit for the year

The Company's profit for the financial year was £27.2m (2013: £19.5m).

The auditor's remuneration comprised £136,000 (2013: £115,000) for statutory audit.

The average number of people employed by the Company (including Directors) during the year was 57 (2013: 50). All of these individuals were involved in administration.

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

	2014 £m	2013 £m
Wages and salaries	**4.0**	5.7
Social security costs	**0.6**	1.3
Other pension costs	**0.3**	0.6
	4.9	7.6

The share-based payment expense was £0.8m (2013: £0.7m). Details of the Group's share option schemes are included in Note 11 of the Group Financial Statements.

Full details of the emoluments paid to Directors can be found in the Directors' Remuneration Report on pages 46 to 65.

Notes to the Parent Company Financial Statements continued

c) Tangible fixed assets

	Software £m	Land and buildings £m	Motor vehicles £m	Computer equipment £m	Total £m
Cost					
Balance at 1 April 2013	—	0.1	0.1	4.8	5.0
Additions	0.8	—	—	0.5	1.3
Disposals	—	(0.1)	—	—	(0.1)
Transfers between categories	0.1	—	—	(0.1)	—
Balance at 31 March 2014	**0.9**	**—**	**0.1**	**5.2**	**6.2**
Depreciation					
Balance at 1 April 2013	—	—	—	3.5	3.5
Charge for year	—	—	—	0.2	0.2
Balance at 31 March 2014	**—**	**—**	**—**	**3.7**	**3.7**
Net book value					
At 31 March 2013	—	0.1	0.1	1.3	1.5
At 31 March 2014	**0.9**	**—**	**0.1**	**1.5**	**2.5**

d) Investments

	Investments in subsidiary undertakings £m	Other investments £m	Total £m
Cost or valuation			
Balance at 1 April 2013	162.8	0.3	163.1
Additions	176.1	—	176.1
Disposals	—	(0.3)	(0.3)
Balance at 31 March 2014	**338.9**	**—**	**338.9**
Impairment			
Balance at 1 April 2013	15.7	0.3	16.0
Disposals	—	(0.3)	(0.3)
Impairment recognised in year	3.0	—	3.0
Balance at 31 March 2014	**18.7**	**—**	**18.7**
Net book value at 31 March 2013	147.1	—	147.1
Net book value at 31 March 2014	**320.2**	**—**	**320.2**

The addition to investments in subsidiary undertakings in the year relates to the acquisition of Andor Technology plc via a subsidiary undertaking, Oxford Instruments Nanotechnology Tools Holdings Limited.

e) Debtors

	2014 £m	2013 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**88.4**	51.9
Other debtors	**5.3**	6.9
Prepayments and accrued income	**0.1**	0.7
Deferred tax asset	**0.5**	0.5
	94.3	60.0

Amounts owed by subsidiary undertakings include £84.5m (2013: £48.8m) due after more than one year.

f) Other creditors

	2014 £m	2013 £m
Trade creditors	**0.8**	0.3
Amounts owed to subsidiary undertakings	**7.6**	16.5
Tax, social security and sales related taxes	**0.9**	1.3
Other financial liabilities	**1.4**	2.8
Accruals and deferred income	**2.4**	—
Other creditors	**—**	4.2
	13.1	25.1

g) Provisions for liabilities

	Vacant lease provision £m
Balance at 1 April 2013	0.2
Released during the year	(0.2)
Balance at 31 March 2014	**—**

Deferred tax asset

	2014 £m	2013 £m
Balance at 1 April	**0.5**	—
Profit and loss (charge)/credit	**—**	0.5
Balance at 31 March	**0.5**	0.5

The amounts of deferred tax assets are as follows:

	Recognised	
	2014 £m	2013 £m
Excess of depreciation over corresponding capital allowances	**0.5**	0.5
	0.5	0.5

Notes to the Parent Company Financial Statements continued

g) Provisions for liabilities continued

Deferred tax asset continued

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 for losses arising in prior periods of £5.8m (2013: £5.8m) as the Company does not expect to generate suitable taxable profits in the foreseeable future.

