

e2v

Net
borrowings
£21.1m

Adjusted
EPS
UP
6.7%

Adjusted
operating profit
£42.0m
UP
4.7%

Full year
dividend
UP
5.9%

Revenue
£236.4m
UP
5.1%

THURSDAY



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COMPANIES HOUSE

**ANNUAL REPORT
& ACCOUNTS 2016**

2016 in Summary

“I am delighted with the performance of the business. We have made solid progress on ‘Our vision, our future’ and delivered a good financial performance, with a strong finish to the year.”

Steve Blair, Group CEO

“We are grateful to all our employees for their hard work during this year and thank them for their commitment and success in growing the Group’s businesses.”

Neil Johnson, Chairman

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OUR VISION

We partner with our customers to im

OUR VALUES

CUSTOMER FOCUS

Our customers are at the heart
of everything that we do

Agility

We are responsive in driving positive change
and challenging complacency

INNOVATION

Our innovation underpins e
our processes to our cust

Courtesy

We live by our '...
those wh

OUR STRATEGIC DRIVERS

FOCUS ON CUSTOMER

EMBED NEW CULTURE

SUSTAIN INNOVATION

OUR FOUNDATIONS

Customer Focus

External and internal
customers thriving on
doing business together

Operational Excellence

We focus on delivering value
to customers, operating in
an effective and efficient
manner along the value
chain

Simplification

We are quality-driven by
streamlined, connected,
common-sense processes

OUR INVESTMENT PROPOSITION

Revenue driven growth



Trusted exp

improve, save and protect people's lives.

INNOVATION

Everything that we do – from
consumer-focused technologies

Integrity

We value and help
others do not

EXCELLENCE THROUGHOUT

We continually improve what we do
and how we do it

Integrity

We do the right thing together
and keep our promises

OUR STRUCTURE

OPERATE WITH EXCELLENCE

People
Empowerment
and Accountability We
empower individuals and
teams to deliver results

**GROW
ORGANICALLY**
Accelerate with acquisitions

Financial
A growing base of loyal and
committed stakeholders -
shareholders, customers
and employees

Imaging

RF Power

Semiconductor

Group

Part partner



Resilient financial profile

Financial Highlights

£236.4m

REVENUE

£42.0m

ADJUSTED⁽¹⁾ OPERATING PROFIT

£40.8m

ADJUSTED⁽¹⁾ PROFIT BEFORE TAX

14.59p

ADJUSTED⁽²⁾ EARNINGS PER
SHARE

- Solid year of progress in challenging markets, delivering a good financial performance
- Revenue up 5.1%, including organic growth, acquisitions and FX benefit
- Adjusted⁽¹⁾ operating profit up 4.7%

- Adjusted⁽²⁾ earnings per share up 6.7%
- Full year dividend increased 5.9%
- Acquisition of SP Devices

1 Adjusted operating profit and adjusted profit before tax is before specific items

2 Adjusted earnings is profit before specific items less tax where applicable

Chairman and Group CEO statement

“ We delivered another year of solid progress producing a good financial performance “

Overview

We delivered another year of solid progress producing a good financial performance in line with our guidance given in January. We are embedding ‘Our vision, our future’ and it is encouraging to see how enthusiastic our people are about ‘Bringing life to technology™’. We continue to focus on our customers and our operational foundations. We are pleased with the progress that has been made over the last two years.

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Revenue	236.4	224.9
Adjusted ⁽¹⁾ operating profit	42.0	40.1
Adjusted ⁽¹⁾ profit before tax	40.8	39.0
Adjusted ⁽³⁾ earnings per share	14.59p	13.68p
Profit before tax	37.8	30.1
Earnings per share	13.64p	10.94p
Dividend per share	5.4p	5.1p
Net borrowings ⁽²⁾	(21.1)	(5.2)

1. Adjusted operating profit and adjusted profit before tax are before specific items

2. Net borrowings exclude debt issue costs

3. Adjusted earnings is profit before specific items less tax where applicable

Customers remain our key focus, the two of us have visited over 27 during the past year. Our annual customer survey ratings have improved and we are increasingly being seen as a key partner. We have continued to improve our operational effectiveness demonstrated by margin improvements in all three divisions. The divisions are demonstrating ownership and responsibility for their individual businesses and are being agile in responding to the challenges they face. We have reconfirmed our strategy, maintaining our investment in the areas where we are seeing the greatest potential for growth. It was pleasing to complete the acquisition of SP Devices, a step forward in our strategy to provide customers with board-level solutions and specialist applications expertise.

The year ended 31 March 2016 represents our third consecutive year of revenue growth in markets with slow overall growth. Our investment priorities remain Industrial Vision, Space, Radiotherapy and Semiconductors, whilst continuing to support customers across our other activities. We are seeing the benefits of this disciplined approach. We have seen slower growth in many of our markets this year, so our innovation is allowing us to make new markets and to take market share to support our growth.

Performance

The Group delivered reported revenues of £236.4m, an increase of 5.1% (2015: £224.9m), and maintained the adjusted⁽¹⁾ operating profit margin at 17.8%, which resulted in adjusted⁽³⁾ earnings per share increasing 6.7% from 13.68p last year to 14.59p this year.

The culture change within the business over the past two years is improving how we operate. We saw strong revenue growth in Imaging, both in Professional Imaging and Space Imaging, driven by innovation and improving operational performance. We have delivered a significant margin improvement in Imaging and Semiconductors. In RF Power we saw modest margin improvement despite lower revenue, demonstrating the benefits of reorganisation and good cost control.

