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Press Release

OXFORD INSTRUMENTS
The Business of Science®

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Oxford Instruments plc
Announcement of Preliminary Results for the year to 31 March 2017

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 2017.

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m	**% change**
Revenue	**348.5**	319.7	**+9.0%**
Adjusted* operating profit	**42.5**	41.2	**+3.2%**
Adjusted* profit before tax	**36.0**	33.6	**+7.1%**
(Loss)/profit before tax	**(25.5)**	9.7	
Adjusted* basic earnings per share - continuing	**47.8p**	45.3p	**+5.5%**
Basic earnings per share - continuing	**(44.0p)**	12.2p	
Dividend per share (full year)	**13.0p**	13.0p	
Operating cash flow*	**39.7**	46.4	
Net debt	**109.3**	128.2	

Financial Highlights:

- Stable performance in line with expectations, against a challenging market backdrop
- Reported revenue up 9.0%, down 3.7% at constant currency
- Adjusted profit before tax up 7.1%, in line with our expectations
- Adjusted operating margin down 70 basis points, reflecting lower returns in Service and higher returns in NanoTechnology Tools
- Non-cash impairment of non-current assets of £45.8 million drives reported loss before tax
- Net debt of £109.3 million (2016: £128.2 million), with leverage of 2.1 times reflecting good cash conversion and the sale of Oxford Superconducting Technology (2016: 2.3 times)
- Dividend maintained at 13.0p for the full year
- Stronger order book at year end, 9.3% above prior year

Operating Highlights:

- Good progress in repositioning the Group for long-term growth with significant progress in portfolio management
  - ‘Horizon’ strategy underway, focused on markets with long-term growth drivers where the Group can be market leader
  - Completed disposal of Oxford Superconducting Technology and announced sale of Industrial Analysis
- Strong performance in Nanotechnology Tools
- Steady performance in Industrial Products, despite continued end market weakness
- In Service, increased demand for services related to our own products was more than offset by weaker demand for OI Healthcare in the US, as previously flagged
- Geographical demand reflects global trends in funding and capital expenditure: strong growth in Asia, steady growth in Europe, flat in North America
- Stephen Blair to join Board as Senior Independent Director in July 2017

Ian Barkshire, Chief Executive of Oxford Instruments plc, said:

“In a year of transition, the Group delivered a stable performance, supported by currency tailwinds. Whilst academic and R&D funding levels remain uncertain, we believe that progress with our strategic initiatives and favourable currency effects will deliver an outcome for the year in line with expectations.

“Our focus is on markets with long term growth drivers where nanotechnology has the potential to address some of the world’s most complex and pressing challenges. Fundamental improvements to our structure, operations and strategy are underway and give us a solid platform to return to sustainable growth, at improved margins over the medium term.”

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Number of pages: 38

**NOTE: Throughout this preliminary announcement when we talk about performance we make reference to adjusted numbers. These are presented as, in the opinion of the Directors, they present a clearer picture of the business performance. A full definition of adjusted numbers can be found in note 1. Operating cash flow is presented under a management format; differences to the statutory format are explained in the Finance Review. Where we make reference to constant currency numbers these are prepared using the exchange rates which prevailed in the previous year rather than the actual exchange rates which prevailed in the year.*

Chairman's Statement

This is my first review as Chairman of Oxford Instruments, a position I am delighted to have taken on at our AGM in September.

It has been a year of structural, operational and strategic transition for the Group. We have a new and energised senior executive team led by Ian Barkshire and Gavin Hill. They have acted with impressive decisiveness in embedding a number of changes in our operating teams to raise the talent bar across our business.

We have also made good progress in developing and implementing the new Horizon strategy to reposition our Group for long-term sustainable growth. This has seen some significant actions to manage our portfolio of businesses with the aim of accelerating our delivery of shareholder value. In November, we announced the disposal of our underperforming wire business, Oxford Superconducting Technology, and since the year end, we have announced the agreed sale of our Industrial Analysis business to Hitachi High-Technologies.

As Ian Barkshire sets out in his Chief Executive Review, the management team is now implementing the next phase of the Horizon strategy to continue the transformation of Oxford Instruments. This is focused around the two anchors of returning to sustainable growth and improving margins by concentrating on market segments with long-term growth drivers where we have the potential to become the market leader.

Against this background of strategic activity, the team maintained the focus on short-term performance. The business delivered a stable performance in line with our expectations against an extremely challenging market backdrop of slower academic funding in the US and Europe and the anticipated deterioration in the financial performance of our OI Healthcare business. Our NanoTechnology Tools sector performed strongly and we saw good returns from the servicing of our our own products. These growth businesses provide the platform for our future growth.

Adjusted basic earnings per share on a continuing basis grew by 5.5%. However, taking into account the impact on the Group of business disposals, currency effects and our progressive strengthening of the balance sheet, the Board has proposed to hold the dividend at last year's level. This results in a final dividend of 9.3 pence (2016: 9.3 pence) bringing the total dividend for the year to 13.0 pence (2016: 13.0 pence).

I am pleased that Stephen Blair will join the Board on 1st July 2017 as Senior Independent Director. He brings with him a wide range of international experience and sound technical understanding that was gained during his time at a number of top technical companies, such as e2v and Spectris.

Finally, I would like to thank the Board for their ongoing support during this time of change and for their commitment to repositioning Oxford Instruments to deliver long-term profitable growth, providing sustainable value for our shareholders.

Alan Thomson
Chairman
13 June 2017

Chief Executive's Review

I am encouraged by the performance of the Group during my first year as Chief Executive, having made good progress in strengthening the business and positioning it for the future. The year has been one of transition with a new strategy, associated portfolio changes and the formation of a new leadership team.

The most notable strategic development has been the launch of the Horizon strategy, our transformational programme for the Group, which will drive both our future direction and our operational model. Horizon will build on our strengths, brand and innovation heritage and has the following key elements:

- We will focus our investment on market segments where nanotechnology drives long-term growth for our customers and where we can maintain or develop leadership positions.
- We will migrate to being a more commercially focused, market-driven Group by maintaining our heritage in supporting fundamental research whilst increasing our focus on products for applied R&D and the commercialisation of nanotechnology.
- We will drive the delivery of synergies and enhanced collaboration. For example, in R&D we will prioritise our high impact projects and resource them from across the Group.
- We will evolve our existing "tools and service" model and move up the value chain by providing our customers with enhanced solutions, information and support that will drive advances in innovation and productivity.
- We will transform our operational model to embed consistency and excellence across our businesses, measured by clearly defined core capabilities that will enhance our competitive advantage.

Over the past ten years, Oxford Instruments has focused on being a leading provider of high technology tools and service to research communities all over the world. Nanotechnology is now well established as a fundamental and integral driver for delivering advances across the sciences and commercial end markets. We will build on our leadership and expertise in the fabrication, manipulation and analysis of materials down to the molecular and atomic scale. We will support the changing needs of our customers by evolving to become a leading provider of high technology **solutions, information** and **support**. We will be known for unprecedented performance, ease of use and service that will add value to our customers' capabilities and productivity.

Within Horizon, we will actively manage our portfolio of businesses and products, selecting those markets with long-term growth drivers where we can maintain or grow leading positions. We will focus on those markets where nanotechnology has the potential to address some of the world's most complex and pressing challenges and where we can deliver enhanced solutions and service excellence.

Global drivers for our core markets are:

- *Healthcare*, where growth is driven by demand for improvements in disease detection and the understanding of fundamental mechanisms;
    - Our advanced imaging and analysis solutions, such as our Dragonfly optical system and our newly launched video rate Atomic Force Microscope are examples of where we are providing enhanced capabilities and productivity for investigators working in this area.
- *Energy*, where improved efficiencies and sustainability remain core drivers, and includes work in photovoltaics and batteries;
    - Our deposition and etch processes, and our characterisation solutions are essential for our customers in the development of their current and next generation devices. Plasma Technology, Asylum Research and NanoAnalysis are particularly well aligned to support these markets with new processing and characterisation capabilities.

- *IT and Communications,* where there is a focus on speed, security and capacity;
    - Again, it is our ability to provide the fabrication capabilities for new materials and device structures, and the subsequent characterisation of their performance that helps our customers, for example in photonics, semiconductors and data storage devices. Our solutions are being utilised by fundamental science right through to the practical application of new materials within this area, and will support growth across our NanoTechnology Tools portfolio.

- *Advanced Materials*, where we can help customers lead the race to develop lighter, stronger, higher functioning and more affordable materials;
  - This remains a core market for our businesses and we continue to build strong relationships with the leaders in this field, ranging from Nobel Prize winners through to Quality Assurance for leading manufacturers.
- *Quantum Technology* is the exploitation of the regime where quantum effects dominate and radically change the 'rule book' of what is possible. For example, the quantum interaction between remote particles has the potential for new paradigms in secure communications, computing and sensors;
  - Our cryogenics, advanced fabrication, imaging and characterisation capabilities are all critical to the advancement of this field.

Within our core markets, we have identified a number of niche segments that are particularly attractive to us, such as biodynamics, quantum computing and advanced batteries, where we will focus to gain competitive advantage.

As part of Horizon we have undertaken a strategic review of the growth opportunities, competitive landscapes and leadership capabilities across the Group to inform our portfolio management. We have made notable progress in establishing a more synergistic portfolio. In November, we announced the disposal of our Superconducting Wire business and since the year end we have announced the agreed sale of our Industrial Analysis business to Hitachi High-Technologies.

Horizon will change the way by which we operate and will embed clearly defined core capabilities across our businesses in the following areas:

Market Intimacy: We will further develop in-depth understanding of our customer segments and align our innovation and product development initiatives to customers' strategic roadmaps.

Innovation and Product Development: We will focus our R&D investment on higher growth segments, prioritising our efforts on the most valuable product development opportunities.

Customer Support: We will build on the growing customer demand and offer a higher level and broader range of services and support.

Operational Excellence: We will drive improvements in cost, time and defects to become a more delivery and outcome focused business.

Horizon will drive a culture of continuous improvement and best practice across all of our businesses, which will deliver clear competitive advantage and long-term shareholder value. I am excited by the potential of the Horizon strategy which builds on our heritage and is the next stage in the evolution and commercialisation of Oxford Instruments.

Results

Looking back over the previous financial year, the Group delivered a stable performance, supported by stronger second half trading in line with our expectations and currency tailwinds. This was despite an uncertain macroeconomic background, which has seen a sustained period of slow global academic and R&D funding and continued softness across industrial end markets.

Progress in the year has been underpinned by the continued strength and improved profitability across our NanoTechnology Tools Sector. Industrial Products delivered a steady performance against continued challenging end markets supported by new product launches. In our Service sector, the increased demand for services related to our own products was more than offset by the previously flagged weaker performance from our OI Healthcare business in the US.

