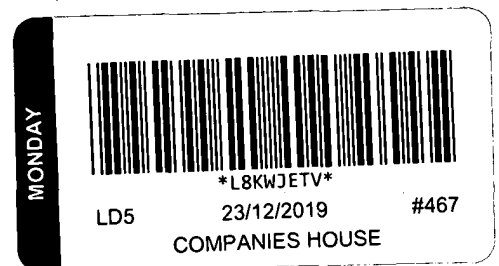


Oxford Instruments Industrial Products Limited

Annual report and financial statements

Registered number 1044063

31 March 2019



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Strategic report

Principal activities

Oxford Instruments Industrial Products Limited ("the Company") is a wholly-owned subsidiary of Oxford Instruments plc ("OI plc") and operates as part of its Research & Discovery sector.

During the year, the Company operated as one division. The Magnetic Resonance division produces bench top equipment which can be used to analyse industrial and food products, particularly oils and fats. It also provides magnetic resonance analytical tools for the petrochemical industry, providing data to improve the efficiency of oil extraction.

Business review

Magnetic Resonance uses fundamental physical processes to provide essential information about the nature and behaviour of materials and products. It provides instruments to academic and industrial researchers that are simple to operate, providing essential information that relates directly to the performance of our customers' products. For example, the Company's high field benchtop magnetic resonance analysers are used to measure the oil and fat contents of foods, contamination within water and are aiding the productivity and quality control of high-performance fabrics for clothing manufacture.

Key performance indicators

Turnover from continuing operations for the year decreased from £9,323,000 to £8,278,000, principally due to the effect of foreign exchange and softer markets than the comparative period. The Company made a profit before tax from continuing operations of £553,000 (2018: £852,000). The decline in profit before tax was largely due to the decrease in revenue and an increase in the Company's share of Oxford Instruments group central overheads.

The Company manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Research & Development sector of OI plc, which includes the Company, is discussed in OI plc's Annual Report, which does not form part of this Report.

The balance sheet on page 15 of the financial statements shows the Company's financial position at the year-end.

Strategic report (continued)

Principal risks and uncertainties

Specific risk 1: Routes to market

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

Risk	Possible impact	Control mechanisms	Mitigation
<ul style="list-style-type: none"> Vertical integration by OEMs. 	<ul style="list-style-type: none"> Loss of key customers/route to market. Reduction in sales volumes or pricing and lower profitability. 	<ul style="list-style-type: none"> Customer intimacy to match product performance to customer needs. Positioning of Oxford Instruments brand and marketing directly to end users. 	<ul style="list-style-type: none"> Strategic relationships with OEMs to sell performance of the combined system. Product differentiation to promote advantages of Oxford Instruments equipment and solutions. Direct marketing to end users.

Specific risk 2: Technical risk

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

Risk	Possible impact	Control mechanisms	Mitigation
<ul style="list-style-type: none"> Failure of the advanced technologies applied by the Company to produce commercially viable products. 	<ul style="list-style-type: none"> Loss of market share or negative pricing pressure resulting in lower turnover and reduced profitability. Additional NPI expenditure. Adverse impact on the Group's brand and reputation. 	<ul style="list-style-type: none"> "Voice of the Customer" approach and market intimacy to direct product development activities. Formal NPI processes to prioritise investment and to manage R&D expenditure. Product lifecycle management. 	<ul style="list-style-type: none"> 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.

Specific risk 3: Economic environment

Context: Government expenditure may become constrained in key markets.

Risk	Possible impact	Control mechanisms	Mitigation
<ul style="list-style-type: none"> Reduction in research funding in key markets such as the US, China and the EU (including the UK). 	<ul style="list-style-type: none"> Lower sales and profitability. 	<ul style="list-style-type: none"> Market intimacy and commercial market diversification. 	<ul style="list-style-type: none"> Increased focus on customers that are not reliant on Government funding.

Strategic report (continued)

Principal risks and uncertainties (continued)

Specific risk 4: Political risk

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

Risk	Possible impact	Control mechanisms	Mitigation
<ul style="list-style-type: none"> Changes in the geopolitical landscape or a global trade war resulting in a complete embargo on trade with specific nations, barriers to trade with individual customers, or significant increases in tariffs. 	<ul style="list-style-type: none"> Lower export volumes or net pricing to key markets adversely affecting turnover. Increases to input costs and lower gross margins. Limitations on ability to provide after-sales service to existing customers. 	<ul style="list-style-type: none"> Contract review and protection against breach should export licences be withheld. 	<ul style="list-style-type: none"> Broad global customer base; contractual protection.

Specific risk 5: Legal/compliance risk

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

Risk	Possible impact	Control mechanisms	Mitigation
<ul style="list-style-type: none"> Infringement of a third party's intellectual property. Regulatory breach. 	<ul style="list-style-type: none"> Potential loss of future revenue. Future royalty payments. Payment of damages. Fines and non-financial sanctions such as restrictions on trade, disbarment from public procurement contracts. Reputational damage. 	<ul style="list-style-type: none"> Formal 'Freedom to Operate' assessment to identify potential IP issues during product development. Internal control framework including policies, procedures and training in risk areas such as bribery and corruption, sanctions and export controls. 	<ul style="list-style-type: none"> Confirmation of 'Freedom to Operate' during new product development stage gate process. Compliance monitoring programmes.