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

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

h) Reserves

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
Balance at 1 April 2013	2.8	60.6	0.1	7.6	138.0	209.1
Profit for the year	—	—	—	—	27.2	27.2
Proceeds from shares issued	0.1	0.7	—	—	—	0.8
Share options awarded to employees	—	—	—	—	0.8	0.8
Share options awarded to employees of subsidiaries	—	—	—	—	0.8	0.8
Dividends paid	—	—	—	—	(6.4)	(6.4)
Balance at 31 March 2014	**2.9**	**61.3**	**0.1**	**7.6**	**160.4**	**232.3**

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

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

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

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

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

i) Pension commitments

Defined benefit scheme

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

The Directors do not believe it is possible to allocate the assets and liabilities of the Scheme to individual Group members on a consistent and reasonable basis. Accordingly, under FRS 17 the Company is exempt from recognising its share of the net pension deficit and accounts for the scheme as though it were a defined contribution scheme. Details of the scheme and most recent actuarial valuation can be found in Note 23 of the Group Financial Statements. The contributions paid by the Company to the Oxford Instruments Pension Scheme were £0.4m (2013: £0.3m).

Stakeholder pension scheme

The Company makes contributions to a stakeholder pension scheme. The pension costs charge for the year represents contributions payable by the Company to the scheme. These amounted to £0.3m (2013: £0.3m). There were no outstanding contributions at the end of the financial year (2013: £nil).

j) Guarantees

The Company has given a guarantee to the pension scheme in respect of the liability of its UK subsidiaries to the pension scheme. The guarantee is for the excess of 105% of the liabilities of the scheme, calculated on the basis of Section 179 of the Pensions Act 2004, over the assets of the scheme.

The Company and its UK subsidiaries have entered into a cross-guarantee for £10.0m (2013: £10.0m) in respect of overdraft facilities of which £nil (2013: £nil) was drawn at the year end.

k) Commitments

At 31 March 2014, capital commitments contracted were £nil (2013: £nil) and authorised were £nil (2013: £nil).

l) Subsequent events

See Note 31 to the Group Financial Statements for details of dividends paid or declared after the Balance Sheet date.

m) Related party transactions

The Company has a related party relationship with its Directors and Executive Officers and with its wholly owned subsidiary companies.

Transactions with key management personnel are disclosed in the Directors' Remuneration Report on pages 46 to 65. There were no other significant transactions with key management personnel in either the current or preceding year other than the following.

During the year the Company paid £0.2m (2013: £0.2m) to Imperialise Ltd, a company for whom Nigel Keen is a Director. The payment was for his services as Chairman of the Group. The liability due to Imperialise Ltd at the year end was £nil (2013: £nil).

In 2010 the Company and Jonathan Flint purchased a house in joint ownership with the Company contributing £0.3m. During the year Jonathan Flint bought a further proportion of the house paying £0.1m (2013: £0.1m). The balance outstanding at the year end was £nil (2013: £0.1m). An arm's length rent was paid to the Company for the proportion of the house owned by the Company.