Orders in the period increased by 4.3% to £350.7 million (2016: £336.1 million), orders at constant currency were down 7.3%, predominantly due to lower orders in OI Healthcare and Industrial Analysis. Orders in NanoTechnology Tools increased by 7.9% but were marginally down on the previous year at constant currency. The order book for future deliveries at the end of the year increased by 9.3% to £144.5 million (2016: £132.2 million), representing a constant currency increase of 0.5% at a Group level and 0.5% and 5.0% for NanoTechnology Tools and Service respectively.

Reported Revenue in the period was up 9.0% to £348.5 million (2016: £319.7 million), down 3.7% at constant currency reflecting the weaker performance across our Industrial Products and OI Healthcare businesses. On a geographical basis, demand for our products reflected global trends in funding and capital expenditure, resulting in an exceptionally strong performance in Asia, growth in Europe and a relatively flat performance in the USA. Reported revenue grew in Europe, North America and Asia by 4.2%, 0.7% and 22.3% respectively. Revenue on a constant currency basis grew 7.2% in Asia supported by continued strong growth in China. Constant currency revenue declined in Europe by 5.9% with growth in France and Germany being more than offset by reduced volumes from the Rest of Europe, principally from lower shipments from Plasma Technology, and it declined in North America by 12.0%, predominantly due to reduced volumes in OI Healthcare and Asylum Research.

Adjusted profit before tax from continuing operations increased by 7.1% to £36.0 million (2016: £33.6 million) with improvements across NanoTechnology Tools and Industrial Products more than offsetting a fall in Service. Adjusted operating profit margin fell to 12.2% (2016: 12.9%) reflecting the reduced profit from OI Healthcare and the uplift to revenue due to the movement in currency exchange rates.

We recorded a loss before tax of £25.5 million after the impairment of non-current assets and other adjusting items of £45.8 million, primarily reflecting deterioration in the financial performance from Asylum Research, OI Healthcare and our joint venture, ScientaOmicron. While we have plans that address the weaknesses and issues within all three businesses, the impairment reflects the actions and time required to improve profitability.

Continuing adjusted basic EPS grew by 5.5% to 47.8 pence (2016: 45.3 pence). Basic EPS was a negative 44.0 pence (2016: 12.2 pence) after reflecting the impairments of non-current assets and other adjusting items.

Net debt at the end of the period fell to £109.3 million (2016: £128.2 million), largely due to good cash conversion and proceeds received from the sale of Superconducting Wire business in November 2016.

Turning to the individual sectors: NanoTechnology Tools saw reported revenue growth of 11.4% to £208.7 million (2016: £187.4 million), adjusted operating profit grew 20.2% to £25.6 million (2016: £21.3 million), with an increase in adjusted operating margin by 90 basis points to 12.3%. The improved performance is due to the success of recently launched higher margin products across the portfolio combined with a focus on operational efficiencies. We continued to see enhanced performance from Andor Technology and NanoAnalysis; while Plasma Technology and NanoScience both continued to make progress in the year and contributed strongly to the improved performance. Asylum Research underperformed against the previous year having been disproportionally impacted by reduced academic funding levels and a delay in launching new products. As a result of prioritising investments and delivering operational efficiencies we expect to see an improvement in the profitability of the Asylum business, albeit still below original projections at the time of acquisition.

In Industrial Products, reported revenue increased by 5.0% to £56.7 million (2016: £54.0 million), excluding discontinued contributions from the Superconducting Wire business, which was divested in November. Reported adjusted operating profit increased to £1.7 million (2016: £1.1 million) with an associated increase of 100 basis points in adjusted operating margin to 3.0%. This represents a stable performance in the face of continued challenging end market conditions.

In Service, reported revenue increased by 6.1% to £83.2 million (2016: £78.4 million). This was driven by the increased demand for services relating to our own products. As previously flagged, the OI Healthcare business in the US, which offers refurbished imaging systems, mobile imaging solutions and maintenance services, had a slower year due to a change in the software licensing policy on second hand systems by one of the main system manufacturers. This significantly reduced the number of refurbished systems sold in the year and, despite improved profit and operational margin from the servicing of our own products, resulted in a fall in reported adjusted operating profit to £15.2 million (2016: £18.8 million). We have taken the necessary actions to align the business to the new software licensing model for refurbished imaging systems and the OI Healthcare business is now positioned to deliver an improved performance going forward.

From a customer perspective, our end market distribution has remained relatively unchanged compared to the previous year. Over half of the Group's revenue came from academic and commercial research customers, of which a quarter was engaged in Bio and Life Sciences.

The Group continues to invest in future products and services and in the year we increased investment in R&D by 7.1% to £30.3 million (2016: £28.3 million). We monitor the proportion of our revenue which originates from products launched in the last three years (our Vitality Index). Our Vitality Index stands at 31%, and is in the range we expect from a high technology business. This reflects the continued strength of our existing leading products and the successful uptake of more recently launched products. Some of the new products launched in the year are outlined in the Operational Review. We continue to have a healthy pipeline of new products in development that push the boundaries of scientific understanding and technical performance and increase our market reach.

People

Our staff are central to the successful delivery of our Horizon strategy. We will focus on resourcing our core capabilities through the development of our existing workforce and targeted recruitment.

To further support the delivery of Horizon I have reshaped our Management Board. The Management Board develops and embeds our business processes across the Group and the new structure will drive the exploitation of synergies and efficiencies across our businesses.

The progress we have made so far in our transformation is largely due to the talented workforce we have at Oxford Instruments. I would like to thank all our employees for their positive response to the new strategy and the resulting changes, their continued enthusiasm and their dedication to our customers.

Outlook

In a year of transition, the Group delivered a stable performance, supported by currency tailwinds. Whilst academic and R&D funding levels remain uncertain, we believe that progress with our strategic initiatives and favourable currency effects will deliver an outcome for the year in line with expectations.

Our focus is on markets with long-term growth drivers where nanotechnology has the potential to address some of the world's most complex and pressing challenges. Fundamental improvements to our structure, operations and strategy are underway and give us a solid platform to return to sustainable growth, at improved margins over the medium-term.

Ian Barkshire
Chief Executive
13 June 2017

Operations Review

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

NanoTechnology Tools

	2017 £m	2016 £m	Growth	Constant Currency Growth[1]
Revenue	**208.6**	187.3	11.4%	(1.2%)
Adjusted[2] Operating Profit	**25.6**	21.3		
Adjusted[2] Operating Margin	**12.3%**	11.4%		
(Loss)/profit before tax after adjusting items	**(17.4)**	9.0		

[1]For definition refer to note on page 2 of highlights
[2]Details of adjusting items can be found in Note 1 of these Financial Statements

The NanoTechnology Tools sector comprises two divisions: NanoCharacterisation, which includes NanoAnalysis, Andor Technology and Asylum Research; and NanoSolutions, which includes NanoScience, Plasma Technology and our minority share in the ScientaOmicron JV.

Our NanoTechnology Tools sector experienced continued strength and improved profitability. This was largely due to the success of recently launched, higher margin products and an ongoing focus on operational efficiencies across the sector. Whilst overall academic funding remains subdued, we continue to see demand in the nanotechnology arena, including the characterisation of materials associated with current and next generation batteries; biomedical imaging in the exploration and improved understanding of disease mechanisms and with particular growth in the newly emerging quantum technology segment. In addition we are seeing an increased demand from commercial organisations seeking to gain competitive advantage from the exploitation of nanotechnology. Our focus on solutions that offer increased performance and ease of use is creating more value for our academic and commercial customers, providing them with new capabilities, additional information and higher productivity.

Our NanoAnalysis business delivers innovative solutions and services that enable materials characterisation and sample manipulation down to the nano scale. Our products are used in conjunction with electron microscopes and ion-beam systems to provide the critical compositional, structural and phase information that determines material properties from plastics through to advanced aerospace components and quantum devices. Our solutions are market leading being used in most of the world's leading academic institutions and companies, with applications ranging from renewable energy storage, semiconductors, advanced materials research, mining, metallurgy and forensics. NanoAnalysis continues to deliver a strong technical and financial performance in a relatively stable market. We continue to extend our range of products, and have experienced particular success providing analytical systems supporting production in commercial applications such as data storage and automotive markets. In addition, our flagship XMax Extreme product has delivered strong growth since its launch in the previous year, with customers using its unique performance to undertake materials research at a resolution and sensitivity that was previously unobtainable. In particular, Extreme offered researchers new capabilities to characterise current and next generation batteries and semiconductor structures at the nanoscale. Whilst the metals markets remained subdued during the year we saw increasing interest and positive developments in the Advanced Materials and Biomedical markets driven by investment in new manufacturing technologies, such as additive manufacturing and a continued investment in biomedical research.

Andor Technology is a global leader in the design and manufacture of high performance scientific imaging cameras, spectroscopy solutions and microscopy systems for research and industrial markets. During the year Andor continued to build sales and service presence and expand the portfolio of imaging and microscopy solutions. We significantly enhanced our offering into combustion and plasma research markets with the launch of an intensified camera solution with market leading speed and sensitivity. Several of our core technologies have been adopted by quantum imaging researchers who are studying quantum applications including quantum communication and quantum computing. At the core of our microscopy business strategy was the launch this year of our Dragonfly confocal microscope platform and its associated experiment sequencing software, Fusion. Combined, these investments have received exceptional customer feedback as they enable 3D imaging through thicker samples and larger areas at unprecedented resolution and speed. A solid order book, dedicated sales team and customer interest support our high expectations of this segment in the next financial year and beyond. The year also delivered exceptional performance from our associated analysis software platform Imaris, where we continue to embrace our customers' need to manage and process large complex data sets, often derived from our Dragonfly systems. Imaris will deliver smooth handling of extremely large data sets, which are a core requirement for the growing brain imaging market sector.

Asylum Research is the technology leader in atomic force microscopy (AFM) for both materials and bioscience applications. While Asylum continues to take a leadership position when it comes to advanced technology, this was a difficult year for us and other AFM providers. The market has been disproportionally impacted by reduced academic funding levels in the US and Europe and for us this has offset a stronger performance in Asia. Increased interest in battery energy storage, photovoltaics, industrial polymers and two dimensional materials such as graphene contributed to a stronger second half to the year. Our electrochemistry solution, which is based on our Cypher AFM platform, enables the measurement and observation in real time of reactions for critical processes in their normal environment. This is particularly important for battery research where the electrolyte, temperature and electrical bias all affect performance and chemical response. Towards the end of the year we launched our Video Rate (VRS) AFM which is also based on the versatile Cypher platform. It is the first and only full-featured video-rate atomic force microscope and sets a new benchmark for speed, enabling high resolution imaging of dynamic events at the nanoscale across a range of applications including biodynamics, cosmetics, pharmaceuticals, semiconductor processing and catalysis.