Strategic report (continued)

Principal risks and uncertainties (continued)

Specific risk 6: Brexit related risks

Context: The UK has triggered Article 50 to leave the EU.

Risk	Possible impact	Control mechanisms	Mitigation
<ul style="list-style-type: none"> Supply chain disruption. Lower participation in EU-funded research projects post-Brexit. Potential short-term hiatus in UK research funding. Barriers to existing free movement of goods and services in the EU. Tariffs on exports to EU countries from the UK and vice versa. UK becomes less attractive to EU nationals as a place to work. 	<ul style="list-style-type: none"> Delays to shipments. Lower sales and profitability. Salary inflation. Loss of key skills, and/or increased recruitment, and/or salary costs. Supply chain disruption. Lower net pricing on UK exports to EU and cost increases on products sourced from the EU. 	<ul style="list-style-type: none"> Sales production matching and resource planning. Customer intimacy and monitoring of funded projects. Strategic sourcing programme. Product pricing reviews. Skills and capabilities reviews. International Trade Committee. 	<ul style="list-style-type: none"> Existing stock of raw materials and work in progress. Market diversification. Long-term pricing agreements for key suppliers and strategic sourcing. Pricing strategy. Renewal of UK work permit scheme to facilitate employment of non-UK/EU nationals. Application for Authorised Economic Operator status to facilitate movement of goods with remaining EU 27.

Specific risk 7: Adverse movements in long-term foreign currency rates

Context: A high proportion of the Company's revenue is in foreign currencies, notably US dollars while the majority of the cost base is denominated in sterling.

Risk	Possible impact	Control mechanisms	Mitigation
<ul style="list-style-type: none"> Long-term strengthening of Sterling against key currencies such as the US Dollar, Japanese Yen and the Euro. (Short-term exposure to volatility is managed by hedging programme). 	<ul style="list-style-type: none"> Reduced profitability. 	<ul style="list-style-type: none"> Procurement "make or buy" strategy. Treasury management. 	<ul style="list-style-type: none"> Strategic procurement in US Dollars, Euros and Yen. Active review of exposure in key currencies.

Specific risk 8: Supply chain risk

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

Risk	Possible impact	Control mechanisms	Mitigation
<ul style="list-style-type: none"> Supply chain disruption, in particular for single source components, leading to production delays and potentially lost revenue. 	<ul style="list-style-type: none"> Disruption to customers. Lower sales and profitability. Higher input costs. Negative impact on the Group's reputation. 	<ul style="list-style-type: none"> Procurement strategy to manage stock availability. 	<ul style="list-style-type: none"> Buffer stocks of key components. Where possible, dual source supply is sought.

Strategic report (continued)

Principal risks and uncertainties (continued)

Specific risk 9: People

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

Risk	Possible impact	Control mechanisms	Mitigation
<ul style="list-style-type: none"> Key employees leave and effective replacements are not recruited on a timely basis. 	<ul style="list-style-type: none"> Adverse impact on NPI. Operational disruption. Lower sales and profitability. 	<ul style="list-style-type: none"> HR people strategy for retention and recruitment of staff with key skills. 	<ul style="list-style-type: none"> Succession management plans. Technical career paths. UK work permit scheme to facilitate employment of non-UK/EU nationals in place.

Specific risk 10: IT risk

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

Risk	Possible impact	Control mechanisms	Mitigation
<ul style="list-style-type: none"> Cyber attack on the Group's IT infrastructure. Spread of viruses or malware through "Zero-day" incidents or phishing attacks. Insider threat. 	<ul style="list-style-type: none"> Disruption to business as usual operations. Loss of business-critical data. Financial and reputational damage. 	<ul style="list-style-type: none"> IT security policy and associated standards and protection systems. Internal IT governance to maintain those protection systems and our incident response. Employee awareness training. 	<ul style="list-style-type: none"> Regular review, monitoring and testing of key security measures to assess adequacy of protection against known threats. Citadel approach to protect key data. User education.

Specific risk 11: Operational risk

Context: The Company's production facilities are typically located at a single site.

Risk	Possible impact	Control mechanisms	Mitigation
<ul style="list-style-type: none"> Sustained disruption to production arising from a major incident at a site. 	<ul style="list-style-type: none"> Inability to fulfil orders in the short term, resulting in a reduction in sales and profitability. Additional, non-recurring overhead costs 	<ul style="list-style-type: none"> Business Continuity Plans (BCPs) exist for all manufacturing sites. Contractual clauses to limit financial consequences of delayed delivery. 	<ul style="list-style-type: none"> Detailed response in plans in BCPs can reduce downtime arising from incidents and facilitate the restoration or relocation of production. Standard sales contracts include clauses for limitation of liability, liquidated damages and the exclusion of consequential losses.

Specific risk 12: Pensions

Context: The Company's calculated pension deficit is sensitive to changes in actuarial assumptions.