Adjusted⁽¹⁾ operating profit increased from £40.1m to £42.0m, after absorbing a £5.5m swing in foreign exchange, representing growth of 4.7%. These results reflect a good performance through the year, with a particularly strong fourth quarter. Comparing year on year performance, we saw organic growth in our Industrial Vision, Space, Radiotherapy, Commercial and Industrial businesses, with lower revenues in RF defence. We also benefited from the acquisition of AnaFocus and SP Devices, partially offset by the disposal of our Thermal Imaging business.

The financial position of the Group remains strong with net borrowings of £21.1m (2015: £5.2m). In terms of working capital movements this is in line with our working capital model, and decisions that we consciously made in the second half. Inventory and trade receivables have increased in Imaging to support growth. We made progress on our reorganisations and had lower accruals for incentive payments in the year. We completed our programme to reduce concentration in our supply chain in RF Power and have utilised advanced payments as we have delivered on Space programmes. This was in part supported by reductions in planned capital expenditure in the later part of

the year such that this remained equivalent to depreciation and amortisation. Acquisitions utilised £13.0m of cash. This included the acquisition of SP Devices, earn out payments on AnaFocus and product line acquisitions in Semiconductors, less the proceeds from the sale of the Thermal Imaging business.

We have benefited from making the divisions more accountable for their end-to-end performance and reorganising them so they can focus on delivery to their customers. A refreshed management team for Space Imaging has been established under the new divisional president and we are beginning to see the benefits of the changes they are making. We have made progress on the reorganisation of the RF Power operations in our Chelmsford facility 'Project Sunrise'. We have established separate units for our specialist defence activities in Lincoln, and we have completed the reorganisation of our US businesses. We were pleased to complete the sale of our Thermal Imaging business in October, further simplifying our Professional Imaging business.

As part of the evolution of the Group we have refreshed the management and refocused our people to better meet our customers' needs. This aligns our people more closely with our strategy and provides them with more opportunity to share in the success of the Group.

We closed the year, as expected, with a 12 month order book at £130m, an 11% decrease over the prior year of £146m. This reflects the changing composition in the Group's revenues with growth coming in shorter order cover businesses, delivery on programmes in Space Imaging and the cycle of the Radiotherapy business along with the anticipated decline in RF defence.

Dividend

The Board has recommended a final dividend of 3.8p per share, bringing the full year dividend to 5.4p per share, an increase of 5.9% from last year's full year dividend of 5.1p and in line with our progressive dividend policy. The final dividend is scheduled for payment on 2 August 2016 to shareholders on the register at the close of business on 8 July 2016.

Direction

We continue to embed our vision, 'Bringing life to technology™'. As part of the Group's strategic cycle, the Board has reviewed progress in the implementation of our strategy with its refocus on customers, markets and opportunities. This has reaffirmed the attractiveness of our selected areas of investment priority.

Our strategic drivers bring together our vision. We continue to focus on our customers, this is our core belief. Our customers have provided improved scores in our most recent customer survey. We are seeing real progress in embedding the new culture and how everyone can make changes in what they do to benefit our customers. We have strengthened management, simplified our processes and reorganised our remaining central operations leading to lower costs and improved margins. We continue to focus on operational improvement, with an ongoing focus on process effectiveness in Space Imaging. We are investing in innovation in our chosen markets where we see that there is strong customer pull and increasingly working with our customers as their trusted innovation partner. We have made considerable progress over the last two years through self-help and the business is in good shape to respond when market conditions improve.

We successfully completed two acquisitions over the last two years and we continue to build a pipeline of possible opportunities. The timing and terms of any particular deal is difficult to predict. To support this, the Board sees an appropriate target net indebtedness level of not more than 1.5x net borrowings to EBITDA. This could rise for a period of time closer to the Group's financing arrangements limit if there was an exceptional acquisition and the Board was confident that leverage would reduce in a timely manner post such acquisition.

Safety, health and environment

We are continuing our journey with our Safety, Health and Environmental Leadership Team (SHELT) programme. We are encouraged by the commitment of employees to identify hazards and make proactive suggestions for changes to reduce risk. This is improving the safety of our working environment as we can take action before issues arise. The Group maintains its good health and safety record with no serious incidents and improved staff safety recognised in a decrease in the accident count during the year. The Group is committed to operating in an environmentally sustainable way and we have reduced our normalised greenhouse gas emissions despite our growth.

People

We are pleased with the ongoing engagement of our employees with our vision of 'Bringing life to technology™'. Our people have used their talents to sustain innovation and supply the solutions our customers seek. Our staff are committed to putting the customer at the centre of everything that they do, simplifying how they do things and operating in an effective and efficient manner. We regularly celebrate success and value everyone's contribution and are working together to improve what we do and work smarter.

We remain committed to offering opportunities to our people and new joiners to develop their careers. Amongst our staff of 1,750, we welcome 271 new joiners, 29 of whom are on our graduate and apprentice schemes, and we congratulate 113 people who have been promoted.

We are grateful to all of our employees for their hard work during this year and thank them for their commitment and success in growing the Group's businesses. It was particularly pleasing to see the commitment of our people to deliver the performance in the final quarter. We were able to formally recognise this through discretionary bonus payments at modest cost.

Overall, we are pleased that we are delivering 'Our vision, our future'.

Outlook

Whilst we remain cautious about the broader economic environment, our outlook for the current financial year remains unchanged with a similar first half, second half weighting to that in the previous financial year.