Plasma Technology provides material etch and deposition processes and solutions to semiconductor research laboratories and advanced specialised production facilities that develop devices and materials for novel applications in nanotechnology. Our focus on developing advanced process recipes to complement our etch and deposition platforms, combined with a focus on operational effectiveness, has helped deliver a significant improvement in the performance of the business. Our proprietary processes have helped us to win a number of orders into specialist production facilities for power semiconductors and the production of sensors. Our new hardware platforms are delivering the anticipated operational improvements and efficiencies through their increasing standardisation and modular design. We expect to see continuing interest from nanotechnology research with building interest in our solutions for atomic-scale processing of materials for power conversion and storage. We were pleased to receive the 'High Volume Manufacturing' award from the Compound Semiconductor industry recognising our development of SiC plasma etch processes, which are delivered through our PlasmaPro 100 Polaris system launched in the previous year.

NanoScience designs, manufactures and supports market-leading products that create unique environments and measurement solutions primarily for the physical science and quantum technology research community. Our portfolio includes ultra-low temperature cryogenic systems, specialised high field superconducting magnets and associated measurement solutions which are enabling the advances in quantum technologies, new materials and device development as well as fundamental research in the physical sciences. Demand for our specialist magnet systems remains strong, including installations into leading institutes across China, Europe and the US. In addition, increased investment in existing beamline facilities drove demand for high value, specialised superconducting magnet systems. In the year we made successful installations into several leading facilities including OakRidge National Laboratory in the US and the Rutherford Appleton Laboratory in the UK. We have benefited from the global increase of funding into quantum related technologies fuelled by quantum computing and quantum sensors in particular. This has driven increased demand across our cryogenic and related optical measurement solutions. Our market leading portfolio of cryogenic and measurement solutions are well positioned to benefit from the forecast increase in quantum funding initiatives across Europe, the US and China.

The ScientaOmicron joint venture created the largest player in the Ultra-High Vacuum surface science field. While the integration and ongoing restructuring continue, the business has been impacted by the subdued academic funding and slower than planned product launches. This is being addressed by more focused investment to address product gaps and a continued focus on driving operational efficiencies. The Group has a 47% share in the joint venture.

A loss before tax of £17.4 million (2016: profit of £9.0 million) for NanoTechnology Tools is after the impairment of non-current assets, amortisation of acquired intangibles and other adjusting items. Total impairment costs of £31.3 million relate to Asylum (£23.3 million) and ScientaOmicron (£8.0 million). Amortisation of acquired intangibles was £10.6 million. Other adjusting items comprise £0.8 million of charges relating to ScientaOmicron and acquisition related costs of £0.3 million.

Industrial Products

	2017 £m	2016 £m	Growth	Constant Currency Growth[1]
Revenue	**56.7**	54.0	5.0%	(7.0%)
Adjusted[2] Operating Profit	**1.7**	1.1		
Adjusted[2] Operating Margin	**3.0%**	2.0%		
Loss before tax after adjusting items	**(2.1)**	(3.1)		

[1]For definition refer to note on page 2 of highlights
[2]Details of adjusting items can be found in Note 1 of these Financial Statements

After the previously announced disposal of our Superconducting Wire business, Industrial Products comprises the X-ray Technology, Magnetic Resonance and Industrial Analysis businesses. Since the close of the year, we announced the agreed sale of our Industrial Analysis business to Hitachi High-Technologies in line with our Horizon strategy.

The sector experienced a stable performance given the continued challenging end market conditions driven by subdued oil and commodity prices and reduced steel production in China. The launch of new products, combined with improved efficiencies across this sector, maintained a stable performance from the Industrial portfolio.

Our X-ray Technology business supplies X-ray sources to leading OEM's for industry, research and medical applications including material composition analysis, real time medical imaging and analysis of multi-layer printed circuit boards. X-ray Technology made progress in the year despite challenging markets. While growth of traditional laboratory and ROHS-driven analysis markets have slowed, the imaging markets and industrial analysis markets are becoming an increasingly important part of our market focus. The consumer electronics, pcb inspection and oil and gas markets continued to be subdued. However, there was growth in medical imaging applications as demand for mini and micro CT, bone density and biopsy equipment increased, driven by trends in reduced footprint, portability and reduced patient dosage. Battery inspection is another increasing application area and we are further improving our products to provide enhanced offerings to this sector. The regulatory legislations that were expected in China to control metals in food and water have not yet materialised and represent potential future growth.

Our Magnetic Resonance business uses fundamental physical processes to provide essential information about the nature and behaviour of materials and products. We provide instruments to academic and industrial researchers that are simple to operate, providing essential information that relates directly to the performance of our customers' products. We continue to see interest in Pulsar, the highest resolution benchtop NMR spectrometer on the market. Pulsar is an affordable system that allows researchers to have their own NMR analyser in-house rather than having to go to high cost, low throughput specialist service laboratories.

Industrial Analysis designs and sells a range of spectrometers into a broad range of industrial markets. Our customers span global industries from metals, steel foundries and scrap recycling through to automotive, solar, petrochemicals, cement, recycling, and food and agriculture. The business reinforced its market positions through a number of key product launches across our Optical Emission Spectroscopy and Hand Held Analyser portfolio. For example, our recently launched Vulcan hand held laser induced breakdown spectroscopy analyser, offers portable analysis at lower cost and without ionising radiation. Vulcan has had a successful take up since launch and is targeted at quality control applications in general manufacturing as well as metals recycling. In the year we also added the 'Optimum' model to the FOUNDRY-MASTER range of compact optical emission spectrometers which provides unparalleled analytical performance for the entry level quality assurance, quality control and metal production applications.

A loss before tax of £2.1 million (2016: loss of £3.1 million) is after the impairment of non-current assets, amortisation of acquired intangibles and other adjusting items. Total impairment costs of £1.1 million relate to a write-down of superseded intellectual property within Industrial Analysis. Amortisation of acquired intangibles was £1.3 million. Other adjusting items comprise £0.2 million of restructuring charges and acquisition related costs of £1.2 million.

Service Sector

	2017 £m	2016 £m	Growth	Constant Currency Growth[1]
Revenue	**83.2**	78.4	6.1%	(7.1%)
Adjusted[2] Operating Profit	**15.2**	18.8		
Adjusted[2] Operating Margin	**18.3%**	24.0%		
Profit before tax after adjusting items	**1.7**	14.9		

[1]For definition refer to note on page 2 of highlights
[2]Details of adjusting items can be found in Note 1 of these Financial Statements

The Service sector comprises the Group's maintenance service contracts, billable repairs and spare part sales for Oxford Instruments' own products; and the service, sale and rental of refurbished third party MRI and CT machines under the OI Healthcare brand.

The improved profit and operational margin we saw from the servicing of our own products was unfortunately offset by a poor performance in our OI Healthcare business. The OI Healthcare business in the US, which offers refurbished imaging systems, mobile imaging solutions and maintenance services, was impacted by a change in the software licensing policy on second hand systems by one of the main system manufacturers and by the high level of activity in the comparative period. As a result, the number of refurbished systems sold in the year and revenue generated from leasing was significantly reduced. We are taking the necessary steps to improve sustainable profitability, including driving operational efficiencies and improving management capabilities in specific areas of focus.

A profit before tax of £1.7 million (2016: £14.9 million) is after the impairment of non-current assets, amortisation of acquired intangibles and other adjusting items. Total impairment costs of £11.2 million relate to OI Healthcare and amortisation of acquired intangibles was £1.9 million. Other adjusting items comprise £0.4 million of restructuring charges.

Finance Review

The Group had a stable performance in 2017 with total adjusted profit in line with expectations. Reported revenue grew by 9.0% to £348.5 million (2016: £319.7 million). Revenue, excluding currency effects, declined by 3.7%, with the movement in average currency exchange rates over the last year positively impacting reported revenue by £40.6 million. At the end of the year the Group's order book for future deliveries stood at £144.5 million (2016: £132.2 million), growth of 9.3% on a reported basis and 0.5% at constant currency.

Adjusted operating profit from continuing operations increased by 3.2% to £42.5 million (2016: £41.2 million). Adjusted operating profit from continuing operatons, excluding currency effects, declined by 5.8%. Adjusted operating margin from continuing operations declined by 70 basis points to 12.2% (2016: 12.9%), with a decline in Service margin more than offsetting an increase in the NanoTechnology Tools margin.

Adjusted profit before tax grew by 7.1% to £36.0 million (2016: £33.6 million). A pre-tax adjusted profit of £1.3 million from the Superconducting Wire business for the seven months of ownership, prior to its sale in November 2016, is included in discontinued operations. For the 12 months to March 2016 the Superconducting Wire business delivered an operating profit of £3.4 million. Including discontinued operations, the Group achieved reported adjusted profit before tax of £37.1 million (2016: £37.0 million).

Following a decline this year in financial performance from our US Healthcare and Asylum businesses we have concluded that our projections of future cash flows do not support the level of goodwill and intangibles held on the balance sheet. We have also made a small impairment of acquired intellectual property in Industrial Products and written down inefficient capitalised development costs on the Group's new ERP system. Consequently, goodwill and intangibles to the value of £37.8 million have been impaired. In addition, we have written down the carrying value of our investment in the ScientaOmicron joint venture by £8.0 million. The combined impairment of £45.8 million in non-current assets is a non-cash adjustment.

Non-recurring items and acquisition related costs were £3.1 million and the movement in the mark-to-market valuation of currency hedges for future years gave rise to a gain of £1.2 million.

Adjusted profit before tax from continuing operations of £36.0 million (2016: £33.6 million) represents a margin of 10.3% (2016: 10.5%). After the impairment of goodwill and intangible assets and other adjusting items, the Group recorded a loss before tax of £25.5 million from continuing operations (2016: profit of £9.7 million).

Continuing adjusted basic earnings per share grew by 5.5% to 47.8 pence (2016: 45.3 pence). Continuing earnings per share were a loss of 44.0 pence (2016: profit of 12.2 pence).

Operating cash flow (as defined in section 3.0) decreased by 14.4% to £39.7 million, primarily due to a planned reduction in payables compared to the previous year end. Adjusted operating cash (defined as adjusted EBITDA, less movement in working capital, capitalised development expenditure and capital expenditure) represents 86.1% (2016: 110.4%) of adjusted operating profit. Net debt decreased from £128.2 million to £109.3 million, representing a net debt to EBITDA ratio (for banking covenant purposes) of 2.1 times, comfortably within our banking covenant of 3.0 times.

During the year the Group disposed of its Superconducting Wire business and this has been treated as a discontinued operation in the financial statements. Accordingly, the numbers detailed in the Finance Review exclude the results of Superconducting Wire in both the current and prior periods.

Adjusted operating profit is stated before impairment and amortisation of goodwill and acquired intangibles, non-recurring items and acquisition-related costs, and the mark-to market valuation of unexpired currency hedges, as set out in note 1 to the financial statements.

1. Income statement

The Group's income statement is summarised below.