Risk	Possible impact	Control mechanisms	Mitigation
<ul style="list-style-type: none"> The reported pension deficit is sensitive to movements in actuarial assumptions and returns on investments. 	<ul style="list-style-type: none"> Increase in net debt as additional Group contributions become payable to fund the deficit. Increase in the annual levy paid to the Pension Protection Fund. Reduction in net assets. 	<ul style="list-style-type: none"> Regular review of pension strategy. Liability hedging programme to mitigate exposure to movements in interest rates and inflation. 	<ul style="list-style-type: none"> The Oxford Instruments Group has closed its defined benefit pension schemes in the UK and US to future accrual. The Oxford Instruments Group has a funding plan in place to reduce the pension deficit over the short to medium term.

Strategic report *(continued)*

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates in accordance with Group policies, as noted in OI plc's Annual Report, which does not form part of this Report. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Research and development

The OI plc Group invests in research and development activities appropriate to the nature and size of its operations with the aim of supporting the future development of the Company, as a part of the Group, in the medium to long-term future. This research and development activity has resulted in a number of updates to existing products and new product launches.

Strategy

As part of the OI plc Group, the Company participates in the Group's Horizon strategy. Horizon is a transformational programme that has been in place for two years and consists of the following key elements:

- Investment focus on market segments where key enabling technologies drive long-term growth for our customers and where the business can maintain or develop leadership positions;
- Becoming a more commercially focused, market-driven business by maintaining the heritage in supporting fundamental research whilst increasing focus on solutions for applied R&D and products that can support the business' commercial manufacturing and production customers;
- Driving the delivery of synergies and enhanced collaboration. For example, in R&D the business will prioritise high-impact projects and resource them from across the OI plc Group;
- Provision of more value to existing customers, as well as creating growth opportunities in new market segments through application-specific solutions with improved workflows, bespoke analytics, data interpretation and associated support services; and
- Transformation of the business' operational model to embed consistency and excellence across the Company, measured by clearly defined core capabilities that will enhance the business' competitive advantage.

Horizon is now well embedded in the Company, is driving the business' long-term plans and initiatives and has transformed the Company's operating processes and day-to-day activities.

By order of the board



Susan Johnson-Brett
Secretary

19 December 2019

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2019.

Results and dividends

The profit for the year of £447,000 (2018: loss of £4,601,000) has been transferred to reserves.

The directors do not recommend the payment of a dividend (2018: £nil).

Directors

The directors who held office during the year were as follows:

T Curtis (resigned 30 April 2018)
GF Hill
SD Holden (appointed 30 April 2018)
CJA Holroyd (resigned 30 April 2018)
JP Turner (appointed 30 April 2018)

Employees

It is the policy of the Company to give full and fair consideration to applications for employment from disabled persons, to continue, wherever possible, the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion are encouraged.

The Directors continue to encourage employee participation within the Company. Various methods for encouraging an open and participative style of communication have been introduced in recent years including team briefings, notice boards, and staff forums.

The Company is committed to equal opportunity for all, free of discrimination and harassment, in access to services and the workplace. All individuals will be treated equally; their different skills and experience will be acknowledged and promoted. The Company values the contribution of individuals irrespective of their disability, gender, ethnic or national origin, religion or religious beliefs, sexual orientation, marital status or age. This applies to all employment practices including recruitment, training and promotion. Wherever possible, we will assist disabled employees to enable them to work for the Company and maximise their contribution and performance.

Other information

Details of research and development, any important events since the end of the financial year, and an indication of likely future developments in the year, have been included in the Strategic Report on page 1 and notes 3 and 1 of the financial statements.

Disclosure of information to auditor

The directors who held office at the date of approval of the directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Susan Johnson-Brett
Secretary

Tubney Woods
Abingdon
Oxon
OX13 5QX

19 December 2019

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Oxford Instruments Industrial Products Limited

Opinion

We have audited the financial statements of Oxford Instruments Industrial Products Limited ("the company") for the year ended 31 March 2019 which comprise the Profit and Loss Account, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

Independent auditor's report to the members of Oxford Instruments Industrial Products Limited (continued)

Going concern (continued)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

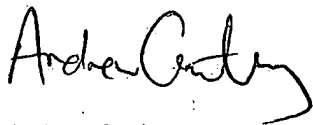
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Oxford Instruments Industrial Products Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Cawthray
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

19 December 2019

Profit and Loss Account
for the year ended 31 March 2019

		2019			2018		
		Continuing	Dis-	Total	Continuing	Dis-	Total
	Notes	£000	continued	£000	£000	continued	£000
Revenue	2	8,278	-	8,278	9,323	163	9,486
Cost of sales		(3,736)	-	(3,736)	(4,583)	(129)	(4,712)
Gross profit		4,542	-	4,542	4,740	34	4,774
Distribution costs		(431)	-	(431)	(389)	(23)	(412)
Administrative expenses		(3,510)	-	(3,510)	(3,380)	(2,758)	(6,138)
Operating profit/(loss)	3	601	-	601	971	(2,747)	(1,776)
Income from shares in group undertakings	7	89	-	89	-	-	-
Impairment of investment in subsidiary	13	(49)	-	(49)	-	-	-
Loss on disposal of business	8	-	-	-	-	(2,832)	(2,832)
Interest payable and similar expenses	9	(88)	-	(88)	(119)	-	(119)
Profit/(loss) before taxation		553	-	553	852	(5,579)	(4,727)
Tax on profit/(loss)	10	(106)	-	(106)	(76)	202	126
Profit/(loss) for the financial year		447	-	447	776	(5,377)	(4,601)

The accompanying notes form an integral part of these financial statements.