Strategic Report signed on behalf of the Board


Neil Johnson
Chairman


Steve Blair
Group CEO

**We partner with our customers to improve,
save and protect people's lives.**

Imaging

£236.4m

Revenue
+5.1% (2015: £224.9m)

£42.0m

Adjusted⁽¹⁾ operating profit
+4.7% (2015: £40.1m)

“ We operate in international markets, with global supply chains. The divisions deliver value to their customers in global application segments “

1. Adjusted operating profit is before specific items

Our value proposition

Professional Imaging

We provide high performance image sensors and camera solutions in the form of customer specific products that we develop for our customers, as their innovation partner, or as application specific standard products

Space

We provide high performance and high quality space qualified imaging sensors and arrays for space science and astronomy applications and high speed, high resolution sensors for earth observation satellites

Revenue

£103.5m + 16.7%

Operating profit

£15.7m + 68.8%

Operating profit margin

15.2% + 470bps

See page 16

Our three divisions

Our innovations lead developments in automation, healthcare, communications, safety, discovery and the environment.

The Group is organised according to the needs of our customers in three divisions: Imaging, RF Power and Semiconductors

RF Power

Semiconductors

Our value proposition

We add value to our customers through consistently supplying reliable application specific products, addressing difficult engineering challenges and providing long-term continuity support

We produce components and sub-systems that deliver high performance and high reliability radio frequency power generation for healthcare, industrial and defence applications

Revenue

£80.5m - 4.4%

Operating profit

£18.7m - 3.6%

Operating profit margin

23.2% + 20bps

See page 18

Our value proposition

We provide high reliability semiconductors that meet the demanding specifications of our customers. Our design capability is enabling us to partner with customers and move up the value chain by providing customers with board-level solutions and specialist applications expertise

Through our strategic partnerships we provide a range of high reliability versions of standard products for use in aerospace applications. Our own design products provide market leading performance for space and radio frequency communications and through the recently acquired SP Devices to new sectors including test and measurement

Revenue

£52.4m - 1.0%

Operating profit

£14.2m + 19.3%

Operating profit margin

27.1% + 420bps

See page 20

Business Model

Our 3 divisions

How each division operates

The three divisions have full end-to-end profit and loss responsibility for their businesses, covering product design and development, operations, sales and customer services

Imaging

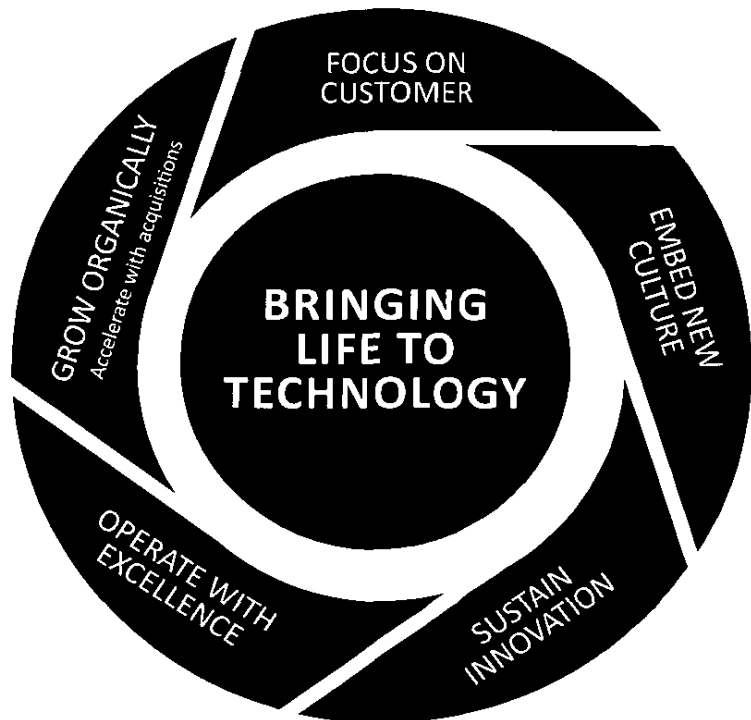
RF Power

Semiconductors

How the Group functions

The divisions are now customer-led and supported by the Group which provides guidance and oversight on a 'trust and verify' basis

Our strategic drivers



CUSTOMER FOCUS

This is our core belief, external and internal customers thriving on doing business together

We actively listen to their feedback and we deliver what they value. We focus on sustaining longstanding relationships and open communication. Increasingly we are looking to work as our customers' trusted partner.

Our people develop a deep understanding of our customers' businesses, their needs and challenges. Our people are committed to putting the customer at the centre of what we do.

OPERATIONAL EXCELLENCE

We focus on delivering value to customers, operating in an effective and efficient manner along the value chain.

We are embedding a culture of operational excellence and are seeing the benefits in all three divisions.

Our people are open to doing things differently. They can see that their ideas for improvement are being listened to and are keen to share these, underpinning our drive for operational excellence throughout the Group. As a result, we have made significant improvements in areas which are critical to our customers, including on-time delivery.

SIMPLIFICATION

We are quality driven by streamlined, connected, common-sense processes.

We invest in our people's talent and encourage them to develop their skills to sustain innovation and supply the solutions customers seek. They continuously aim to simplify how they do things, operating in an efficient and effective manner.