Table 1: Income statement

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m	Change
Revenue	**348.5**	319.7	+9.0%
Adjusted gross profit	**181.7**	155.5	+16.8%
Administrative expenses	**(139.2)**	(114.3)	
Adjusted operating profit	**42.5**	41.2	+3.2%
Net finance costs	**(6.5)**	(7.6)	
Adjusted profit before tax	**36.0**	33.6	+7.1%
Amortisation of acquired intangibles	**(13.8)**	(16.7)	
Impairment of goodwill and intangibles	**(37.8)**	-	
Impairment of investment of associate	**(8.0)**	-	
Non-recurring items and acquisition-related costs	**(3.1)**	(4.5)	
Mark-to-market of currency hedges	**1.2**	(2.7)	
(Loss)/profit before tax	**(25.5)**	9.7	
Tax from continuing operations	**0.4**	(2.7)	
(Loss)/profit for the period from continuing operations	**(25.1)**	7.0	
Adjusted effective tax rate[1]	**24.1%**	22.9%	
Continuing adj. earnings per share – basic	**47.8p**	45.3p	+5.5%
Earnings per share – basic	**(44.0)p**	12.2p	
Continuing adj. earnings per share – diluted	**47.7p**	45.2p	+5.5%
Earnings per share – diluted	**(44.0)p**	12.3p	
Dividend per share	**13.0p**	13.0p	

[1] The adjusted effective tax rate is calculated excluding impairment of non-current assets, amortisation on acquired intangibles, non-recurring items and acquisition related costs and the mark-to-market of financial derivatives

1.1 Revenue

Reported revenue of £348.5 million (2016: £319.7 million) increased by 9.0%. NanoTechnology Tools grew by 11.4%, Industrial Products by 5.0% and Service, 6.1%.
The depreciation of Sterling against the US Dollar, Euro and Japanese Yen has increased reported revenue by £40.6 million. Revenue growth, excluding currency effects, showed a decline of 3.7%, with NanoTechnology Tools falling by 1.2%, Industrial Products by 7.0% and Service by 7.1%.

At constant currency, revenue grew by 7.2% in Asia, with strong growth in China. Revenue in Europe, North America and Rest of World declined by 5.9%, 12.0% and 28.2% respectively.

The transfer of our Omicron business into a joint venture, ScientaOmicron, led to a reduction in revenue of £2.0 million compared to the comparative period as under equity accounting we no longer consolidate the joint venture's revenue.

1.2 Gross profit

Adjusted gross profit grew by 16.8% to £181.7 million (2016: £155.5 million), representing an adjusted gross profit margin of 52.1%, an increase of 350 basis points over last year.

1.3 Operating profit

Adjusted operating profit increased by 3.2% to £42.5 million (2016: £41.2 million), representing an adjusted operating profit margin of 12.2%, a decrease of 70 basis points against last year. The NanoTechnology Tools margin rose by 90 basis points to 12.3% (2016: 11.4%) and the Industrial Products margin rose by 100 basis points to 3.0% (2016: 2.0%). Lower US Healthcare revenue, due to a large fall in equipment sales, led to a fall in Service margin to 18.3% (2016: 24.0%). Adjusted operating profit includes realised losses on the maturity of currency hedges resulting from the devaluation of Sterling against the US Dollar, Euro and Japanese Yen since the inception of the hedges.

Our share of the ScientaOmicron joint venture showed an adjusted loss of £0.8 million in the period, an improvement of £1.0 million against the comparative period (which includes 10 months when the joint venture was in operation and two months when Omicron was a fully owned subsidiary of the Group) but below the financial performance envisaged in the investment case. Our share of the ScientaOmicron joint venture loss was £1.4 million after our share of restructuring costs.

Currency effects (including the impact of transactional currency hedging) have increased reported adjusted operating profit by £3.7 million when compared to blended hedged exchange rates for the comparative period, blended hedged exchange rates for the US Dollar, Euro and Japanese Yen against Sterling are all at stronger rates than last year.

At constant currency the adjusted operating profit margin was 12.6%, a decline of 30 basis points.

Operating profit was a loss of £20.0 million (2016: profit of £20.8 million), reflecting an impairment of non-current assets of £45.8 million, amortisation of acquired intangibles of £13.8 million and non-financial net adjusting costs of £2.9 million.

1.4 Adjusting items

Amortisation of acquired intangibles of £13.8 million relates to intangible assets identified on acquisitions, being the value of technology, customer relationships and brands.

During the year the financial performance of our Healthcare business in the US deteriorated with business operating profit falling significantly from last year's level. Performance has been impacted by a lower level of sales of refurbished imaging systems compared to the previous year, which we expect to continue. This has been driven by both a particularly high level of activity in the prior year but also a change in software licensing policy by one of the large original equipment manufacturers. We have revised our financial projections for the business, consistent with a new strategy and the actions and time required to improve profitability and operational efficiency. We concluded that goodwill and acquired intangible assets of £11.2 million could no longer be supported by projected cash flows, resulting in an impairment of the same.

During the year the financial performance of our Asylum business deteriorated with the business performing below our expectations. Performance has been impacted by a slowdown in academic funding in US and European markets, resulting in a contraction in the overall scanning probe microscopy market, compounded by delays in new product launches. We have revised our financial projections for the business in light of the trading environment, and planned launch dates of new products. We concluded that goodwill of £22.6 million (of which £10.9 million was apportioned goodwill from the Andor acquisition) could no longer be supported by projected cash flows, resulting in an impairment of the same.

Within our Industrial Analysis division we have impaired acquired intellectual property valued at £1.1 million that has been superseded by new product development. The write-down of intangible assets also incorporates a £2.2 million charge for inefficient capitalised costs against the Group's new ERP system and a charge of £0.7 million for the impairment of capitalised development costs in Asylum that had been made at the half year.

An impairment charge of £8.0 million relating to our investment in ScientaOmicron is a consequence of the 2016 financial performance and lower projected cash flows. This has resulted in a reassessment of the joint venture's expected future business performance and the actions and time required to improve profitability and operational efficiency.

Other net non-recurring costs and acquisition related items during the period were £3.1 million. These comprise £1.5 million of professional fees relating to the sale of Superconducting Wire and the impending sale of Industrial Analysis and £1.6 million of restructuring and charges relating to the ScientaOmicron venture.

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 the financial year hedging instruments to cover 75% of its forecast transactional exposure for that year. 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 derivatives in respect of the next financial year are disclosed in the Income Statement as financial expenditure and excluded from our calculation of adjusted profit before tax.

The mark to market gain in respect of derivative financial instruments was £1.2 million (2016: £2.7 million loss). This reflects a reduction in the fair value liability on currency derivatives that are hedging future transactional currency exposures for the Group compared to the previous year end. The un-crystallised balance sheet liability is attributable to a fall in the value of Sterling at the balance sheet date against the US Dollar, Euro and Japanese Yen, against a blended rate achieved on hedges in place for the 2017/18 financial year.

1.5 Net finance costs

The Group's adjusted net finance costs fell by £1.1 million to £6.5 million (2016: £7.6 million) with finance charges falling by £0.3 million to £5.6 million, pension financing charges falling by £0.6 million to £1.1 million and financial income rising to £0.2 million.

Total net finance charges were £5.5 million reflecting the unwind of discount in respect of contingent consideration and mark-to-market movements in respect of derivative financial instruments.

1.6 Profit before tax

Continuing adjusted profit before tax increased by 7.1% to £36.0 million (2016: £33.6 million). The continuing adjusted profit before tax margin decreased by 20 basis points to 10.3% (2016: 10.5%).

A loss before tax of £25.5 million (2016: profit of £9.7 million) is after the impairment of goodwill and acquired intangibles and other adjusting items.

1.7 Tax

The adjusted tax charge of £8.7 million (2016: £7.7 million) represents an effective tax rate of 24.1% (2016: 22.9%). The increase is primarily due to a reduction in deferred tax assets (excluding deferred tax on adjusted items) recognised in the US and an increase in specific tax provisions.

The statutory effective tax rate is 1.5%, lower than would be expected due to some impairment charges not deductible for tax purposes.

1.8 Earnings per share

Continuing adjusted basic earnings per share and adjusted diluted earnings per share, before adjusting items, both increased by 5.5% to 47.8 pence and 47.7 pence respectively. Continuing basic and diluted earnings per share both decreased to a loss of 44.0 pence.

Undiluted weighted average shares have stayed flat at 57.1 million.

1.9 Foreign Exchange

The Group faces transactional and translational currency exposure, most notably against the US Dollar, Euro and Japanese Yen. For the full year, approximately 12% of Group revenue was denominated in Sterling, 54% in US Dollars, 19% in Euros, 10% in Japanese Yen and 5% in other currencies. Translational exposures arise on the consolidation of overseas company results into Sterling. Transactional exposures arise where the currency of sale or purchase transactions differs from the functional currency in which each company prepares its local accounts.

The Group maintains a hedging programme against its net transactional exposure using internal projections of expected currency trading transactions expected to arise over a period extending from 12 to 24 months. As at 31 March 2017 the Group had currency hedges in place extending up to 12 months forward.

2. Dividend

The Group's policy is to increase the dividend each year in line with the increase in underlying earnings. However, taking into account the impact on the Group of business disposals, currency effects and our progressive strengthening of the balance sheet, the Board has proposed to hold the dividend at last year's level. This results in a final dividend of 9.3 pence, bringing the total dividend for the year to 13.0 pence. The final dividend will be paid, subject to shareholder approval, on 19 October 2017 to shareholders on the register as at 22 September 2017.

3. Cash flow

The Group cash flow is summarised below. Adjusted operating cash flow excludes rental assets held for resale and profits or losses on dispoal of fixed assets, both of which are included within expenditure on tangible and intangible assets.

Table 2: Cash flow

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Adjusted operating profit	**42.5**	41.2
Depreciation and amortisation	**10.5**	9.4
Adjusted EBITDA	**53.0**	50.6
Working capital movement	**(4.4)**	8.4
Non-recurring items and acquisition related costs	**(3.3)**	(6.5)
Pension scheme payments above charge to op. profit	**(6.9)**	(6.7)
Equity settled share schemes	**0.5**	0.4
Share of loss of associate	**0.8**	0.2
Adjusted operating cash flow	**39.7**	46.4
Interest	**(5.0)**	(5.6)
Tax	**(2.1)**	(3.5)
Capitalised development expenditure	**(7.9)**	(8.2)
Expenditure on tangible and intangible assets	**(4.1)**	(5.3)
Acquisition of subsidiaries, net of cash acquired	**(9.8)**	(27.1)
Proceeds from sale of subsidiary undertaking	**12.2**	0.6
Increase in long-term receivables	**-**	(3.0)
Dividends paid	**(7.4)**	(7.6)
Decrease/(increase) in borrowings	**(12.8)**	4.6
Net increase/(decrease) in cash and cash equivalents from continuing operations	**2.8**	(8.7)

Note: Adjusted EBITDA is earnings before interest, tax, depreciation, intangible amortisation, mark-to-market of financial derivatives and other non-cash adjusting items

3.1 Adjusted operating Cash Flow

Adjusted operating cash flow in the year decreased by 14.4% to £39.7 million (2016: £46.4 million). Adjusted operating cash (defined as adjusted EBITDA, less movement in working capital, capitalised development expenditure and capital expenditure) represents 86.1% (2016: 110.4%) of adjusted operating profit due to an outflow of working capital over the period.