Statement of Other Comprehensive Income
for the year ended 31 March 2019

	Notes	2019 £000	2018 £000
Profit/(loss) for the year		447	(4,601)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of defined benefit liability	19	280	200
Tax on remeasurement of defined benefit liability	17	(53)	(37)
Other comprehensive income for the year, net of income tax		227	163
Total comprehensive income for the year		674	(4,438)

The accompanying notes form an integral part of these financial statements.

Balance Sheet

at 31 March 2019

	Notes	£000	2019 £000	£000	2018 £000
Fixed assets					
Intangible assets	11		823		691
Tangible assets	12		66		88
Investments	13		-		49
Deferred tax assets	17		142		296
			1,031		1,124
Current assets					
Stocks	14	800		578	
Debtors	15	3,511		10,013	
Cash at bank and in hand		3,250		145	
		7,561		10,736	
Creditors: amounts falling due within one year	16	(2,594)		(5,630)	
Net current assets			4,967		5,106
Total assets less current liabilities			5,998		6,230
Net pension deficit	19		(347)		(1,238)
Provisions for liabilities	18		(67)		(101)
Net assets			5,584		4,891
Capital and reserves					
Called up share capital	20		5,219		5,219
Share premium reserve			50		50
Profit and loss account			315		(378)
Shareholders' funds – equity			5,584		4,891

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the board of directors on 19 December 2019 and were signed on its behalf by:



G F Hill

Director

Company registered number: 1044063

Statement of Changes in Equity

	Share capital £000	Share premium reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2017	5,219	50	4,041	9,310
Total comprehensive income:				
Loss for the year	-	-	(4,601)	(4,601)
Other comprehensive income	-	-	163	163
Total comprehensive income attributable to equity shareholders of the parent	-	-	(4,438)	(4,438)
Transactions with owners, recorded directly in equity:				
Equity-settled share based payment transactions	-	-	17	17
Tax on equity-settled share based payment transactions	-	-	2	2
Total transactions with owners recorded directly in equity	-	-	19	19
At 31 March 2018	5,219	50	(378)	4,891
Total comprehensive income:				
Profit for the year	-	-	447	447
Other comprehensive income	-	-	227	227
Total comprehensive income attributable to equity shareholders of the parent	-	-	674	674
Transactions with owners, recorded directly in equity:				
Equity-settled share based payment transactions	-	-	14	14
Tax on equity-settled share based payment transactions	-	-	5	5
Total transactions with owners recorded directly in equity	-	-	19	19
At 31 March 2019	5,219	50	315	5,584

The accompanying notes form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Oxford Instruments Industrial Products Limited (the “Company”) is a private company incorporated and domiciled in the UK. The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”).

In preparing these financial statements under FRS 101, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company’s ultimate parent undertaking, Oxford Instruments plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Oxford Instruments plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from its head office at Tubney Woods, Abingdon, Oxfordshire, OX13 5QX, England.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets, intangible assets and the number of shares outstanding at the beginning and end of the period;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective accounting standards; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Oxford Instruments plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- *IFRS 2: Share Based Payments*, in respect of group settled share based payments;
- Certain disclosures required by *IAS 36: Impairment of Assets*, in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by *IFRS 5: Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations.
- Certain disclosures required by *IFRS 13: Fair Value Measurement* and the disclosures required by *IFRS 7: Financial Instrument Disclosures*.

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

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.3 below.

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis, except for the valuation of certain financial instruments.

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report.

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate. After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

1.3 Significant judgements and estimates

The preparation of financial statements in conformity with FRS 101 requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Significant judgements

In the opinion of the Company there are no judgements made in the preparation of the financial statements in respect of which taking a different view would have a material impact on the financial statements.

Significant estimates

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key areas where estimates have been used and assumptions applied are as follows:

Measurement of defined benefit scheme liabilities

The Company recognises and measures costs relating to defined benefit pension schemes in accordance with *IAS 19 (Revised) Employee Benefits* ("IAS 19 (Revised)"). In applying IAS 19 (Revised) the costs are assessed in accordance with the advice of independent qualified actuaries. This requires certain estimates and assumptions in relation to future changes in salaries and inflation, as well as mortality rates, expected returns on plan assets and the selection of suitable discount rates. The factors affecting these assumptions are influenced by wider macro-economic factors that are largely outside of the Company's control. A sensitivity analysis is provided in note 18.

1.4 Revenue

The Company has applied IFRS 15 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 18. The impact of the changes is disclosed in policy 1.18.

Under IFRS 15, revenue is recognised in the Profit and Loss Account when the performance conditions in the contract with the customer are met.