Investment proposition

Revenue driven growth

Trusted expert partner

Resilient financial profile

PEOPLE

Empowerment and Accountability We empower individuals and teams to deliver

We are pleased with the ongoing engagement of our employees with our vision of 'Bringing life to technology™'

We regularly celebrate success and value everyone's contribution and are working together to improve what we do and work smarter

During the year, we have been embedding our new culture. All staff events in both Chelmsford and Grenoble demonstrated that our people understand our vision, brand and values and how they can play their part in making it real for both our customers and their colleagues

We have continued to strengthen our management teams under our Executive leadership team, and they are driving change throughout the business

FINANCIAL

A growing base of loyal and committed stakeholders, shareholders, customers and employees

We focus our investment where we see strong customer demand for access to technology platforms for end market sectors with above GDP growth potential. These markets should also provide us with medium to high margin potential. We are prioritising our investment in four business areas: Industrial Vision, Space, Radiotherapy and Semiconductors.

Our investment proposition is revenue driven growth, based on being a trusted expert partner, whilst retaining a resilient financial profile. This supports our progressive dividend policy.

Where we operate

We operate in international markets, with global supply chains.

We have nine main engineering facilities and six sales offices across Europe, the US and Asia Pacific to support our global customers.

We have moved our facility in Beijing to be closer to our radiotherapy customers. We have also opened a new facility in Shenzhen to support our Professional Imaging business. We are expanding our office in Japan to support the new business opportunities that AnaFocus has generated.

During the year we completed the re-organisation of the regional teams in the US and Asia so that they are aligned with the divisions.



North America

£77.1m

Revenue

116

Staff

1,750 +3.5%

Staff worldwide



Europe

£102.4m

Revenue

1,589

Staff

Asia

£56.9m

Revenue

45

Staff

Our strategy

FOCUS ON CUSTOMERS

Our focus on our customers is at the core of our strategy

PROGRESS IN 2016

The divisions are empowered to focus on their customers' needs and have the power and the responsibility for end-to-end delivery to customers. Our customers are appreciating the changes we have made and this is being demonstrated in the improving feedback and increasingly they are looking to work with us as their trusted partner for their future developments

FOCUS IN 2017

We are looking to build greater customer intimacy and will continue to focus on our strategic customers. We will look to continue to make new markets and take market share with a focus on key market leaders

EMBED NEW CULTURE

Retaining the best from our engineering heritage whilst simplifying processes and building a responsive and energetic organisation

Our people have embraced the vision and the new brand and are making the change happen. They understand how they make a difference to people's lives working in partnership with our customers

We will continue to be consistent in our internal communications, with a focus on our foundations and values and explaining how everyone can play their part

SUSTAIN INNOVATION

Our people are encouraged to use their talents to sustain innovation and supply the solutions our customers seek

We have seen new product introductions particularly in Imaging and Semiconductors which have been well received by our customers. In our Space Imaging and RF Power customer programmes we are working at the cutting edge of the technology, delivering high quality bespoke products. We have successfully completed the integration of AnaFocus which has accelerated innovation within Imaging

We will complete the integration of SP Devices in the coming year and are already seeing the benefits that this team brings to the Semiconductors division. We will continue to invest in innovation in our chosen markets where we see that there is strong customer pull and increasingly working with our customers as their trusted innovation partner

OPERATE WITH EXCELLENCE

We seek to operate with excellence, shown by rigorous execution driving responsiveness and agility

We have seen good progress across the business, with improved performance in each of our divisions. Our people are open to doing things differently. They can see that their ideas for improvement are being listened to and are keen to share these, underpinning our drive for operational excellence throughout the Group. As a result, we have made significant improvements in areas which are critical to our customers, including on-time delivery

We are looking for further operational improvement in Space Imaging, and to focus on process effectiveness across the Group, along with a reduction in inventory cycle time

GROW ORGANICALLY (Accelerate with acquisitions)

We will continue to focus on delivering organic growth, with acceleration coming from acquisitions

We saw strong revenue growth in Imaging, both in Professional Imaging and Space Imaging, driven by innovation and improving operational performance. We have delivered a significant margin improvement in Imaging and Semiconductors. In RF Power we saw modest margin improvement despite lower revenue, demonstrating the benefits of reorganisation and good cost control

In slower growth markets, our organic growth will come from taking market share through innovation and making new markets through new product introductions. This means that to achieve our goal will require a greater proportion of growth to come through acquisition and we continue to build our acquisition pipeline

RISK (see more detail on pages 22 to 23)

- **Strategic realignment** – The Group seeks to achieve organic growth by further expansion into sub-systems and solutions
- **Advancement of technology** – e2v operates in competitive global markets characterised by continuous technological development

- **Change management** – The repositioning of the Group is requiring organisational change

- **Knowledge and skills** – Our success is reliant on our ability to attract, retain and continuously develop the right people in all areas of the business
- **Failure to protect the Group's intellectual property** could result in loss of competitive advantage

The Group faces a number of operational risks including

- Long term contract execution
- Cyber security
- Product quality
- Supply chain disruption
- Compliance with Laws and regulations
- Fluctuations in exchange rates

- **Global markets** – e2v's business is subject to wider political and macroeconomic conditions, particularly as a number of our end applications are dependent on, and subject to, governmental policies and budgetary constraints
- **Acquisitions** – There is a risk that they may fail to integrate or realise the expected benefits

OUR STRATEGY IN ACTION

New offices in Asia

We are seeing the benefits of having local offices supporting local customers

> See page 17

Fast Track

During 2015 the first year participants in our Fast Track scheme successfully completed the programme

> See page 26

New technology platforms

We have a number of important relationships with universities ensuring we continue to lead innovation in new technology

> See page 30

Operational excellence

Over the last 12 months we have continued our focus on creating a world class operational environment in Chelmsford

> See page 19

Acquisition of SP Devices

Our acquisition of Linköping – based Signal Processing (SP) Devices Sweden AB expands our capabilities

> See page 21

Business Review

Summary

	2016 £m	2015 £m	Change %
Revenue			
Imaging	103.5	88.7	16.7
RF Power	80.5	84.2	(4.4)
Semiconductors	52.4	52.0	0.8
	236.4	224.9	5.1
Adjusted⁽¹⁾ operating profit			
Imaging	15.7	9.3	68.8
RF Power	18.7	19.4	(3.6)
Semiconductors	14.2	11.9	19.3
Corporate centre and exchange movement	(6.6)	(0.5)	
	42.0	40.1	4.7

Our vision

Our vision of 'Bringing life to technology™' is central to how we operate. It provides the Group with our common purpose, namely 'we partner with our customers to improve, save and protect people's lives'. It informs our decision making so that our innovations lead developments in automation, healthcare, communications, safety, discovery and the environment.