The working capital outflow of £4.4 million reflects an increase in inventories of £1.5 million, a decrease in receivables of £0.6 million and a decrease in payables of £3.5 million. The increase in inventories primarily reflects a build up of refurbished imaging system inventory prior to sale or rental. We have experienced a planned reduction in payables as we move to a smoother phasing of payments compared to the previous year end.

3.2 Interest

Net interest paid was £5.0 million (2016: £5.6 million). The difference from last year is primarily due to lower financing costs arising from a lower level of average net debt compared to the comparative period.

3.3 Tax

Tax paid was £2.1 million (2016: £3.5 million), the reduction reflecting utilisation of brought forward tax losses in Germany and the UK. Losses in Germany arose from the Omicron business while losses in the UK related to restructuring costs and the roll forward of R&D credits.

3.4 Investment in research and development (R&D)

Total cash spend on R&D in the year was £30.3 million, equivalent to 8.7% of sales, (2016: £28.3 million, 8.9% of sales). A reconciliation between the amounts charged to the Income Statement and the cash spent is given below:

Table 3: Investment in research and development (R&D)

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
R&D expense charged to the Income Statement	**27.8**	23.6
Depreciation of R&D related fixed assets	**(0.1)**	(0.8)
Amounts capitalised as fixed assets	**0.2**	1.2
Amortisation and impairment of R&D costs capitalised as intangibles	**(5.5)**	(3.9)
Amounts capitalised as intangible assets	**7.9**	8.2
Total cash spent on R&D during the year	**30.3**	28.3

4 Acquisitions and Disposals

In the first half of the year acquisition payments comprised US$ 10.1 million (£6.5 million) for the final deferred consideration on Medical Imaging Resources, Inc (‘MIR’) and £0.3 million attributable to the purchase of Asylum Research Corporation (‘Asylum’). In the second half of the year £3.0 million was paid for deferred consideration on an inherited Andor earn-out.

The Superconducting Wire business was sold on 17 November 2016 for US$ 17.5 million (£14.2 million). Cash proceeds of £12.2 million reflect deferred consideration and cash transferred on disposal.

5 Net debt and funding

5.1 Net debt

Net debt decreased in the period from £128.2 million to £109.3 million. Operating cash flow was £39.7 million. Expenditure of £9.8 million relates to deferred consideration payable for MIR, Asylum and financial commitments made by Andor prior to acquisition. Disposal proceeds of £12.2 million relate to the sale of Superconducting Wire. The Group invested in tangible and intangible assets of £4.1 million and capitalised development costs of £7.9 million.

Table 4: Movement in net debt

	£m
Net debt as at 31 March 2016	**128.2**
Operating cash flow	(39.7)
Interest	5.0
Tax	2.1
Capital expenditure on tangible and intangible assets	4.1
Capitalised development expenditure	7.9
Acquisitions, net of cash acquired and loan to associate	9.8
Proceeds from sale of subsidiary undertaking	(12.2)
Dividends paid	7.4
Other items	(3.3)
Net debt as at 31 March 2017	**109.3**

5.2 Funding

The Group has in place an unsecured multi-currency revolving facility agreement which is committed until February 2020. The facility has been entered into with a group of 3 banks and comprises a Sterling denominated multi-currency facility of £100 million and a US Dollar denominated multi-currency facility of $37.0 million.

The Group has also issued a bilateral private placement note of £44.5 million, which matures in 2021 and a £25.0 million amortising fixed rate loan from the European Investment Bank that matures in 2020. In addition, the Group has uncommitted facilities of £20.0 million.

Debt covenants are net debt to EBITDA less than 3.0 times and EBITDA to interest greater than 4.0 times. As at 31 March 2017 net debt to EBITDA was at 2.1 times and EBITDA to interest was 9.5 times, both comfortably within our banking covenants.

6 Pensions

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

At 31 March 2017, the net liability arising from our defined benefit scheme obligations was £25.1 million (2016: £35.0 million), a fall of £9.9 million. The reduction in the deficit was due to a fall in the discount rate which was offset by a reduction in inflation and mortality projections rates combined with deficit recovery contributions. Total scheme assets at 31 March 2017 were £287.9 million (2016: £239.5 million) while liabilities were £313.0 million (2016: £274.5 million).

The annual deficit recovery payment to the UK scheme was £6.9 million for the financial year, payable through to and including 2021. For the years up to and including 2018, the payment will rise by the higher of inflation and growth in dividend per share; thereafter, the payment will increase in line with inflation.

7 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 the 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 enquires, that the Group has adequate resources to continue in operational existence for the foreseeable future.

8 Forward-Looking Statements

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

Gavin Hill
Group Finance Director
13 June 2017

Consolidated Statement of Income

year ended 31 March 2017

	Notes	Adjusted* £m	Adjusting items* £m	Total £m
Revenue	3	**348.5**	**—**	**348.5**
Cost of sales		**(166.8)**	**—**	**(166.8)**
Gross profit		**181.7**	**—**	**181.7**
Research and development	4	**(27.1)**	**(0.7)**	**(27.8)**
Selling and marketing		**(66.3)**	**—**	**(66.3)**
Administration and shared services		**(32.9)**	**(53.4)**	**(86.3)**
Share of loss of associate, net of tax	6	**(0.8)**	**(8.4)**	**(9.2)**
Other operating income		**—**	**—**	**—**
Foreign exchange		**(12.1)**	**—**	**(12.1)**
Operating profit/(loss)		**42.5**	**(62.5)**	**(20.0)**
Other financial income		**0.2**	**1.2**	**1.4**
Financial income		**0.2**	**1.2**	**1.4**
Interest charge on pension scheme net liabilities		**(1.1)**	**—**	**(1.1)**
Other financial expenditure		**(5.6)**	**(0.2)**	**(5.8)**
Financial expenditure		**(6.7)**	**(0.2)**	**(6.9)**
Profit/(loss) before income tax		**36.0**	**(61.5)**	**(25.5)**
Income tax (expense)/credit	8	**(8.7)**	**9.1**	**0.4**
Profit/(loss) for the year from continuing operations		**27.3**	**(52.4)**	**(25.1)**
Profit from discontinued operations after tax	7	**0.7**	**4.1**	**4.8**
Profit/(loss) for the year attributable to equity Shareholders of the parent		**28.0**	**(48.3)**	**(20.3)**

	Notes	pence		pence
Earnings per share				
Basic earnings per share	2			
From continuing operations		**47.8**		**(44.0)**
From discontinued operations		**1.2**		**8.4**
From profit/(loss) for the year		**49.0**		**(35.6)**
Diluted earnings per share	2			
From continuing operations		**47.7**		**(44.0)**
From discontinued operations		**1.2**		**8.4**
From profit/(loss) for the year		**48.9**		**(35.6)**
Dividends per share				
Dividends paid	9			**13.0**
Dividends proposed	9			**13.0**

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

The attached notes form part of the Financial Statements.

Consolidated Statement of Income

year ended 31 March 2016

	Notes	Adjusted* £m	Adjusting items* £m	Total £m
Revenue	3	319.7	—	319.7
Cost of sales		(164.2)	(1.0)	(165.2)
Gross profit		155.5	(1.0)	154.5
Research and development	4	(23.6)	—	(23.6)
Selling and marketing		(59.4)	—	(59.4)
Administration and shared services		(31.8)	(23.0)	(54.8)
Share of loss of associate, net of tax	6	(0.2)	(1.3)	(1.5)
Other operating income		—	4.9	4.9
Foreign exchange		0.7	—	0.7
Operating profit/(loss)		41.2	(20.4)	20.8
Other financial income		—	—	—
Financial income		—	—	—
Interest charge on pension scheme net liabilities		(1.7)	—	(1.7)
Other financial expenditure		(5.9)	(3.5)	(9.4)
Financial expenditure		(7.6)	(3.5)	(11.1)
Profit/(loss) before income tax		33.6	(23.9)	9.7
Income tax (expense)/credit	8	(7.7)	5.0	(2.7)
Profit/(loss) for the year from continuing operations		25.9	(18.9)	7.0
Profit/(loss) from discontinued operations after tax	7	1.9	(1.9)	—
Profit/(loss) for the year attributable to equity Shareholders of the parent		27.8	(20.8)	7.0

		pence	pence
Earnings per share			
Basic earnings per share	2		
From continuing operations		45.3	12.2
From discontinued operations		3.4	—
From profit for the year		48.7	12.2
Diluted earnings per share	2		
From continuing operations		45.2	12.3
From discontinued operations		3.4	—
From profit for the year		48.6	12.3
Dividends per share			
Dividends paid	9		13.0
Dividends proposed	9		13.0

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

Consolidated Statement of Comprehensive Income

year ended 31 March 2017

	Notes	**2017 £m**	2016 £m
(Loss)/profit for the year		**(20.3)**	7.0
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss			
Gain/(loss) on effective portion of changes in fair value of cash flow hedges, net of amounts recycled		**0.1**	(0.1)
Foreign exchange translation differences		**18.8**	5.6
Net cumulative foreign exchange (gain)/loss on disposal of subsidiaries recycled to the Income Statement		**(5.7)**	1.2
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain in respect of post-retirement benefits		**4.4**	13.6
Tax on items that will not be reclassified to profit or loss	8	**(0.9)**	(2.6)
Total other comprehensive income		**16.7**	17.7
Total comprehensive (expense)/income for the year attributable to equity Shareholders of the parent		**(3.6)**	24.7

Consolidated Statement of Financial Position

as at 31 March 2017

	2017 £m	2016 £m
Assets		
Non-current assets		
Property, plant and equipment	**32.5**	35.2
Intangible assets	**181.0**	220.8
Investment in associate	**3.9**	13.1
Long-term receivables	**3.6**	3.4
Deferred tax assets	**26.0**	19.0
	247.0	291.5
Current assets		
Inventories	**53.9**	61.1
Trade and other receivables	**81.1**	77.5
Current income tax recoverable	**4.2**	2.7
Derivative financial instruments	**0.6**	1.5
Cash and cash equivalents	**27.2**	21.8
	167.0	164.6
Total assets	**414.0**	456.1
Equity		
Capital and reserves attributable to the Company's equity Shareholders		
Share capital	**2.9**	2.9
Share premium	**61.5**	61.5
Other reserves	**0.2**	0.1
Translation reserve	**22.8**	9.7
Retained earnings	**45.1**	68.8
	132.5	143.0
Liabilities		
Non-current liabilities		
Bank loans and overdrafts	**129.6**	147.0
Retirement benefit obligations	**25.1**	35.0
Deferred tax liabilities	**5.6**	5.7
	160.3	187.7
Current liabilities		
Bank loans and overdrafts	**6.9**	3.0
Trade and other payables	**93.0**	102.4
Current income tax payables	**6.5**	2.1
Derivative financial instruments	**5.0**	5.8
Provisions	**9.8**	12.1
	121.2	125.4
Total liabilities	**281.5**	313.1
Total liabilities and equity	**414.0**	456.1