In most cases where the contract includes the sale of both a product and installation then the sale of the product and the related installation are treated as two separate performance conditions. This is because the Company considers that the customer is able to benefit from the product even if the Company does not supply installation i.e. it would be possible for them to arrange installation by a third party. Revenue in respect of the product is recognised when control passes to the customer which is normally upon shipment of the product. Revenue in respect of installation is recognised when the customer confirms acceptance of the installation.

Revenue is allocated between the product and installation based on the margin expected for each component. In general a higher margin will be applied to the product since the greater value add to the customer is in the design and manufacture of the product.

Revenue excludes value added tax and similar sales-based taxes and is stated before commission payable to agents.

Notes (continued)

1 Accounting policies (continued)

1.5 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.6 Expenses

Interest receivable and payable

Interest receivable and interest payable are recognised in the profit and loss as they accrue.

1.7 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

The Company's employees are members of a group-wide defined benefit pension plan.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA and that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Notes (continued)

1 Accounting policies (continued)

The Company's ultimate parent undertaking, Oxford Instruments plc, is the sponsoring employer of the Group-wide defined benefit pension plan; and the Company is a participating entity. The net defined benefit cost of the plans is charged to participating entities on the basis of the proportion of scheme membership attributable to each legal entity at the reporting date. The contributions payable by the participating entities are determined on the same basis.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting date, then they are discounted to their present value.

Share-based payment transactions

The share option programme allows employees to acquire shares of the ultimate parent company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The Company took advantage of the option available in IFRS 1 to apply IFRS 2 only to equity instruments that were granted after 7 November 2002 and that had not vested by the transition date of 1 April 2014.

1.8 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes (continued)

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.9 Derivative financial instruments

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

1.10 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Plant and equipment:	10-20% per annum
Computer equipment:	25% per annum
Motor vehicles:	25% per annum
Fixtures and fittings:	10% per annum

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.11 Intangible assets

Research and development

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

Notes (continued)

1 Accounting policies (continued)

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The amortisation rates are as follows:

Capitalised development costs:	20-33% per annum
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1.12 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

The Company assesses at each balance sheet reporting date whether there is any objective evidence that a financial asset, or group of financial assets, is impaired. A financial asset, or group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13 Stocks

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

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

Notes (continued)

1 Accounting policies (continued)

1.14 Provisions

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.15 Functional currency and foreign currency

Given all the material cash flows and transactions are undertaken by the company in Pounds Sterling, the functional currency of the company is considered to be Pounds Sterling. Therefore, the company's financial statements have been presented in that currency.

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.16 Investments

Investments in subsidiaries are stated at cost, less any provision for impairment where appropriate.

1.17 Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The impact of the changes is disclosed in policy 1.18.

Leases under which the Company acts as lessee

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Notes (continued)

1 Accounting policies (continued)

Short-term leases and leases of low-value assets

The Company has elected not to recognise right of use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

In the comparative period the Company did not have any leases which were classified as finance leases under IAS 17. All leased assets were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Leases under which the Company acts as lessor

There were no leases under which the Company acted as lessor in either the current or preceding periods.

1.18 New accounting standards

The following standards and interpretations have been adopted by the Company for the year ended 31 March 2019:

- *IFRS 9 Financial Instruments*

The Company adopted IFRS 9 on 1 April 2018. IFRS 9 addresses the classification, measurement and derecognition of financial instruments, introduces a new impairment model for financial assets and new rules for hedge accounting. It replaces IAS 39 *Financial Instruments* guidance and comprehensive updates have been made to IFRS 7 *Financial Instruments: Disclosure* and IAS 32 *Financial Instruments: Presentation*. The adoption of IFRS 9 has had no material impact on the Company's results.

- *IFRS 15 Revenue from Contracts with Customers*

The Company adopted IFRS 15 using the modified retrospective approach on 1 April 2018, which means that any cumulative impact on adoption is recognised in retained earnings as of 1 April 2018. Comparative information is not restated. IFRS 15 provides a single, principles-based, five step model to be applied to all sales contracts, based on the transfer of goods and services to customers, and it replaces the separate model for goods and services of IAS 18 *Revenue*. The adoption of IFRS 15 has had no material impact on the Company's results and therefore no adjustments were required.

- *IFRS 16 Leases*

The Company adopted IFRS 16 using the modified retrospective approach on 1 April 2018. IFRS 16 provides a single model for lessees which recognises a right of use asset and lease liability for all leases that are longer than one year or that are not classified as low value. The adoption of IFRS 16 has had no material impact on the Company's results and therefore no adjustments were required.

Notes (continued)

2 Revenue

All activities of the Company are within one class of business originating from the UK.

An analysis of geographical turnover by market is given below:

	2019 £000	2018 £000
By destination		
United Kingdom	401	439
Europe	1,722	1,015
USA and Canada	2,942	3,368
Japan	397	516
Asia Pacific excluding Japan	1,981	2,843
Other	835	1,305
	8,278	9,486

3 Profit before taxation

Profit before taxation is stated after charging

	2019 £000	2018 £000
Research and development costs expensed as incurred	792	1,008
Hire of other assets	4	24
Share based payment charge	14	17
Depreciation of tangible fixed assets	31	64
Amortisation of capitalised development costs	204	470
Impairment of inventory	127	34
Loss on disposal of fixed assets	-	1

4 Auditor's remuneration

Auditor's remuneration:

	2019 £000	2018 £000
Audit of these financial statements	27	13

No non-audit fees were provided to the Company by the auditor or their associates.