Historical Financial Summary

	2010 (Restated)** £m	2011 (Restated)** £m	2012 (Restated)** £m	2013 (Restated)** £m	**2014 £m**
Consolidated Statement of Income					
Revenue	211.5	262.3	337.3	350.8	**360.1**
Adjusted operating profit	14.3	27.7	41.7	49.3	**50.3**
Other operating income	—	4.7	7.0	—	**—**
Reversal of acquisition related fair value adjustments	—	—	(1.7)	(0.5)	**(3.7)**
Acquisition related costs	—	—	(1.5)	(2.1)	**(7.8)**
Settlement loss on US pension scheme	—	—	—	—	**(0.1)**
Reorganisation costs and impairment	(0.4)	(0.6)	—	—	**—**
Amortisation of acquired intangibles	(4.1)	(4.7)	(11.2)	(13.8)	**(14.7)**
Operating profit	9.8	27.1	34.3	32.9	**24.0**
Net financing (costs)/income	8.4	(2.1)	—	(4.5)	**—**
(Loss)/profit before taxation	18.2	25.0	34.3	28.4	**24.0**
Income tax credit/(expense)	(4.8)	5.9	(10.9)	(7.4)	**(5.8)**
(Loss)/profit for the year	13.4	30.9	23.4	21.0	**18.2**
Adjusted profit before tax*	12.0	24.5	40.2	47.0	**47.1**
Consolidated Statement of Financial Position					
Property, plant and equipment	22.8	23.6	28.2	32.9	**34.4**
Intangible assets	49.3	41.6	78.1	91.9	**247.9**
Deferred and current tax	4.5	11.2	7.6	14.9	**(3.5)**
Inventories	39.3	46.6	59.3	58.1	**68.3**
Trade and other receivables	60.2	52.5	61.0	71.8	**86.2**
Trade and other payables	(70.0)	(76.6)	(99.2)	(112.5)	**(112.8)**
Net assets excluding net cash	106.1	98.9	135.0	157.1	**320.5**
Cash and cash equivalents	9.3	23.7	35.1	39.2	**32.6**
Bank borrowings	(19.7)	(10.6)	—	—	**(156.9)**
Net cash	(10.4)	13.1	35.1	39.2	**(124.3)**
Provisions and other items	(8.4)	(6.8)	(7.8)	(10.7)	**(9.7)**
Retirement benefit obligations	(35.1)	(11.7)	(35.2)	(47.9)	**(46.3)**
Net assets employed/capital and reserves attributable to the Company's equity holders	52.2	93.5	127.1	137.7	**140.2**
Cash flow					
Net cash from operating activities	31.1	35.3	41.6	41.5	**21.2**
Net cash used in investing activities	(9.1)	(8.8)	(52.2)	(32.3)	**(177.9)**
Net cash from financing activities	(16.0)	(12.3)	22.6	(5.2)	**151.3**
Net (decrease)/increase in cash equivalents	6.0	14.2	12.0	4.0	**(5.4)**

	pence	pence	pence	pence	**pence**
Per ordinary share					
Earnings – continuing	27.4	62.7	43.5	37.4	**32.1**
Adjusted earnings*	18.0	38.9	59.1	66.5	**67.7**
Dividends	8.4	9.0	10.0	11.2	**12.4**
Employees					
Average number of employees	1,341	1,498	1,834	1,927	**2,050**

* 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.

** See Accounting Policies for details of restatement of comparative information.

Shareholder Information

Financial calendar

5 March 2014	Ordinary shares quoted ex-dividend
7 March 2014	Record date for interim dividend
13 March 2014	Dividend reinvestment (DRIP) last date for election
31 March 2014	Financial year end
7 April 2014	Payment of interim dividend
10 June 2014	Announcement of preliminary results
10 June 2014	Announcement of final dividend
Late July	Publication of Annual Report
9 September 2014	Annual General Meeting
24 September 2014	Ordinary shares quoted ex-dividend
26 September 2014	Record date for final dividend
28 September 2014	DRIP date
23 October 2014	Payment of final dividend
11 November 2014	Announcement of interim results
March 2015	Ordinary shares quoted ex-dividend
March 2015	Dividend reinvestment (DRIP) last date for election
March 2015	Record date for interim dividend
31 March 2015	Financial year end

Administrative enquiries concerning shareholdings

You may view your shareholding and dividend history, register to receive your dividends direct to your bank account or elect to re-invest your dividends and register a change of address online at www.capitashareportal.com. To register to use this facility you will need your Investor code (IVC), which can be found on your share certificate, dividend tax voucher or proxy card.

Administrative enquiries concerning shareholdings in Oxford Instruments plc, such as the loss of a share certificate, dividend payments, or a change of address should be directed, in the first instance, to the Registrar, Capita Asset Services.

The Registry, 34 Beckenham Road
Beckenham, Kent BR3 4TU

Tel: 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm, Monday to Friday)

Overseas callers: +44 20 8639 3399

Email: Shareholderenquiries@capita.co.uk

Website: www.capitaassetservices.com

Correspondence should refer to Oxford Instruments plc and state clearly the registered name and address of the Shareholder. Please notify the Registrar promptly of any change of address.