The Financial Statements were approved by the Board of Directors on 13 June 2017 and signed on its behalf by:

Ian Barkshire — ***Director***

Gavin Hill — ***Director***

Company Number: 775598

Consolidated Statement of Changes in Equity

year ended 31 March 2017

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2016	**2.9**	**61.5**	**0.1**	**9.7**	**68.8**	**143.0**
Total comprehensive income/(expense):						
Loss for the year	—	—	—	—	**(20.3)**	**(20.3)**
Other comprehensive income:						
– Foreign exchange translation differences	—	—	—	**18.8**	—	**18.8**
– Net foreign exchange gain on disposal of subsidiaries recycled to the Income Statement	—	—	—	**(5.7)**	—	**(5.7)**
– Gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	—	—	**0.1**	—	—	**0.1**
– Remeasurement gain in respect of post-retirement benefits	—	—	—	—	**4.4**	**4.4**
– Tax on items recognised directly in other comprehensive income	—	—	—	—	**(0.9)**	**(0.9)**
Total comprehensive income/(expense) attributable to equity Shareholders of the parent	—	—	**0.1**	**13.1**	**(16.8)**	**(3.6)**
Transactions with owners recorded directly in equity:						
– Charge in respect of employee service costs settled by award of share options	—	—	—	—	**0.5**	**0.5**
– Dividends paid	—	—	—	—	**(7.4)**	**(7.4)**
Total transactions with owners recorded directly in equity	—	—	—	—	**(6.9)**	**(6.9)**
Balance at 31 March 2017	**2.9**	**61.5**	**0.2**	**22.8**	**45.1**	**132.5**

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

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

The Group holds 183,145 (2016: 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 2016

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2015	**2.9**	**61.5**	**0.2**	**2.9**	**58.0**	**125.5**
Total comprehensive income/(expense):						
Profit for the year	—	—	—	—	7.0	7.0
Other comprehensive income:						
– Foreign exchange translation differences	—	—	—	5.6	—	5.6
– Net foreign exchange loss on disposal of subsidiaries recycled to the Income Statement	—	—	—	1.2	—	1.2
– Loss on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	—	—	(0.1)	—	—	(0.1)
– Remeasurement gain in respect of post-retirement benefits	—	—	—	—	13.6	13.6
– Tax on items recognised directly in other comprehensive income	—	—	—	—	(2.6)	(2.6)
Total comprehensive income/(expense) attributable to equity Shareholders of the parent	—	—	(0.1)	6.8	18.0	24.7
Transactions with owners recorded directly in equity:						
– Charge in respect of employee service costs settled by award of share options	—	—	—	—	0.4	0.4
– Dividends paid	—	—	—	—	(7.6)	(7.6)
Total transactions with owners recorded directly in equity	**—**	**—**	**—**	**—**	**(7.2)**	**(7.2)**
Balance at 31 March 2016	**2.9**	**61.5**	**0.1**	**9.7**	**68.8**	**143.0**

Consolidated Statement of Cash Flows year ended 31 March 2017

	2016 £m	2015 £m
(Loss)/profit for the year from continuing operations	**(25.1)**	7.0
Adjustments for:		
Income tax expense	**(0.4)**	2.7
Net financial expense	**5.5**	11.1
Acquisition related fair value adjustments to inventory	**—**	0.2
Acquisition related fair value adjustments to property, plant and equipment	**—**	0.8
Acquisition related costs	**1.5**	2.5
Restructuring costs	**0.6**	2.9
Restructuring costs – relating to associate	**0.4**	1.3
Impairment of capitalised development costs	**0.7**	—
Loss on disposal of subsidiary	**0.4**	0.9
Contingent consideration deemed no longer payable	**—**	(4.9)
Impairment of investment in associate	**8.0**	—
Amortisation and impairment of acquired intangibles	**48.7**	16.7
One off impairment of capitalised intangible software costs	**2.2**	—
Depreciation of property, plant and equipment	**5.7**	5.5
Amortisation of capitalised development costs	**4.8**	3.9
Adjusted earnings before interest, tax, depreciation and amortisation	**53.0**	50.6
Loss on disposal of property, plant and equipment	**0.5**	0.1
Cost of equity settled employee share schemes	**0.5**	0.4
Share of loss from associate	**0.8**	0.2
Acquisition related costs paid	**(1.2)**	(1.8)
Restructuring costs paid	**(1.3)**	(4.7)
Foreign currency loss on intra-group dividends	**(0.8)**	—
Cash payments to the pension scheme more than the charge to operating profit	**(6.9)**	(6.7)
Operating cash flows before movements in working capital	**44.6**	38.1
(Increase)/decrease in inventories	**(1.5)**	1.1
Decrease in receivables	**0.6**	7.4
(Decrease)/increase in payables and provisions	**(4.5)**	2.2
Increase/(decrease) in customer deposits	**1.0**	(2.3)
Purchase of rental assets held for subsequent sale	**(1.0)**	(3.0)
Cash generated from operations	**39.2**	43.5
Interest paid	**(5.0)**	(5.6)
Income taxes paid	**(2.1)**	(3.5)
Net cash from operating activities	**32.1**	34.4
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	**(9.8)**	(27.1)
Acquisition of property, plant and equipment	**(3.5)**	(2.2)
Acquisition of intangible assets	**(0.1)**	(0.2)
Net cash flow on disposal of subsidiary	**12.2**	0.6
Capitalised development expenditure	**(7.9)**	(8.2)
Net cash used in investing activities	**(9.1)**	(37.1)
Cash flows from financing activities		
Increase in long-term receivables	**—**	(3.0)
(Decrease)/increase in borrowings	**(12.8)**	4.6
Dividends paid	**(7.4)**	(7.6)
Net cash from financing activities	**(20.2)**	(6.0)
Net increase/(decrease) in cash and cash equivalents from continuing operations	**2.8**	(8.7)
Increase in cash from discontinued operations	**1.4**	4.9
Cash and cash equivalents at beginning of the year	**20.4**	25.1
Effect of exchange rate fluctuations on cash held	**1.9**	(0.9)
Cash and cash equivalents at end of the year	**26.5**	20.4

Reconciliation of changes in cash and cash equivalents to movement in net debt		
Increase/(decrease) in cash and cash equivalents	**4.2**	(3.8)
Effect of foreign exchange rate changes on cash and cash equivalents	**1.9**	(0.9)
	6.1	(4.7)
Cash outflow/(inflow) from decrease/increase in debt	**12.8**	(4.6)
Movement in net debt in the year	**18.9**	(9.3)
Net debt at start of the year	**(128.2)**	(118.9)
Net debt at the end of the year	**(109.3)**	(128.2)

Notes to the Financial Statements

year ended 31 March 2017

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 from continuing operations

	2017 Operating (loss)/profit £m	**2017 (Loss)/profit before income tax £m**	2016 Operating profit £m	2016 Profit before income tax £m
Statutory measure from continuing operations	**(20.0)**	**(25.5)**	20.8	9.7
Reversal of acquisition related fair value adjustments to inventory	**—**	**—**	0.2	0.2
Reversal of acquisition related fair value adjustments to property, plant and equipment	**—**	**—**	0.8	0.8
Acquisition related costs	**1.5**	**1.5**	2.5	2.5
Restructuring costs	**0.6**	**0.6**	2.9	2.9
Restructuring costs – relating to associate	**0.4**	**0.4**	1.3	1.3
Loss on disposal of subsidiary	**0.4**	**0.4**	0.9	0.9
Contingent consideration deemed no longer payable	**—**	**—**	(4.9)	(4.9)
Unwind of discount in respect of contingent consideration and acquisition related accruals	**—**	**0.2**	—	0.8
Non-recurring and acquisition related items	**2.9**	**3.1**	3.7	4.5
Impairment of acquired intangibles	**34.9**	**34.9**	—	—
Impairment of investment in associate	**8.0**	**8.0**	—	—
Impairment of capitalised development costs	**0.7**	**0.7**	—	—
Impairment of capitalised software costs	**2.2**	**2.2**	—	—
Amortisation and impairment of acquired intangibles	**13.8**	**13.8**	16.7	16.7
Mark to market (gain)/loss in respect of derivative financial instruments	—	**(1.2)**	—	2.7
Adjusted measure from continuing operations	**42.5**	**36.0**	41.2	33.6
Share of taxation	—	**(8.7)**	—	(7.7)
Adjusted profit for the year from continuing operations	—	**27.3**	—	25.9

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

Restructuring costs comprise one-off costs in respect of the cost reduction programme which began in March 2015. Restructuring costs relating to the Group's associate relate to exceptional costs incurred by the associate arising from the merger of the Scienta and Omicron businesses.

During the year the Group settled various claims totalling £0.4m relating to the disposal of its Omicron business in the prior year. In the prior year the Group made a loss on disposal of £0.9m in respect of the disposal on Omicron.

In order to assist with comparability between peers, adjusted profit excludes the non-cash amortisation and impairment of acquired intangible assets and goodwill and the unwind of discounts in respect of contingent consideration relating to business combinations.

During the year the Group recognised an impairment of £8.0m relating to its equity accounted associate investment. See note 7 for further details

The one off impairment of capitalised development costs relates to a specific internal systems project that has been stopped as the Group focuses and directs resources so as to accelerate key projects.

The one off impairment of capitalised software costs has been carried out following a reassessment of the future value expected to be derived from internally developed software.

The Group reports ineffectiveness of its hedging as an adjusting item. In the current year this includes losses on certain contracts relating to the hedging of the Japanese Yen which were not required for ordinary trading and which were re-allocated for use against the remittance of net income of the Group's Japan operations. Additionally, 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 the prior year:-

- the reversal of acquisition related fair value adjustments to inventory and property, plant and equipment were 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.
- £4.9m was released relating to contingent consideration on the acquisition of Asylum Research Corporation following the end of the earnout period.

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.

	2017 £m	2016 £m
Basic (loss)/earnings from continuing operations	**(25.1)**	7.0
Basic earnings from discontinued operations	**4.8**	—
Basic (loss)/earnings	**(20.3)**	7.0
Adjusted earnings *(Note 1)*	**28.0**	27.8
Weighted average number of shares	**57.1**	57.1

	pence	pence
Basic (loss)/earnings per share from continuing operations	**(44.0)**	12.2
Basic earnings per share from discontinued operations	**8.4**	—
Basic (loss)/earnings per share	**(35.6)**	12.2
Adjusted earnings per share	**49.0**	48.6

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

	2017 Shares million	2016 Shares million
Weighted average number of shares outstanding	**57.3**	57.3
Less shares held by Employee Share Ownership Trust	**(0.2)**	(0.2)
Weighted average number of shares used in calculation of basic earnings per share	**57.1**	57.1

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

	2017 Shares million	2016 Shares million
Weighted average number of ordinary shares per basic earnings per share calculations	**57.1**	57.1
Effect of shares under option	**0.1**	0.1
Weighted average number of ordinary shares per diluted earnings per share calculations	**57.2**	57.2

Adjusted diluted earnings per share has been calculated in a manner consistent with previous periods.