During the year, we have been embedding our new culture. All staff events in both Chelmsford and Grenoble demonstrated that our people understand our vision, brand and values and how they can play their part in making it real for both our customers and their colleagues.

Our strategy

Our focus on our customers is at the core of this framework. We actively listen to our customers' feedback and we are responding to what they tell us through delivering what our customers value, rather than what we seek to achieve technically. The divisions are empowered to focus on their customers' needs and have the power and the responsibility for end-to-end delivery to customers. Our customers are appreciating the changes we have made and this is being demonstrated in the improving feedback we receive from them in our annual customer survey and increasingly they are looking to work with us as their trusted partner for their future developments. We are looking to build greater customer intimacy and will continue to focus on our strategic customers.

We are seeing good progress in embedding our culture, which is retaining the best from our engineering heritage whilst simplifying processes and building a responsive and energetic organisation. Our people have embraced the vision and the new brand and are making the change happen. They understand how they make a difference to people's lives working in partnership

with our customers. We have been consistent in our internal communications, with a focus on our foundations and values and explaining how everyone can play their part. This means our people understand what is expected of them and can work more effectively.

Our people are encouraged to use their talents to sustain innovation and supply the solutions our customers seek. We have seen new product introductions particularly in Imaging and Semiconductors, which have been well received by our customers. In our Space Imaging and RF Power customer programmes we are working at the cutting edge of the technology, delivering high quality bespoke products. We have successfully completed the integration of AnaFocus which has accelerated innovation within Imaging. We will complete the integration of SP Devices in the coming year and are already seeing the benefits that this team brings to the Semiconductors division.

We seek to operate with excellence, shown by rigorous execution driving responsiveness and agility. We have seen good progress across the business, with improved performance in each of our divisions. Our people are open to doing things differently. They can see that their ideas for improvement are being listened to and are keen to share these, underpinning our drive for operational excellence throughout the Group. As a result, we have made significant improvements in areas which are critical to our customers, including on-time delivery. We are looking for further operational improvement in Space Imaging, and to focus on process effectiveness across the Group along with a reduction in inventory cycle time.

We will continue to focus on delivering organic growth, with acceleration coming from acquisitions and we are continuing to build our acquisition pipeline.

¹ Adjusted operating profit is before specific items

Our operating model

We operate in international markets, with global supply chains. We have nine main engineering facilities and six sales offices across Europe, the US and Asia Pacific to support our global customers. We have moved our facility in Beijing to be closer to our radiotherapy customers, we have also opened a new facility in Shenzhen to support our Professional Imaging business and we are expanding our office in Japan to support the new business opportunities that AnaFocus has generated. The Group is organised according to the needs of our customers in three divisions: Imaging, RF Power and Semiconductors. The three divisions have full end-to-end profit and loss responsibility for their businesses, covering responsibility for product design and development, operations, sales and customer services. During the year we completed the reorganisation of the regional teams in the US and Asia so that they too are aligned with the divisions. We have also completed the reorganisation of the remainder of Group operations, with purchasing and facilities being moved into the divisions. This significantly reduced the size of the Group functions and empowers the divisions to focus on delivery to their customers. The divisions are now customer-led and supported by the Group which provides guidance and oversight on a 'trust and verify' basis.

Over the last year we have continued to strengthen our operational foundations. Through focusing on our customers, we have further simplified our business processes, making us more agile as an organisation. We are embedding a culture of operational excellence and are seeing the benefits in all three divisions. We have continued to strengthen our management teams under our Executive Leadership team, and they are driving change throughout the business.

The divisions deliver value to their customers in global application segments. We partner with our customers to improve and protect people's lives.

The Group function provides strategic direction and support, and drives best practice. It also provides some common services for the divisions.

Our markets

We focus our investment where we see strong customer demand for access to technology platforms for end market sectors with above GDP growth potential. These markets should also provide us with medium to high margin potential. We are prioritising our investment in four business areas: Industrial Vision, Space, Radiotherapy and Semiconductors. We will also maintain our engagement in the segments where we see customer demand supporting an attractive financial profile supporting investment aligned to customers.

Our highly skilled workforce is trusted by our customers to supply technically complex solutions for our customers' systems. We seek to generate growth through providing higher value solutions and new product development, platform life extension and upgrade, and new applications for our existing technologies.

The top two market sectors of focus for our Industrial Vision business are automation and healthcare. Both of these sectors have the potential for strong growth in the medium term. In the automation sector we now have good market coverage within Professional Imaging. In healthcare, we have the potential to continue to support our Radiotherapy OEMs. In our other markets, communication includes both moving people and enabling direct communication around the world covering space, civil aviation, and marine sectors. Discovery is driven by mankind's thirst for knowledge and offers growth opportunities particularly for space, planetary observation, and science imaging. Safety includes our passive defence sectors and reflects the level of government spending in these sectors. The environmental market is driven by concern for our world and its finite resources and covers earth observation and science sectors.