Shareholder Information continued

Dividend bank mandates

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

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

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

Overseas callers: +44 20 8639 3405

Website: or by logging on to http://international.capitaregistrars.com/

Duplicate share register accounts

If you are receiving more than one copy of our report, it may be that your shares are registered in two or more accounts on our register of members. If that was not your intention you might consider merging them into one single entry. Please contact Capita, which will be pleased to carry out your instructions.

Shareholder communications

Unless you have elected to continue to receive Shareholder communications by post, you will be notified by post or, where you have given us an email address for electronic notification, by email that Shareholder communications are available for viewing on the Company's website at www.oxford-instruments.com/investors. The Company reserves the right to distribute any communication in hard copy if it deems this necessary.

Shareholder enquiries

Shareholders who have questions relating to the Group's business or who wish to have additional copies of the Report and Accounts should apply to:

Company Secretary
Oxford Instruments plc
Tubney Woods, Abingdon, Oxon OX13 5QX

Tel: 01865 393200

Fax: 01865 393442

Email: info.oiplc@oxinst.com

Website: www.oxford-instruments.com

Company registration

Registered office: Tubney Woods, Abingdon, Oxon OX13 5QX

Registered in England number: 775598

Website: www.oxford-instruments.com

Oxford Instruments has an extensive website which gives details of all its products and services, contact information, vacancies and latest news announcements. An interactive investor relations section gives information on recent trading reports, share price data and forthcoming events.

Capita Share Dealing Services

A quick and easy share dealing service to either sell or buy shares in many leading UK companies is provided by Capita Share Dealing Services. An online and telephone facility is available, providing our Shareholders with an easy to access and simple to use service. There's no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade "real time" at a known price which will be given to you at the time you give your instruction. To deal online or by telephone all you need is your surname, Investor Code (IVC*) reference number, full postcode and your date of birth. Your Investor Code can be found on a recent share certificate, statement or tax voucher. Should you not be able to locate your IVC number, please contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm, Monday–Friday). Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

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

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

Analysis of Shareholders as at 31 March 2014

Size of shareholding	Number of holders	% of total	Total holding	% of total
Up to 5,000 shares	2,297	87.17	1,437,744	2.51
5,001 to 50,000 shares	202	7.67	3,636,610	6.35
50,001 to 200,000 shares	81	3.07	8,034,059	14.03
Over 200,000 shares	55	2.09	44,142,422	77.11
Total	**2,635**	**100.00**	**57,250,835**	**100.00**