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Production	14	15
Sales and marketing	12	15
Research and development	8	8
Administration	2	4
	36	42

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	1,769	2,110
Social security costs	201	241
Contributions to defined contribution plans	86	99
Share based payment charge	14	17
	2,070	2,467

6 Directors' remuneration

	2019	2018
	£000	£000
Directors' remuneration	111	67
Company contributions to money purchase pension plans	4	4

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £53,000 (2018: £54,000), and company pension contributions of £2,000 (2018: £3,000) were made to a money purchase scheme on their behalf. During the year, the highest paid director did not exercise share options (2018: nil) and received 6,069 share options (2018: nil) under a long-term incentive scheme.

The emoluments of certain other directors have been borne by another group company. The directors were also directors or officers of other group companies within the OI plc group.

None of the directors receiving remuneration from the Company are members of the Oxford Instruments defined benefit pension scheme.

	Number of directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	1
The number of directors who exercised share options was	nil	nil
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	3	1

Notes (continued)

7 Income from shares in group undertakings

	2019 £000	2018 £000
Dividends received from subsidiaries	89	-

8 Disposal of business and discontinued operations

In the prior year, on 3 July 2017, the Oxford Instruments Group disposed of its Industrial Analysis business for a final consideration of £77,484,000, of which £6,097,000 was allocated to Oxford Instruments Industrial Products Limited.

Effect of disposal on the financial position of the Company

	2018 £000
Goodwill	(6,807)
Other intangible assets	(2,290)
Property, plant and equipment	(82)
Trade and other receivables	(33)
Trade and other payables	310
Provisions	14
Net assets divested	(8,888)
Consideration received, satisfied in cash	6,097
Transaction expenses	(41)
Net cash inflow	6,056
Carrying value of net assets disposed of	(8,888)
Loss on disposal	(2,832)
Tax on loss on disposal	-
Loss on disposal net of tax	(2,832)

Prior to the completion of the sale, the assets and liabilities of the Industrial Analysis business held in the Company were transferred to a new subsidiary, Materials Analysis Limited ("MAL"), in exchange for 100 ordinary £1 shares in the capital of the new subsidiary. Materials Analysis Limited was then sold and the Company's investment in subsidiary disposed of.

Discontinued operations

In the year to 31 March 2018 the Company's Industrial Analysis business was classified as a discontinued operation. The business was considered a major class of business on the basis that it was previously referred to in the Company's Strategic Report.

Notes (continued)

9 Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable to group undertakings	64	70
Net interest on net defined benefit pension plan liability	24	49
	88	119

10 Taxation

Recognised in the profit and loss account

	£000	2019 £000	£000	2018 £000
<i>UK corporation tax</i>				
Total current tax		-		-
<i>Deferred tax (see note 17)</i>				
Origination and reversal of temporary differences	155		(106)	
Reduction in tax rate	1		14	
Adjustment in respect of earlier periods	(50)		(34)	
Total deferred tax		106		(126)
Tax expense/(credit)		106		(126)

Tax recognised directly in equity (i.e., not in comprehensive income)

	2019 £000	2018 £000
Deferred tax credit recognised directly in equity	(5)	(2)

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit/(loss) before taxation	553	(4,727)
Tax using the UK corporation tax rate of 19% (2018: 19%)	105	(898)
Reduction in tax rate on deferred tax balances	1	14
Non-deductible expenses	7	694
Income not subject to tax	(17)	-
Movement on deferred tax on disposal	-	(216)
Group relief, for which no payment is made	60	314
Under provided in prior years	(50)	(34)
Total tax expense/(credit)	106	(126)

Effect of changes to tax rates

A reduction in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 March 2018 has been calculated based on these rates.

Notes (continued)

11 Intangible assets

	Capitalised development costs £000	Goodwill £000	Total £000
Cost			
Balance at 1 April 2018	1,911	2,838	4,749
Additions	336	-	336
Balance at 31 March 2019	2,247	2,838	5,085
Amortisation and impairment			
Balance at 1 April 2018	1,360	2,698	4,058
Amortisation charge for the year	204	-	204
Balance at 31 March 2019	1,564	2,698	4,262
Net book value			
At 1 April 2018	551	140	691
At 31 March 2019	683	140	823

12 Tangible fixed assets

	Plant and equipment £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 1 April 2018	239	9	248
Additions	13	-	13
Disposals	(3)	(9)	(12)
Balance at 31 March 2019	249	-	249
Depreciation and impairment			
Balance at 1 April 2018	156	4	160
Depreciation charge for the year	31	-	31
Disposals	(4)	(4)	(8)
Balance at 31 March 2019	183	-	183
Net book value			
At 1 April 2018	83	5	88
At 31 March 2019	66	-	66

Notes (continued)

13 Investments

	Shares in group undertakings £000
Cost	
At 1 April 2018 and 31 March 2019	50
Provisions for impairment	
At 1 April 2018	1
Provision for impairment	49
At 31 March 2019	50
Net book value	
At 1 April 2018	49
At 31 March 2019	-