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 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, rental and refurbished asset sales 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.

a) Analysis by business

Results from continuing operations Year to 31 March 2017	**NanoTechnology Tools £m**	**Industrial Products £m**	**Service £m**	**Total £m**
External revenue	**208.6**	**56.7**	**83.2**	**348.5**
Inter-segment revenue	**0.1**	**—**	**—**	
Total segment revenue	**208.7**	**56.7**	**83.2**	
Segment adjusted operating profit from continuing operations	**25.6**	**1.7**	**15.2**	**42.5**

Results from continuing operations Year to 31 March 2016	**NanoTechnology Tools £m**	**Industrial Products £m**	**Service £m**	**Total £m**
External revenue	187.3	54.0	78.4	319.7
Inter-segment revenue	0.1	—	—	
Total segment revenue	187.4	54.0	78.4	
Segment adjusted operating profit from continuing operations	21.3	1.1	18.8	41.2

The adjusted loss after tax of £0.8m (2016: £0.2m) from the Group's associate is reported within the NanoTechnology Tools segment.

Included in the Service sector is revenue from equipment sales of £5.6m (2016: £13.8m) and from equipment leasing of £9.0m (2016: £8.1m) .

Reconciliation of reportable segment profit

Year to 31 March 2017	NanoTechnology Tools £m	Industrial Products £m	Service £m	Unallocated Group items £m	Total £m
Adjusted profit for reportable segments from continuing operations	**25.6**	**1.7**	**15.2**	—	**42.5**
Acquisition related costs	**(0.3)**	**(1.2)**	—	—	**(1.5)**
Restructuring costs	—	**(0.2)**	**(0.4)**	—	**(0.6)**
Restructuring costs – relating to associate	**(0.4)**	—	—	—	**(0.4)**
Impairment of capitalised development costs	**(0.7)**	—	—	—	**(0.7)**
Loss on disposal of subsidiary	**(0.4)**	—	—	—	**(0.4)**
Impairment of investment in associate	**(8.0)**	—	—	—	**(8.0)**
Impairment of capitalised software costs	—	—	—	**(2.2)**	**(2.2)**
Amortisation of acquired intangibles	**(10.6)**	**(1.3)**	**(1.9)**	—	**(13.8)**
Impairment of acquired intangibles	**(22.6)**	**(1.1)**	**(11.2)**	—	**(34.9)**
Financial income	—	—	—	**1.4**	**1.4**
Financial expenditure	—	—	—	**(6.9)**	**(6.9)**
(Loss)/profit before income tax on continuing operations	**(17.4)**	**(2.1)**	**1.7**	**(7.7)**	**(25.5)**

Year to 31 March 2016	NanoTechnology Tools £m	Industrial Products £m	Service £m	Unallocated Group items £m	Total £m
Adjusted profit for reportable segments from continuing operations	21.3	1.1	18.8	—	41.2
Reversal of acquisition related fair value adjustments to inventory	—	—	(0.2)	—	(0.2)
Reversal of acquisition related fair value adjustments to property, plant and equipment	—	—	(0.8)	—	(0.8)
Acquisition related costs	(1.7)	(0.1)	(0.7)	—	(2.5)
Restructuring costs	(2.5)	(0.1)	(0.3)	—	(2.9)
Restructuring costs – relating to associate	(1.3)	—	—	—	(1.3)
Loss on disposal of subsidiary	(0.9)	—	—	—	(0.9)
Contingent consideration deemed no longer payable	4.9	—	—	—	4.9
Amortisation of acquired intangibles	(10.8)	(4.0)	(1.9)	—	(16.7)
Financial income	—	—	—	—	—
Financial expenditure	—	—	—	(11.1)	(11.1)
Profit/(loss) before income tax on continuing operations	9.0	(3.1)	14.9	(11.1)	9.7

4 Research and development (R&D)

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

	2017			2016		
	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	**21.0**	**6.8**	**27.8**	17.6	6.0	23.6
Less: depreciation of R&D related fixed assets	**(0.1)**	**—**	**(0.1)**	—	(0.8)	(0.8)
Add: amounts capitalised as fixed assets	**0.1**	**0.1**	**0.2**	0.1	1.1	1.2
Less: amortisation of R&D costs previously capitalised as intangibles	**(4.3)**	**(1.2)**	**(5.5)**	(2.8)	(1.1)	(3.9)
Add: amounts capitalised as intangible assets	**5.3**	**2.6**	**7.9**	5.8	2.4	8.2
Total cash spent on R&D during the year	**22.0**	**8.3**	**30.3**	20.7	7.6	28.3

In the prior year an additional £0.6m impairment of capitalised development was included within administration and shared services in the Consolidated Statement of Income relating to the refocusing of the Plasma Technology business.

5 Acquisitions – prior period only

Medical Imaging Resources, Inc.

On 1 May 2015 the Group acquired 100% of the issued share capital of Medical Imaging Resources, Inc. (MIR) for a net cash consideration of £8.7m. Further consideration of up to £6.3m was payable based on the performance of the Oxford Instruments Healthcare business in the year to 31 March 2016. MIR specialises in the build, lease, service and sale of mobile medical imaging labs.

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

	Book value £m	Adjustments £m	Fair value £m
Intangible fixed assets	—	5.7	5.7
Tangible fixed assets	3.8	0.5	4.3
Inventories	1.4	0.1	1.5
Trade and other receivables	0.9	—	0.9
Trade and other payables	(1.7)	—	(1.7)
Deferred tax	0.2	(0.4)	(0.2)
Net debt	(2.6)	—	(2.6)
Net assets acquired	2.0	5.9	7.9
Goodwill			4.5
Total consideration			12.4
Net debt acquired			2.6
Contingent consideration at acquisition			(6.3)
Net cash outflow relating to the acquisition			8.7

The goodwill arising is not tax deductible and is considered to represent the value of the acquired workforce and synergistic benefits expected to arise from the acquisition. No deferred tax liability was recognised relating to the fair value of acquired intangibles due to the company making a S338 election in the United States of America to treat this acquisition as a trade and assets purchase for tax purposes.

Contingent consideration of £6.5m was paid during May 2016 based on the performance of the Oxford Instruments Healthcare business in the year to 31 March 2016. The difference of £0.2m between contingent consideration provided at acquisition and that paid in May 2016 was due to foreign currency movements.

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

6 INVESTMENT IN ASSOCIATE

During the period year the Group entered into a strategic alliance with GD Intressenter AB of Sweden (GDI) to create the world's largest company in the highly specialised Ultra High Vacuum Surface Science field. The alliance comprised Oxford Instruments' Omicron Nanotechnology GmbH ("Omicron") and associated subsidiaries and GDI's Scienta Scientific AB ("Scienta") and associated subsidiaries. Scienta Scientific AB is registered and has its principal place of business in Sweden.

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

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

The book value of the net assets disposed of was £14.9m. The value of the shareholding acquired in Scienta was considered to be £14.6m and as a result a £0.3m loss on disposal arose on the transaction in 2015/16.

During the current year the Group:-

- Settled various claims totalling £0.4m relating to the disposal of its Omicron business in the prior year; and
- Recognised an impairment charge of £8.0m in respect of its investment in Scienta.

The Group's share of loss in its equity accounted associate for the year was £1.2m (2016: £1.5m). The Group did not receive any dividends from the associate in either period.

	2017 £m	2016 £m
Carrying value at 1 April	**13.1**	—
Addition	**—**	14.6
Share of loss of associate (net of tax)	**(1.2)**	(1.5)
Impairment charge	**(8.0)**	—
Dividends received	**—**	—
Carrying value at 31 March	**3.9**	13.1

During the year the Group recognised an impairment charge of £8.0m relating to its investment in ScientaOmicron due to the associate's financial performance for the year ended 31 December 2016 and lower projected cash flows. This resulted in a reassessment of ScientaOmicron's expected future business performance and the actions and time required to improve profitability and operational efficiency.

The £8.0m impairment has been reported in the results of the NanoTechnology Tools segment. As at 31 March 2017, the estimate of the recoverable amount of the Group's investment in ScientaOmicron, being its value in use, was calculated as £3.9m. The pre-tax discount rate used to arrive at this estimate was 15.5%.

Summary financial information for the equity accounted associate is as follows:

	2017 £m	2016 £m
Non-current assets	**3.5**	3.2
Current assets	**25.0**	27.0
Total assets	**28.5**	30.2
Current liabilities	**(21.7)**	(21.4)
Non-current liabilities	**(3.6)**	(4.0)
Total liabilities	**(25.3)**	(25.4)
Net assets	**3.2**	4.8
Income	**50.8**	34.0
Expenses	**(53.3)**	(37.2)
Loss for the year	**(2.5)**	(3.2)
Group's share of net assets	**1.5**	2.3
Group's share of loss	**(1.2)**	(1.5)

According to the terms of the transaction, no dividend can be paid by the associate until 27 May 2017. Following that date, any dividend paid must be agreed by both Oxford Instruments plc and GD Intressenter AB, up to a maximum of 50% of the previous year's profit after tax. At the date of signing these financial statements no dividend has been declared or paid.

7 Disposal of subsidiary and discontinued operations

On 17 November 2016 the Group disposed of its Superconducting Wire business for a final consideration of £14.0m. In the prior year, on 23 November 2015, the Group disposed of its Austin Scientific business for a final consideration of £0.6m.

Effect of disposal on the financial position of the Group	**Superconducting Wire 2017 £m**	Austin Scientific 2016 £m
Other intangible assets	**—**	(1.7)
Property, plant and equipment	**(3.1)**	(0.2)
Inventory	**(12.6)**	(1.4)
Trade and other receivables	**(6.5)**	(0.5)
Cash and cash equivalents	**(0.3)**	—
Trade and other payables	**6.6**	0.3
Provisions	**0.1**	—
Net assets divested	**(15.8)**	(3.5)
Consideration receivable	**14.0**	0.6
Deferred consideration	**(1.0)**	—
Consideration received, satisfied in cash	**13.0**	0.6
Cash disposed of	**(0.3)**	—
Transaction expenses	**(0.5)**	(0.1)
Net cash inflow	**12.2**	0.5
Carrying value of net assets disposed of (excluding cash and cash equivalents)	**(15.5)**	(3.5)
Deferred consideration	**1.0**	—
Impairment of net assets to fair value less costs to sell	—	2.8
Recognition of provision on disposal	**(0.2)**	—
Currency translation differences transferred from translation reserve	**5.7**	0.7
Gain on disposal before impairment	**3.2**	0.5
Less impairment loss	**—**	(2.8)
Gain/(loss) on disposal	**3.2**	(2.3)
Tax credit on gain/loss on disposal	**0.9**	0.4
Gain/(loss) on disposal net of tax	**4.1**	(1.9)

Discontinued operations

In the year to 31 March 2017 the Group's Superconducting Wire business was classified as a discontinued operation; and in the year to 31 March 2016 the Group's Austin Scientific business was classified as a discontinued operation. They were considered major classes of business on the basis that they were previously operating segments and referred to in the Group Strategic Report.