Our performance

Reported revenue of £236.4m is up 5.1% compared with the last financial year. Organic revenue growth was 1.4% before the benefit of the acquisitions and excluding the sale of the Thermal Imaging business. We also benefited from foreign exchange increasing reported revenue by 2.4%. In Industrial Vision we saw strong demand for automatic data collection, machine vision sensors, and optical inspection CMOS cameras. In Space Imaging we had good growth from delivery on a number of our key programmes. We saw modest growth in radiotherapy with increased demand from our key OEM customers, whilst we have absorbed some destocking. The weakness in RF defence was more pronounced than we anticipated with some programme wins being delayed. In Semiconductors we saw increased activity in the US along with good growth from our own design data converters, being offset by lower demand for microprocessors and the anticipated decline in the legacy ASIC business. In the first five months of the year, AnaFocus contributed additional revenue of £4.4m, and SP Devices contributed £0.6m since its acquisition in January 2016.

Adjusted⁽¹⁾ operating profit of £42.0m reflects the contribution from organic revenue growth of £1.9m. We are seeing the change in culture improve operational performance, with reorganisation and cost reduction in those areas where growth has been slower than anticipated. We have drawn on the flexibility established in the cost base with a reduction in the number of temporary staff and contractors along with lower incentive payments. We increased margins in Space Imaging as we are beginning to see the benefit of improved operational performance and delivery to customers. We absorbed a significant swing in foreign exchange. The revenue benefit of foreign exchange was partly offset by the translation of working capital and realised losses on foreign exchange hedging. To support growth we have continued to target our research and development activities where we see the potential for market growth and strong demand from our customers. We have also continued to increase selling and application engineering resources in Asia to support customers in this region.

Business Review (continued)

Net borrowings of £21.1m, increased by £15.9m. In terms of working capital movements this is in line with our working capital model, and decisions that we consciously made in the second half. Inventory and trade receivables increased in Imaging to support growth. We have progressed our reorganisations and made lower accruals for incentives in the year. We have continued to focus on our customers with our programme to reduce concentration in our supply chains and this along with utilisation of advanced payments on Space programmes has also called upon working capital. This was in part supported by reductions in planned capital expenditure in the later part of the year such that this remained equivalent to depreciation and amortisation. Acquisitions utilised cash of £13.0m. This included the acquisition in January of SP Devices, earn out payments on AnaFocus and product line acquisitions in Semiconductors. In October we sold the Thermal Imaging business.

Our closing order book at 31 March 2016 was £182m (2015 £191m) reflecting good order intake in Professional Imaging, offset by lower order intake in Space Imaging, RF Power and Semiconductors. Our order book for delivery over the coming 12 months was £130m (2015 £146m), a decrease of 11%. The order book reflects the progress made in Space Imaging on the current programmes, continued growth in our shorter order cover businesses and the cycle on our radiotherapy orders.

Our goal

Our goal is to double the size of the Group by 2020, with reference to the adjusted operating profit of the financial year ended 31 March 2015. In slower growth markets, our organic growth will come from taking market share through innovation and making new markets through new product introductions. This means that to achieve our goal will require a greater proportion of growth to come through acquisition and we continue to build our acquisition pipeline, although the timing and terms of any particular deal is difficult to predict.

We will continue to consider acquisition opportunities that are a good fit with our strategy and that accelerate our ongoing organic growth by providing us with further technological know-how, as well as both strengthen our customer relationships and bring talented people.

In summary, our investment proposition is revenue driven growth, based on being our customer's trusted expert partner, whilst retaining a resilient financial profile in support of our progressive dividend policy.

1. Adjusted operating profit is before specific items

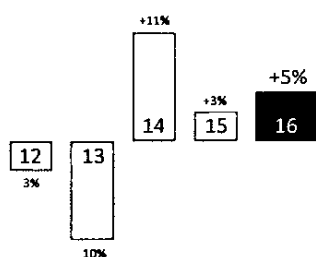
Key Performance Indicators

Financial KPIs

Sales growth (%)

Percentage sales growth in year

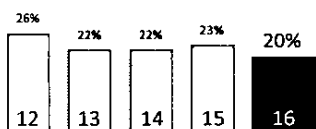
Sales growth is a measure of how successful we have been in growing our business. Our strategy seeks to provide the opportunity for sustainable revenue growth over the longer term.



Return on capital employed (ROCE) (%)

Adjusted⁽¹⁾ operating profit divided by net operating assets and intangibles

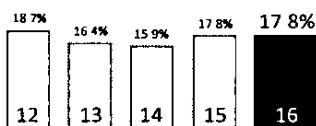
Return on capital employed is a measure of the efficiency with which the Group uses its capital. This provides an indication of the returns generated from the invested capital of the business.



Adjusted⁽¹⁾ operating profit margin (%)

Percentage of adjusted operating profit divided by sales in year

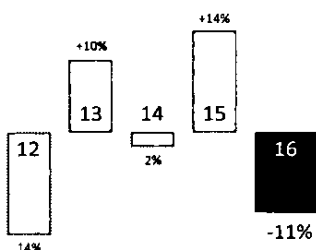
Adjusted operating profit margin is a measure of the profitability of our business. Our intention is to deliver growth with attractive profit margins.



12 months order book growth (%)

Percentage growth in order book for delivery in the coming 12 months

The level of order book is a leading indicator of the business performance. Due to the nature of some of the Group's long term contracts the full order book can be variable, hence the 12 month order book is our chosen measure.