As at 31 March 2019 the Company had the following investments in subsidiaries:

	Registered address	Principal activity	Class of shares held	Ownership	
				2019	2018
Oxford Instruments Nanoanalysis Limited	Tubney Wood, Abingdon, Oxon, OX13 5QX, United Kingdom	Dormant	Ordinary	100%	100%
RMG Technology Limited	Tubney Wood, Abingdon, Oxon, OX13 5QX, United Kingdom	Dormant	Ordinary	100%	100%

During the year, Oxford Instruments Nanoanalysis Limited paid a dividend of £89,000, reducing its distributable reserves and the value of its net assets to £nil. Oxford Instruments Nanoanalysis Limited was dissolved on 2 April 2019. Consequently, the Company recognised a provision for impairment of £49,000 to reflect the reduction in the net asset value of Oxford Instruments Nanoanalysis Limited as at 31 March 2019.

14 Stocks

	2019 £000	2018 £000
Raw materials and consumables	617	481
Work in progress	168	73
Finished goods	15	24
	800	578

The amount of inventory recognised as an expense was £3,736,000 (2018: £4,712,000). In the ordinary course of business, the Company makes impairment provisions for slow-moving, excess and obsolete inventory as appropriate. Inventory is stated after charging impairments of £127,000 (2018: £34,000). Impairments are included in gross profit.

Notes (continued)

15 Debtors

	2019 £000	2018 £000
Trade debtors	1,315	2,041
Derivative financial instruments	180	180
Amounts owed by group undertakings	1,740	7,661
Other debtors	187	91
Prepayments and accrued income	51	35
Corporation tax	38	5
	3,511	10,013

All amounts owed by group undertakings are repayable on demand and do not attract interest.

16 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Bank loans and overdrafts	-	2,996
Trade creditors	822	962
Amounts owed to group undertakings	96	138
Other creditors including taxation and social security	34	16
Accruals and deferred income	1,642	1,518
	2,594	5,630

All amounts owed to group undertakings are repayable on demand and do not attract interest.

Bank overdrafts form part of a notional pooling arrangement between the Company, its ultimate parent and certain fellow subsidiaries. In accordance with the terms of the notional pooling arrangement, payment of overdraft interest is made by the ultimate parent to the bank. The Company pays to or receives from the ultimate parent notional interest in respect of the pooling cost or benefit.

Notes (continued)

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Movements in deferred tax assets and liabilities were as follows:

	Property, plant and equipment £000	Employee benefits £000	Intangible assets £000	Tax losses £000	Total £000
Balance 31 March 2017	189	391	(589)	214	205
Recognised in income	(41)	(115)	496	(214)	126
Recognised in other comprehensive income	-	(37)	-	-	(37)
Recognised directly in equity	-	2	-	-	2
Balance 31 March 2018	148	241	(93)	-	296
Recognised in income	(24)	(106)	24	-	(106)
Recognised in other comprehensive income	-	(53)	-	-	(53)
Recognised directly in equity	-	5	-	-	5
Balance 31 March 2019	124	87	(69)	-	142

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

	2019 £000	2018 £000
Gross assets	211	389
Gross liabilities	(69)	(93)
Net assets	142	296

Notes (continued)

18 Provisions for liabilities

	Warranty £000
Balance at 1 April 2018	101
Additional provision made during the year	50
Utilised in the year	(37)
Released during the year	(47)
Balance at 31 March 2019	67

The warranty provision reflects the Company's standard terms and conditions. In general these apply for a year and, as a result, the majority of the provision is expected to be utilised within a twelve month period.

19 Employee benefits

The Company and its employees contribute to the Oxford Instruments Pension Scheme ("the Scheme"), a defined benefit scheme, which offers pensions in retirement and death in service benefit to members. Pension benefits are related to members' final salary at retirement and their length of service.

The Scheme was closed to new members from 1 April 2001. Since this date new employees have been invited to join the Oxford Instruments Stakeholder Plan, a defined contribution scheme. The Scheme is also closed to future accrual.

A full valuation was carried out as at 31 March 2018 and the results of the valuation have been updated to 31 March 2019. The present values of the defined benefit obligation were measured using the projected unit credit method.

The information disclosed below is in respect of the whole of the plans for which the Company has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2019 £000	2018 £000
Present value of funded obligations	309,800	297,400
Fair value of plan assets	(306,300)	(284,900)
Recognised liability for defined benefit obligations	3,500	12,500

Notes (continued)

19 Employee benefits (continued)

Movements in net defined benefit liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Balance at 1 April	297,400	304,000	(284,900)	(282,500)	12,500	21,500
Included in profit or loss						
Past service cost	340	(904)	-	-	340	(904)
Interest cost/(income)	7,894	8,064	(7,653)	(7,572)	241	492
Administration costs incurred	-	-	532	529	532	529
Included in OCI						
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from						
- Changes in demographic Assumptions	(3,948)	(1,841)	-	-	(3,948)	(1,841)
- Change in financial assumptions	14,238	(4,006)	-	-	14,238	(4,006)
- Experience adjustment	3,978	2,788	-	-	3,978	2,788
Return on plan assets excluding interest income	-	-	(17,094)	1,051	(17,094)	1,051
Other						
Contributions paid by the employer	-	-	(7,287)	(7,109)	(7,287)	(7,109)
Benefits paid	(10,102)	(10,701)	10,102	10,701	-	-
Balance at 31 March	309,800	297,400	(306,300)	(284,900)	3,500	12,500