Results of discontinued operations – Superconducting Wire	**2017 £m**	2016 £m
Revenue	**22.2**	41.9
Expenses	**(20.9)**	(38.5)
Adjusted profit from operating activities before income tax	**1.3**	3.4
Income tax charge	**(0.4)**	(1.2)
Adjusted profit from operating activities after tax	**0.9**	2.2
Profit on disposal	**3.2**	—
Tax on profit on disposal	**0.9**	—
Profit from discontinued operations after tax	**5.0**	2.2

Results of discontinued operations – Austin Scientific	**2017 £m**	2016 £m
Revenue	—	2.3
Expenses	**(0.2)**	(2.8)
Adjusted loss from operating activities before income tax	**(0.2)**	(0.5)
Income tax credit	**—**	0.2
Adjusted loss from operating activities after tax	**(0.2)**	(0.3)
Loss on disposal	**—**	(2.3)
Tax on loss on disposal	**—**	0.4
Loss from discontinued operations after tax	**(0.2)**	(2.2)

Earnings per share from discontinued operations

	2017 pence	2016 pence
Adjusted basic earnings per share	**1.2**	3.4
Adjusted diluted earnings per share	**1.2**	3.4
Total basic earnings per share	**8.4**	—
Total diluted earnings per share	**8.4**	—

Cash flows from discontinued operations	**2017 £m**	2016 £m
Net cash generated from operating activities	**1.4**	5.2
Net cash used in investing activities	—	(0.3)
Net cash used in financing activities	—	—
Net cash flows	**1.4**	4.9

8 Income tax expense

Recognised in the Consolidated Statement of Income

	2017 £m	2016 £m
Current tax expense		
Current year	**6.5**	3.6
Adjustment in respect of prior years	**(2.2)**	(0.2)
	4.3	3.4
Deferred tax expense		
Origination and reversal of temporary differences	**(5.6)**	(1.3)
Adjustment in respect of prior years	**0.9**	0.6
	(4.7)	(0.7)
Total tax (credit)/expense	**(0.4)**	2.7
Reconciliation of effective tax rate		
(Loss)/profit before income tax	**(25.5)**	9.7
Income tax using the weighted average statutory tax rate of 22% (2016: 20%)	**(5.6)**	1.9
Effect of:		
Tax rates other than the weighted average statutory rate	**(0.5)**	1.7
Change in rate at which deferred tax recognised	**(0.2)**	(0.4)
Loss on disposal of held for sale assets	**—**	0.3
Transaction costs, deferred consideration and impairments not deductable for tax	**5.7**	—
Non-taxable income and expenses	**1.4**	(0.4)
Tax incentives not recognised in the Consolidated Statement of Income	**(0.4)**	(0.8)
Recognition of deferred tax not previously recognised	**—**	(0.1)
Movement in unrecognised deferred tax	**0.6**	0.3
Adjustment in respect of prior years	**(1.4)**	0.2
Total tax (credit)/expense	**(0.4)**	2.7
Taxation charge recognised in other comprehensive income		
Deferred tax – relating to employee benefits	**0.9**	2.6
	0.9	2.6
Taxation charge/(credit) recognised directly in equity		
Deferred tax – relating to share options	**—**	—

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The UK deferred tax liability at 31 March 2017 has been calculated based on those rates. The Group carries tax provisions in relation to uncertain tax provisions arising from the possible outcome of negotiations with tax authorities. Such provisions are a reflection of the geographical spread of the Group's operations and the variety of jurisdictions in which it carries out its activities.

9 Dividends per share

The following dividends per share were paid by the Group:

	2017 pence	2016 pence
Previous year interim dividend	**3.7**	3.7
Previous year final dividend	**9.3**	9.3
	13.0	13.0

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

	2017 pence	2016 pence
Interim dividend	**3.7**	3.7
Final dividend	**9.3**	9.3
	13.0	13.0

The interim dividend was not provided for at the year end and was paid on 7 April 2017. The final proposed dividend of 9.3 pence per share (2016: 9.3 pence) was not provided at the year end and will be paid on 19 October 2017 subject to authorisation by the Shareholders at the forthcoming Annual General Meeting.

10 Basis of preparation

This preliminary announcement does not constitute the company's statutory accounts for the years ended 31 March 2017 or 2016. Statutory accounts for 2016 have been delivered to the registrar of companies, and those for 2017 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial information presented in this preliminary announcement for the year ended 31 March 2017 is based on, and is consistent with, that in the Group's audited Financial Statements for the year ended 31 March 2017. No revisions to adopted IFRS that became applicable in 2017 had a significant impact on the Group's Financial Statements for the year ended 31 March 2017.

The Company is registered in England, Registration Number 775598.

The principal exchange rates to Sterling used were:

Year end rates	**2017**	2016
US Dollar	**1.25**	1.44
Euro	**1.17**	1.26
Yen	**139**	162

Average translation rates 2017	**US Dollar**	**Euro**	**Yen**
April 2016	**1.45**	**1.27**	**159**
May	**1.46**	**1.30**	**159**
June	**1.41**	**1.27**	**150**
July	**1.35**	**1.21**	**138**
August	**1.32**	**1.18**	**134**
September	**1.31**	**1.16**	**132**
October	**1.26**	**1.13**	**130**
November	**1.23**	**1.14**	**134**
December	**1.24**	**1.17**	**142**
January 2017	**1.25**	**1.17**	**144**
February	**1.25**	**1.18**	**142**
March	**1.25**	**1.18**	**140**

Average translation rates 2016	**US Dollar**	**Euro**	**Yen**
April 2015	1.50	1.37	180
May	1.52	1.37	186
June	1.55	1.40	192
July	1.57	1.41	194
August	1.55	1.39	190
September	1.53	1.36	184
October	1.53	1.38	184
November	1.53	1.41	186
December	1.49	1.39	181
January 2016	1.45	1.33	175
February	1.40	1.29	165
March	1.41	1.27	160

11 The Annual General Meeting

The Annual General Meeting will be held on Tuesday, 12 September 2017 at 2.00pm at Group Head Office, Tubney Woods, Abingdon, Oxfordshire, OX13 5QX.

12 Principal Risks and Uncertainties

	Specific Risk	Context	Risk	Possible Impact	Control Mechanisms	Mitigation
1	**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 returns through loss of market share & reduced profitability. Negative impact on the Group's reputation.	Voice of the Customer' approach to drive the product development road map; Formal new product development stage gate process to manage R&D Product lifecycle management	Understanding customer needs / expectations and targeted new product development programme to maintain and strengthen product positioning. Stage gate process in product development to challenge commercial business case and mitigate technical risks. Operational practices around sales-production matching and inventory management to mitigate stock obsolescence risks.
2	**Routes to market**	In some instances the Group's products are components of higher level systems, sold by OEMs and thus the Group does not control its route to market.	Backward vertical integration by OEMs	Loss of a key route to market; new competitors; lower sales and profitability.	Customer intimacy to match product performance to customer needs; Positioning of OI brand and marketing directly to end users	Product differentiation to promote advantages of OI equipment & solutions; Strategic marketing with OEMs to sell performance of the combined system; Broadening the OEM customer base; Direct marketing to end users
3	**Economic environment**	Government expenditure may become constrained in key markets	Reduction in global research funding	Lower sales and profitability	Market intimacy and identification of alternative markets	Market diversification – increasing penetration into corporate customers not dependent on external funding
4	**Political risk**	The Group operates in global markets and can be required to secure export licences from governments.	Geopolitical changes resulting in sanctions and bar on exports to specific countries or unfavourable changes in tariffs / other controls on exports	Lower sales and profitability	Contract review and protection against breach in the event that export licence is withheld	Broad global customer base; contractual protection
5	**Brexit related risks**	The UK will leave the EU	Short-term decline in European research funding; Inflationary pressure on purchases and salaries; Possible changes to EU citizens' rights to work in UK impacting retention & recruitment.	Lower sales and profitability Salary inflation; Increased input costs; Loss of key skills / increased recruitment / salary costs	Market intimacy and identification of alternative markets Procurement strategy to reduce price volatility Product pricing strategy HR people strategy to facilitate recruitment & retention of staff with key skills	Market diversification – increasing penetration into corporate customers not dependent on external funding Long term pricing agreements for key suppliers Margin focused sales targets to mitigate potential increases in costs Renewal of UK work permit scheme to facilitate employment of non UK / EU nationals

6	**Supply chain risk**	The Group's operates a strategic make or buy policy and outsources a significant proportion of the costs of production to benefit from economies of scale and natural currency hedges.	Supply chain disruption in particular for single source components leading to production delays and potentially lost revenue.	Disruption to customers. Lower sales and profitability Negative impact on the Group's reputation.	Procurement strategy to manage stock availability	Buffer stocks of key components; Where possible, dual source supply is sought
7	**People**	A number of the Group's employees have business critical skills.	Key employees leave and effective replacements are not recruited on a timely basis	Lower sales and profitability	HR people strategy for retention & recruitment of staff with key skills	Succession management plans; Technical career paths; Renewal of UK work permit scheme to facilitate employment of non UK / EU nationals
8	**IT risk**	Elements of production, financial and other systems rely on IT availability	Increasing risk of data loss / breach through cyber-attack, viruses or malware. "Zero-day" incidents, where new viruses or malware can spread before security vendors can respond represent a particularly high risk	Loss of business critical data and / or financial loss	IT security policy & associated standards and protection systems. Internal IT governance to maintain those protection systems and our incident response	On-going evolution of security levels in consultation with IT security partners to ensure changes are in-line with current threats. Inter alia, we deliver user education, improved configuration, internal testing and new tools where appropriate.
9	**Operational risk**	Business units' production are typically located at a single site	Loss of all or part of a major production facility	Delayed shipments leading to lower sales and profitability	Business Continuity Plans in place Use of contractual protection to mitigate financial consequences of delayed delivery	Principal sites have detailed BCPs which include plans to restore or relocate production in the event of a major incident. Mechanisms such as clauses for limitation of liability / liability caps / exclusion of consequential losses in sales contracts
10	**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.
11	**Foreign exchange volatility**	The Group's sterling cost basis is higher than its sterling revenue sources meaning that a significant proportion of the Group's profit is made in foreign currencies.	Adverse foreign currency movements	Reduced profitability	Natural hedging to offset foreign currency sales through procurement in foreign currencies; Hedging programme	Strategic procurement in USD, Euros & Yen. Short-term exposure to volatility is managed by hedging

						programme (forward contracts)
12	**Legal / compliance risk**	The Group's operates in a complex technological environment and competitors may seek to protect their position through intellectual property rights	Infringement of a third party's intellectual property	Potential loss of future revenue; financial compensation	Formal 'Freedom to Operate' assessment to identify potential IP issues during product development;	Confirmation of 'Freedom to Operate' during new product development stage gate process