Press Release

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The Business of Science®

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Oxford Instruments plc
Announcement of Preliminary Results for the year to 31 March 2014

Oxford Instruments plc, a leading provider of high technology tools and systems for industry and research, today announces its Preliminary Results for the year to 31 March 2014.

Highlights:

- Orders grew by 2.5% to £342.2 million (2013: £334.0 million)
- Revenue grew by 2.7% to £360.1 million (2013: £350.8 million); 4.3% on a constant currency basis
- Adjusted profit before tax* of £47.1 million (2013: £47.0 million)
- Adjusted operating margin* of 14.0% (2013: 14.1%), in line with 14 Cubed objectives
- Adjusted EPS* up 1.8% at 67.7 pence (2013: 66.5 pence)
- 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)
- Proposed final dividend of 9.04 pence (2013: 8.15 pence), giving a total dividend for the year of 12.4 pence (2013: 11.2 pence)
- Strategy seeks to exploit the convergence of the sciences which will enhance 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.*

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

"The Group delivered another successful result, with orders, sales and profits all ahead of the prior year. We are very pleased to welcome Andor to Oxford Instruments and see the acquisition as an important part of the next phase of our growth.

We 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 enhance long term demand for our nanotechnology tools and enable us to reach a new set of customers working in the nano-bio arena."

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Number of pages: 30

Performance and Strategy

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.

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. In the industrial field, our tools are used to improve production efficiency, ensure high standards of quality control and demonstrate compliance to environmental legislation. The end user markets for our tools include life sciences, metals, construction, semiconductors, green energy and environmental services, as well as research and academic institutions round the world.

Our staff deploy a high level of technical skill and deep understanding of technology trends to convert our intellectual property into new tools using the latest nanotechnology techniques. We enjoy a high *Vitality Index* measured by the proportion of revenues coming from products introduced in the last three years. This stands at 42%. Our *Voice of the Customer* programme constantly calibrates emerging customer requirements against available technology to ensure our R&D activities are focused on the most commercially attractive areas.

We adopt a business model whereby the Group sells tools to customers who wish to exploit the opportunities offered by Nanotechnology. This model enables us to generate revenues from emerging industries utilising nanotechnology without undue exposure to any one application or market. The Oxford Instruments' brand is well recognised and valued, particularly in the research and academic communities.

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 multiyear service contracts.

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 nanoscale, which is driving increased demand for nanotechnology tools. '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 is a 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.

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.

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.

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.

Operations Review

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

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 nanoscale. Its products are used on electron microscopes and ion-beam systems in academic institutions and industrial applications including semiconductors, renewable energy, mining, metallurgy and forensics. 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 nanoscale 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 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%.

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.

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 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 (2013: £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 IAS19 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 8 years has been agreed between the Company and the Pension Trustee. Under the deficit recovery plan, payments will increase for the three years to March 2015 by the greater of 10 percent or the percentage increase in dividend per share. Thereafter, the payment will increase by 3.05% per annum. The payment in 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.

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

Consolidated Statement of Income year ended 31 March 2014

	Notes	Year ended 31 March 2014 Adjusted**	Year ended 31 March 2014 Adjusting Items**	Year ended 31 March 2014 Total	Year ended 31 March 2013 (restated)* Adjusted**	Year ended 31 March 2013 (restated)* Adjusting Items**	Year ended 31 March 2013 (restated)* Total
		£m	**£m**	**£m**	£m	£m	£m
Revenue	3	**360.1**	**—**	**360.1**	350.8	—	350.8
Cost of sales		**(196.6)**	**(3.7)**	**(200.3)**	(194.0)	(0.5)	(194.5)
Gross profit		**163.5**	**(3.7)**	**159.8**	156.8	(0.5)	156.3
Research and development	4	**(25.1)**	**—**	**(25.1)**	(24.3)	—	(24.3)
Selling and marketing		**(56.7)**	**—**	**(56.7)**	(51.1)	—	(51.1)
Administration and shared services		**(33.1)**	**(22.6)**	**(55.7)**	(35.3)	(15.9)	(51.2)
Foreign exchange		**1.7**	**—**	**1.7**	3.2	—	3.2
Operating profit		**50.3**	**(26.3)**	**24.0**	49.3	(16.4)	32.9
Other financial income		**0.3**	**4.1**	**4.4**	0.3	—	0.3
Financial income		**0.3**	**4.1**	**4.4**	0.3	—	0.3
Interest charge on pension scheme net liabilities		**(2.0)**	**—**	**(2.0)**	(1.7)	—	(1.7)
Other financial expenditure		**(1.5)**	**(0.9)**	**(2.4)**	(0.9)	(2.2)	(3.1)
Financial expenditure		**(3.5)**	**(0.9)**	**(4.4)**	(2.6)	(2.2)	(4.8)
Profit before income tax		**47.1**	**(23.1)**	**24.0**	47.0	(18.6)	28.4
Income tax (expense)/credit	6	**(8.7)**	**2.9**	**(5.8)**	(9.7)	2.3	(7.4)
Profit for the year attributable to equity shareholders of the parent		**38.4**	**(20.2)**	**18.2**	37.3	(16.3)	21.0
		pence		**pence**	pence		pence
Earnings per share							
Basic earnings per share	2	**67.7**		**32.1**	66.5		37.4
Diluted earnings per share	2	**67.3**		**31.9**	65.7		37.0
Dividends per share							
Dividends paid	7			**11.2**			10.0
Dividends proposed	7			**12.4**			11.2