Plan assets

	2019 £000	2018 £000
Equities	65,200	90,800
Corporate and Emerging Market Bonds	14,300	-
Gilts	156,500	123,300
Property	9,700	6,000
Insurance-linked funds	23,000	24,100
Credit and global loan funds	300	2,100
Hedge funds	26,700	26,600
Absolute return fixed income fund	-	5,800
Cash	10,600	6,200
Total	306,300	284,900

The IAS 19 defined benefit pension balance sheet liability includes an allowance of £0.3m for the expected cost of equalising Guaranteed Minimum Pension (GMP) between males and females.

GMP is a portion of pension that was accrued by individuals who were contracted out of the UK State Second Pension prior to 6 April 1997. Historically, there was an inequality of benefits between male and female members who have GMP. A High Court case concluded on 26 October 2018 and confirmed that GMPs need to be equalised.

In the prior year, the trustees of the UK defined benefit scheme, in consultation with the Company, reduced its exposure to on-risk assets (a portfolio of market-focused asset classes, the majority being equities) with a corresponding increase in its liability-driven investments, with the objective of steering a more stable journey to being fully funded. The pension fund's gross exposure to on-risk assets fell from 85% to 45%; the majority of transactions required to make this change were completed in February 2018. As a result, the level of risk inherent in the investment strategy is now significantly lower than previously, in addition to a substantial reduction in funding level volatility.

Notes (continued)

19 Employee benefits (continued)

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2019	2018
Discount rate at 31 March	2.50%	2.70%
Inflation (RPI)	3.20%	3.10%
Inflation (CPI)	2.10%	2.00%
Pension increases RPI max 5% pa	3.10%	3.00%
Pension increases RPI max 3% pa	2.50%	2.50%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.2 years (male), 23.9 years (female) (2018: 22.5 years (male), 24.1 years (female)).
- Future retiree currently aged 45: 23.5 years (male), 25.4 years (female) (2018: 23.9 years (male), 25.7 years (female)).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	2019 £000	2018 £000
Discount rate (-0.1% pa)	5,400	5,400
Inflation assumption (+0.1% pa)	4,900	4,900

In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2019 would have increased by £12,600,000 (2018: £11,900,000) before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2018 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The ultimate parent company has agreed a basis for deficit recovery payments with the trustees of the UK pension scheme. The annual deficit recovery payment to the UK scheme was £7,287,000 for the financial year, payable through to and including 2026. For the years up to and including 2026, the payment will rise by approximately 3% per annum.

Total contributions to the Scheme during the next financial reporting period are expected to be £7,536,000. The weighted average duration of the defined benefit obligation at the end of the reporting period was 18 years (2018: 18 years).

The Company has considered the requirements of IFRIC 14. The terms of the scheme give the Company the right to recover any surplus assets on the scheme upon wind-up and therefore management has concluded that there is no impact on the amounts recognised in respect of retirement benefit obligations.

Notes (continued)

19 Employee benefits (continued)

Scheme allocation

The Company participates in the group Oxford Instruments Pension Scheme ("the Scheme"). The Oxford Instruments group policy for charging net defined benefit costs to participating entities states that member costs are charged directly to a participating company if that member is also an employee of said participating company. The costs of scheme members that are no longer employees of any participating company or directly affiliated with a group company are allocated on the basis of the participating company's scheme members as a percentage of the total scheme members that are also employees of participating companies.

The policy for determining contributions to be paid by participating companies is the same as that for charging net defined benefit costs.

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £86,000 (2018: £99,000).

Share based payments

The Company, as part of the wider Oxford Instruments plc Group, operates the following share option schemes.

All employee Share Incentive Plan (SIP)

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

Medium-Term Incentive Plan (MTIP)

Options awarded under the Medium-Term Incentive Plan are made annually to certain senior managers. The exercises prices are £nil. Options have a life of ten year and a vesting period of three years.

20 Capital and reserves

Share capital

	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>		
5,219,175 Ordinary shares of £1 each	5,219	5,219

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes *(continued)*

21 Commitments

Capital commitments

At 31 March 2019, capital commitments authorised were £nil (2018: £nil) and £nil contracted (2018: £nil)

22 Ultimate parent company and parent company of larger group

The Company's immediate holding company is Oxford Instruments Industrial Products Holdings Limited, a company registered in England and Wales at Tubney Woods, Abingdon, Oxon, OX13 5QX.

The ultimate parent company is Oxford Instruments plc, a company registered in England and Wales. This is the only company in the group that prepares consolidated financial statements. These are available to the public and may be obtained from Oxford Instruments plc's head office at Tubney Woods, Abingdon, Oxon, OX13 5QX.

23 Subsequent events

There have been no events since the date of the balance sheet that require disclosure.