Oxford Instruments Directory

Company/address	Descriptor	Country	Telephone	Fax	Email
Oxford Instruments Head Office Tubney Woods, Abingdon, Oxfordshire OX13 5QX, UK		UK	+44 (0)1865 393200	+44 (0)1865 393333	info.oiplc@oxinst.com
NanoTechnology Tools					
NanoCharacterisation					
Oxford Instruments NanoAnalysis Halifax Road, High Wycombe, Buckinghamshire HP12 3SE, UK	Systems for materials analysis at the nano scale	UK	+44 (0)1494 442255	+44 (0)1494 524129	nanoanalysis@oxinst.com
10410 Miller Road, Dallas, TX 75238, USA	Omniprobe tools for nanomanipulation and fabrication	USA	+1 (214) 572 6800	+1 (214) 572 6801	nanoanalysis@oxinst.com
Lejonvägen 28, S-18122 Lidingö, Sweden	Systems for materials analysis at the nano scale	Sweden	+46 8 5448 1550	+46 8 5448 1558	nordiska@oxinst.com
Asylum Research 6310 Hollister Ave, Santa Barbara, CA 93117 USA	Systems for materials analysis at the nano scale	USA	+1 (805) 696 6466	+1 (805) 696 6444	sba.sales@oxinst.com
Hauptstrasse 161, DE-68259 Mannheim, Germany		Germany	+49 621 762117 0	+49 621 762117 11	sba.de.sales@oxinst.com
3-4 Shaochuan Street, Kaohsiung City, 80441, Taiwan, R.O.C.		Taiwan	+886 9 3837 4589	+886 2 2794 2757	sba.tw.sales@oxinst.com
Halifax Road, High Wycombe, Buckinghamshire HP12 3SE, UK		UK	+44 (0)1494 442255	+44 (0)1494 524129	sba.uk.sales@oxinst.com
Andor/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
425 Sullivan Avenue, Suite 3, South Windsor, CT 06074 USA		USA	+1 860 290 9211	+1 860 290 9566	info@andor.com
4F TK Sarugakucho Building, 2-7-6 Sarugaku-Cho, Chiyoda-Ku, Tokyo 101-0064, Japan		Japan	+81 (0)3 3518 6488	+81 (0)3 3518 6489	info@andor.com
Room 1213, Building B, Luo Ke Time Square, No. 103 Huizhongli, Chaoyang District, Beijing 100101, China		China	+86 (0)10 5129 4977	+86 (0)10 6445 5401	info@andor.com
Badenerstrasse 682, CH-8048 Zürich		Switzerland	+41 44 430 11 00	+41 44 430 11 01	info@bitplane.com
9078 Leslie St., Unit 11, Richmond Hill, Ontario, Canada L4B 3L8		Canada	+1 (905) 326 5040	+1 (905) 326 5041	info@spectral.ca
NanoSolutions					
Oxford Instruments Plasma Technology North End, Yatton, Bristol BS49 4AP, UK	Tools for nanotechnology fabrication	UK	+44 (0)1934 837000	+44 (0)1934 837001	plasma@oxinst.com
Oxford Instruments Omicron NanoScience Tubney Woods, Abingdon, Oxfordshire OX13 5QX, UK	Advanced tools for applied research	UK	+44 (0)1865 393200	+44 (0)1865 393333	omicron.nanoscience@oxinst.com
Limburger Strasse 75, D-65232 Taunusstein, Germany		Germany	+49 6128 9870	+49 6128 98733230	omicron.nanoscience@oxinst.com
Le plan d'Aigues, RN 7, 13760 St.-Cannat, France		France	+33 442 50 68 64	+33 442 50 68 65	omicron.nanoscience@oxinst.com
1, The Felbridge Centre, Willard Way, East Grinstead, West Sussex RH19 1XPK, UK		UK	+44 (0)1342 331006	+44 (0)1342 331003	omicron.nanoscience@oxinst.com
14850 Scenic Heights Road, Suite 140, Eden Prairie, MN 55344, USA		USA	+1 (952) 345 5240	+1 (952) 294 8043	omicron.nanoscience@oxinst.com

Company/address	Descriptor	Country	Telephone	Fax	Email
Industrial Products					
Industrial Analysis					
Oxford Instruments Industrial Analysis Tubney Woods, Abingdon, Oxfordshire OX13 5QX, UK	Tools for QC/QA, environmental and compliance testing	UK	+44 (0)1865 393200	+44 (0)1865 393333	industrial@oxinst.com
Knight House, Farren Court, Cowfold, West Sussex, RH13 8BP, UK		UK	+44 (0)1403 865938		industrial@oxinst.com
Derby Business Park, Tarvonsalmenkatu 17, FI-02600 Espoo, Finland		Finland	+358 932 9411	+358 932 9413	industrial@oxinst.com
Georg-Ohm-Str. 6, 65232 Taunusstein, Germany		Germany	+61 28 95 35 0	+61 28 73 601	industrial@oxinst.com
Wellesweg 31, 47589 Uedem, Germany		Germany	+49 2825 93830	+49 2825 9383100	industrial@oxinst.com
8403 Cross Park Drive, Suite 3F, Austin, TX 78754, USA		USA	+1 (512) 339 0640	+1 (512) 339 0620	industrial@oxinst.com
Industrial Components					
Oxford Instruments Austin 1340 Airport Commerce Dr Bldg 1, Suite 175, Austin, TX 78741, USA	Cryogenic pumps and compressors	USA	+1 (512) 441 6893	+1 (512) 441 6665	cryo-sales@oxinst.com
Oxford Superconducting Technology 600 Milik Street, PO Box 429, Carteret, NJ 07008, USA	Superconducting wire	USA	+1 (732) 541 1300	+1 (732) 541 7769	sales@ost.oxinst.com
Oxford X-Ray Technology 360 El Pueblo Road, Scotts Valley, CA 95066, USA	X-ray tubes and detectors	USA	+1 (831) 439 9729	+1 (831) 439 6051	industrial@oxinst.com