* See note 8 for details of restatement of comparative information.

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

Consolidated Statement of Comprehensive Income

year ended 31 March 2014

	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	**(1.9)**	(15.7)
Tax on items that will not be reclassified to profit or loss	**(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 Note 8 for details of restatement of comparative information.

Consolidated Statement of Financial Position

as at 31 March 2014

	2014 £m	2013 £m
Assets		
Non-current assets		
Property, plant and equipment	**34.4**	**32.9**
Intangible assets	**247.9**	**91.9**
Deferred tax assets	**11.2**	**25.0**
	293.5	**149.8**
Current assets		
Inventories	**68.3**	**58.1**
Trade and other receivables	**80.9**	**71.8**
Current income tax recoverable	**1.0**	**0.4**
Derivative financial instruments	**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	**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	**141.4**	**—**
Other payables	**13.1**	**11.1**
Retirement benefit obligations	**46.3**	**47.9**
Deferred tax liabilities	**12.0**	**6.2**
	212.8	**65.2**
Current liabilities		
Bank loans	**15.5**	**—**
Trade and other payables	**99.2**	**101.4**
Current income tax payables	**3.7**	**4.3**
Derivative financial instruments	**0.5**	**2.6**
Provisions	**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*

Kevin Boyd *Director*

Company Number: 775598

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 incomeattributable 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 Note 8 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

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)/cash at the end of the year	**(124.3)**	39.2

*See note 8 for details of restatement of comparative information.

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 note 8 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.

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 note 8 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.

3 SEGMENT INFORMATION CONT'D

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

a) Analysis by business

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

*See note 8 for details of restatement of comparative information.

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 note 8 for details of restatement of comparative information.

4 RESEARCH AND DEVELOPMENT

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

5 ACQUISITIONS

Andor Technology plc

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

The book and 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

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.

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5 ACQUISITIONS CONT'D

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.

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			(1.4)
Net cash outflow relating to the acquisition			5.7

5 ACQUISITIONS CONT'D

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 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.

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

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 has been acquired for the purpose of integrating into the Nanotechnology Tools segment where it is believed that synergies can be obtained particularly in respect of routes to market.

	Book value £m	Adjustments £m	Fair value £m
Intangible fixed assets	—	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.

6 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 note 8 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.

7 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

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.

8 BASIS OF PREPARATION

Except as noted below, this preliminary statement has been prepared under the same accounting policies as those used to prepare the 2013 Report and Financial Statements.

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.

8 BASIS OF PREPARATION CONT'D

	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 re-measurement 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.

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

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 2013	**1.53**	**1.19**	**147**
May	**1.53**	**1.18**	**152**
June	**1.52**	**1.17**	**152**
July	**1.53**	**1.16**	**151**
August	**1.54**	**1.17**	**151**
September	**1.58**	**1.18**	**155**
October	**1.62**	**1.18**	**158**
November	**1.63**	**1.19**	**163**
December	**1.65**	**1.20**	**171**
January 2014	**1.65**	**1.21**	**171**
February	**1.66**	**1.22**	**169**
March	**1.67**	**1.21**	**171**

8 BASIS OF PREPARATION CONT'D

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

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2014 or 2013. Statutory accounts for 2013 have been delivered to the registrar of companies, and those for 2014 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Company is registered in England Number 775598.