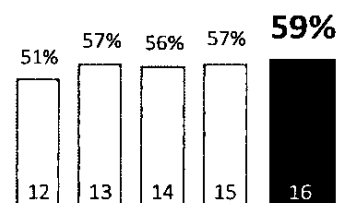


Non financial KPIs

Geographic reach

Percentage of sales from regions outside Western Europe

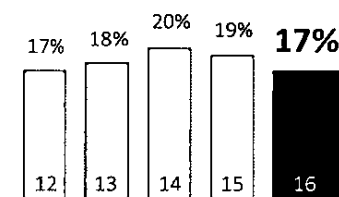
Geographic reach is a measure of the effectiveness of our geographic expansion outside of the Group's traditional European customer base.



New business proportion

Percentage of sales from new products or new customers in the last three years

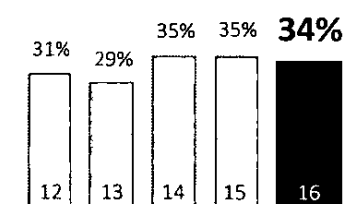
We have a portfolio of products and technologies which evolve over time. New business performance is a measure of the refresh within this portfolio.



Business mix

Percentage of sales from sub-systems, solutions and from more complex products and services

The progress made in repositioning the Group in its value chain.



Imaging

Our value proposition

– what we do and our key drivers

Imaging is arranged in two business streams: Professional Imaging and Space Imaging

We provide high quality imaging sensors, cameras and sub-systems delivering high performance for our customers across a range of applications in the automation, healthcare, discovery and environment markets

For Professional Imaging we provide high performance image sensors and cameras solutions in the form of customer specific products that we develop for our customers, as their innovation partner, or as application specific standard products

For Space Imaging we provide high performance and high quality space qualified imaging sensors and arrays for space science and astronomy applications and high speed, high resolution sensors for earth observation satellites

Customers and markets

In Professional Imaging the industrial vision market is driven by the increased use of sensors in industrial automation for quality and efficiency where we see high single figure market growth rates. AnaFocus has brought new customers and strengthened our existing relationships. It provides growth through innovation leading to new product lines and winning custom programmes. We work for specialised OEMs who are market leaders in the application of imaging technology for factory automation, optical inspection, automatic data collection, x-ray radiography and life sciences. We are well positioned to take advantage of the five year plan in China for automation to support the quality drive to 'made in China'. In the year, the combination of new product introduction and innovation has doubled our growth.

In Space, governments increasingly seek to maintain independent observation capabilities. The expansion of climate change monitoring is driving a growing demand for new observation satellite programmes. We have a strong position in Europe particularly in CCD sensors and our offering remains attractive to customers due to its long proven performance in flight. The main end users are worldwide space agencies including ESA, NASA, JAXA and CSA, as well as the prime satellite manufacturers, including Astrium, Ball Aerospace, Lockheed Martin and Thales. We also provide sensors and sub-systems for use in ground based astronomy applications, where the customers are typically academic institutions, with our camera for JPAS due for delivery soon.

Operational progress

We have continued to develop our relationships with the key OEMs with our ambition to be their trusted innovation partner. We have invested in our product portfolio and widened our scope of services with the integration of AnaFocus that provides customer specific CMOS sensors for a range of applications. We are focused on the areas that have the potential for strong growth and as part of this increasing focus. We sold our Thermal Imaging business during the year.

In Space Imaging, we work closely with our customers on their technically challenging programmes, providing solutions that meet their demanding requirements on the next generation of projects. We build understanding of their requirements and innovate subject to their constraints. We have established a new management team under the new divisional President and we have seen the start of the operational improvement and delivery to our customers. The recovery programme being addressed by the new management team is complex and multifaceted and will take some time.

We are pleased with the pace of progress. A year ago we had ten larger problem contracts. In the year four of these have been delivered or our financial position improved with a further five due for delivery in this current financial year.

1. Adjusted operating profit is before specific items

Performance

Reported revenue increased by 16.7% to £103.5m (2015: £88.7m) showing the fastest growth in the Group and now representing over 44% of Group revenue. Excluding AnaFocus, foreign exchange and the sale of Thermal Imaging, organic growth was 12%. Professional Imaging represents two thirds of the division's revenue with the balance coming from Space Imaging. Underlying growth came from strong demand in automatic data collection, machine vision sensors and optical inspection CMOS cameras. Life sciences delivered modest growth reflecting stronger end user demand. In Space Imaging, revenue growth came through delivery on programmes, although these programmes remain technically challenging and we are continuing to commit the resources needed to improve delivery to our customers.

The division's adjusted⁽¹⁾ operating profit was £15.7m (2015: £9.3m), an increase of 69%. Overall profit growth reflects the contribution from the revenue growth with Professional Imaging delivering improving margins and in Space Imaging margin improvement reflects the benefit of the improving operational performance. R&D activities have been increased to drive future growth, focusing on areas of strong customer demand in particular industrial automation and Space. In line with our working capital model there is a higher level of inventory reflecting revenue growth.

The order book at 31 March 2016 was £93m (2015: £90m). The orders due for delivery in 12 months as at 31 March 2016 were £60m (2015: £70m), reflecting delivery on Space programmes, and the shorter order cycle nature of the Professional Imaging business.

The focus for the coming year in Professional Imaging is to make new markets and take market share with a focus on key market leaders. In Space the focus is on embedding the operational changes and deliver ongoing margin improvement.