Company/address	Descriptor	Country	Telephone	Fax	Email
Service					
OiService CT & MR					
1027 SW 30th Avenue, Deerfield Beach, FL 33442, USA		USA	+1 (954) 596 4945	+1 (954) 596 4946	oiservice@oxinst.com
64 Union Way, Vacaville, CA 95687, USA		USA	+1 (707) 469 1320	+1 (707) 469 1318	oiservice@oxinst.com

Oxford Instruments Directory continued

Company/address	Country	Telephone	Fax	Email
Regional Sales and Service Offices				
Oxford Instruments/Canada/Latin America 300 Baker Avenue, Suite 150, Concord, MA 01742, USA	USA	+1 (978) 369 9933	+1 (978) 369 8287	info@ma.oxinst.com
Oxford Instruments China Room 714, Tower 3, Henderson Centre, No 18 Jianguomennei Avenue, 100005 Beijing, China	China	+86 (0)10 6518 8160	+86 (0)10 6518 8155	china.info@oxinst.com
Floor 1, Building 60, No.461, Hongcao Road, Shanghai, 200233, China	China	+86 21 6127 3858	+86 21 6127 3828	china.info@oxinst.com
No. 129, Lane 150, Pingbei Road, Xinzhuang Industrial Area, Minhang District, 201102 Shanghai, China	China	+86 (0)21 6490 8580	+86 (0)21 6490 4042	china.info@oxinst.com
Room 2112, Bai Hui Plaza, 193 Zhong Shan Wu Road, Guangzhou 510030, China	China	+86 (0)20 8364 9990	+86 (0)20 8364 9996	china.info@oxinst.com
Room 1909, Huamin Empire Plaza, No.1, Fu Xing Street, Chengdu, China	China	+86 (0)28 8670 3596	+86 (0)28 8670 3595	china.info@oxinst.com
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Oxford Instruments Germany Otto-von-Guericke-Ring 10, 65205 Wiesbaden, Germany	Germany	+49 6122 9370	+49 6122 937100	info-oiplc@oxinst.com
Oxford Instruments India 11, Marwah's Complex, Krishanlal Marwah Marg, Andheri East, Mumbai 400072, India	India	+91 224 4253 5100	+91 224 4253 5110	india@oxinst.com
Oxford Instruments Japan IS Building 3-32-42, Higashi-Shinagawa, Shinagawa-ku Tokyo 140-0002, Japan	Japan	+81 (0)3 6732 8961	+81 (0)3 6732 8937	info.jp@oxinst.com
Oxford Instruments Korea No. 8-S 26, 8F., 10 Chungmin-ro, Songpa-gu, Seoul 138-962 Korea (Republic of)	Republic of Korea	+82 2 2008 4500	+82 2 2008 4555	nanoanalysis@oxinst.com
Oxford Instruments Russia Denisovskiy per. 26, Moscow 105005, Russian Federation	Russia	+7 (095) 933 51 23	+7 (095) 933 51 24	info@oxford.de
Oxford Instruments Singapore 10 Ubi Crescent, #04-81 Ubi TechPark Lobby E, Singapore 408564, Republic of Singapore	Singapore	+65 6337 6848	+65 6337 6286	oi.admin@oxfordinstruments.com.sg
Oxford Instruments Taiwan 1F, No. 23, Jing-Shang 19th Street, Hsinchu, Taiwan 300, Taiwan, R.O.C.	Taiwan	+886 3 5788696	+886 3 5789993	oi.admin@oxfordinstruments.com.tw

Advisers

Honorary President
Sir Martin Wood OBE FRS Hon FREng DL

Company Secretary
Susan Johnson-Brett ACIS

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

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

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

Administration
Any two Directors

Advisers
Auditors
KPMG LLP

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

Stockbrokers
JPMorgan Cazenove

UK Solicitors
Laytons Solicitors LLP, Ashurst LLP

US Counsel
Wilmer Hale LLP

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