9 THE ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday, 9 September 2014 at 2.30 pm at Group Head Office, Tubney Woods, Abingdon, Oxfordshire, OX13 5QX.

PRINCIPAL RISKS

Specific Risk	Context	Risk	Possible Impact	Associated strategic priorities	Mitigation
Technical Risk	The Group provides high technology equipment and systems to its customers.	Failure of the advanced technologies applied by the Group to produce commercial products, capable of being manufactured and sold profitably.	Lower profitability and financial returns. Negative impact on the Group's reputation.	'Realising the Brand' - Using 'Voice of the Customer' to drive rapid new product development. 'Liberate Cash' - Support and develop our employees to maximise their value add.	The Group has moved away from large scale, single customer development programmes towards more commercially orientated products. The New Product Introduction programme that any new R&D projects must pass through provides a framework within which the commercial viability of projects are scrutinised and assessed.
Economic Environment	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.	'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.
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.	'Realising the Brand' - Developing a strong brand in existing and developing markets. 'Inventing the Future' - Using "Voice of the Customer" to drive rapid new product development. 'Adding Personal Value' – Supporting and developing our employees.	Extensive financial and technical due diligence is undertaken by the Group during any acquisition programmes. Each transaction has a comprehensive post acquisition integration plan which is reviewed at the highest level.
Foreign exchange volatility	A significant proportion of the Group's profit is made in foreign currencies.	The Group's profit levels are exposed to fluctuations in exchange rates.	Lower profitability and financial returns	'Delivering Shareholder Value' - Focus on balanced and attractive global markets. 'Liberating Cash' – Developing a competitive global supply base that supports our growth.	The Group seeks to mitigate the exposure to transactional risk by the use of natural hedges wherever possible. The remaining transactional foreign exchange risk in any year is mitigated through the use of forward and non-premium based option exchange contracts.
Outsourcing	The Group's strategic plan includes the outsourcing of a significantly higher proportion of the costs of its products to benefit from economies of scale and natural currency hedges.	Failures in the supply chain impacting sales.	Disruption to customers. Negative impact on the Group's reputation.	'Liberating Cash' – Developing a competitive global supply base that supports our growth. 'Realising the Brand' - Developing a strong brand in existing and developing markets.	Relationships with outsourcing businesses are monitored closely and any potential issues are acted upon swiftly to avoid disruption. Where practical dual sources are used for key components and services.
Pensions	The Group's calculated pension deficit is sensitive to changes in the actuarial assumptions.	Movements in the actuarial assumptions may have an appreciable effect on the reported pension deficit.	Additional cash required by the Group to fund the deficit. Reduction in net assets.	'Delivering Shareholder Value' - Focus on balanced and attractive global markets. 'Liberating Cash' – Developing a competitive global supply base that supports our growth.	The Group has closed its defined benefit pension schemes in the UK and US to future accrual. The Group has a funding plan in place to reduce the pension deficit over the short to medium term.

PRINCIPAL RISKS CONT'D

Specific Risk	Context	Risk	Possible Impact	Associated strategic priorities	Mitigation
People	A number of the Group's employees are business critical.	The employee leaves the Group.	Lower profitability and financial returns.	'Adding Personal Value' – Supporting and developing our employees. 'Inventing the Future' – Providing an environment for inventing and innovation.	The Group undertakes a regular employee survey and implements and reviews resulting action plans. A comprehensive succession planning process is in place, together with a talent network which identifies and manages contacts with people who could provide external succession for critical current and future roles. A management development programme provides exposure to key skills needed for growth. Regular individual performance reviews take place.
Routes to market	In some instances the Group's products are components of higher level systems and thus the Group does not control its route to market.	The systems integrator switches supplier denying the Group's route to market.	Lower profitability and financial returns.	'Inventing the Future' – Developing products that offer the best technical solution. 'Realising the Brand' – Ensuring that end customers appreciate the benefits of Oxford Instruments technology.	Use of the stage gate process and 'Voice of the Customer' to make sure that the Group's products are the best in the market. Co-marketing with system integrators to promote the merits of the Group's products to end customers. Seeking to increase the number of integrators supplied by the Group.