Customer Focus

With the opening of our new office in Yokohama, Japan, we have expanded our team in the region, offering greater in-country engineering support and local expertise. Having a better understanding of our customers' demanding applications, and being able to respond in a more agile manner, has enabled us to develop and secure a range of new opportunities with global players.

We've recently secured a contract with a market leader in the ophthalmology sector in Japan – one of our largest contracts to date in Asia Pacific. This contract has seen us partner with the customer to develop their next generation of optical coherence tomography devices, using line scan cameras manufactured in our facility in Grenoble, France. Working with this original equipment manufacturer, our innovation is changing the way that physicians are able to diagnose a range of eye conditions, such as glaucoma and macular degeneration, improving lives through enhanced diagnosis technology.

We are seeing the benefits of having local offices supporting local customers, with the opening of our new office in Beijing, and are making good progress in the provision and support of sub-systems into the radiotherapy market in China. We have established a test and evaluation capability which is both attracting new customers, and helping our existing customers as design and manufacturing moves into the region.

RF Power

Our value proposition

– what we do and our key drivers

We add value to our customers through consistently supplying reliable application specific products, addressing difficult engineering challenges and providing long-term continuity support

We produce components and sub-systems that deliver high performance and high reliability radio frequency power generation for healthcare, industrial and defence applications. The key growth drivers for the division are the increasing incidence of cancer worldwide, industrial growth and the level of defence spending

Customers and markets

We sell to a diverse range of markets with a common need for high power radio frequency solutions. Our key market is medical radiotherapy where we work with all the leading systems suppliers. We also supply OEMs in the healthcare, automation, safety and communication markets

In radiotherapy we continue to anticipate that spares revenue will grow in line with the past expansion of the installed base over the last five to ten years. Revenue growth is anticipated from continued new build demand, which accounts for approximately one third of the growth, and which currently has low single figure growth rates, with two thirds from the installed base which has had higher growth rates in prior years. We continue to engage with our customers to support their current organisational priorities. Our principal customers are the radiotherapy system OEMs including Accuray, Elekta and Varian.

Other applications include our commercial and industrial markets, covering radar for commercial shipping and applications such as industrial heating, industrial and dielectric welding, lasers and cargo screening. In defence, the key driver is the level of NATO defence spending. Defence budgets across the NATO countries are constrained and we do not anticipate this changing in the short-term despite global and regional threats.

Operational progress

The majority of the growth in the division is anticipated to come from radiotherapy where we continue to prioritise our investment. Our other applications continue to be driven by the general industrial cycle. Defence will remain subdued reflecting defence budgets.

During the year we made progress on our site restructuring programme, Project Sunrise, which incorporates the new vision and brand, drives further operational efficiency, consolidates the footprint of the activities that support the portfolio and provides options for the future use of space being vacated. We anticipate that this programme will be completed over the next two years. We have also established separate units for the Lincoln based defence activities.

Performance

Reported revenue was £80.5m (2015: £84.2m) with modest growth in radiotherapy reflecting increased demand from our key OEM customers, whilst absorbing some destocking, along with growth in our commercial and industrial markets. This was offset by weakness in defence with slower than anticipated programme wins and a pause in industrial processing systems.

The division's adjusted⁽¹⁾ operating profit was £18.7m (2015: £19.4m), reflecting a modest improvement in the margin to 23.2% despite the lower revenue profile. This reflects cost control and the alignment of the cost base in defence to the expected activity level. Research and development activities continue to be focused primarily on radiotherapy applications. Inventory levels increased to support customer delivery and as part of a specific programme to reduce over concentration in the supply base and provide continuity of supply as new suppliers are qualified.

1. Adjusted operating profit is before specific items

The order book at 31 March 2016 was £69m (2015: £80m)

The decrease reflects the cycle of the multi-year radiotherapy contracts with delivery against our contracts for our key OEM customers. We also had a reduction in our defence order book reflecting slower than anticipated programme wins. The orders due for delivery in 12 months as at 31 March were £55m (2015: £58m), reflecting lower than a full year cover for radiotherapy. We secured a one year extension to one of our multi-year contracts with two more contracts up for renewal in the coming year.

The focus for the coming year is to grow radiotherapy revenue, supporting our key OEM customers who are increasingly focused on value.

Operational Excellence

Over the last 12 months we have continued with our focus on creating a world-class operational environment and have achieved the first phase of upgrading of our RF Power facilities at our Chelmsford site. In addition, in September we successfully completed the expansion of our new clean room for CCD and CMOS image sensors, helping us to better serve our demanding space, scientific and ground based astronomy customers. The additional space will double our post-processing capacity, with an environment that continually monitors temperature, humidity and particle levels to deliver higher product quality by minimising the potential of defects caused by contamination.

Overall, the improvements are designed to help us deliver the best possible service to our customers in a quality driven environment, supported by streamlined, connected and common-sense process.

Underpinning this new operational environment is our commitment to maintain a healthy and safe workplace for all of our employees. Complying with health and safety isn't a 'tick box' exercise, it's a fundamental approach to how we run the Group. Whilst we do not believe the number of hazards in our working environment has increased, we have seen a significant uplift in the number of employees telling us about a potential hazard. This is part of a very successful 'hazard spotting' programme which is aimed at ensuring that we proactively manage risks so that an incident does not occur.

Semiconductors

Our value proposition

– what we do and our key drivers

We provide high reliability semiconductors that meet the demanding specifications of our customers. Our design capability is enabling us to partner with customers and move up the value chain by providing customers with board-level solutions and specialist applications expertise. SP Devices is providing access to new applications and sectors including test and measurement.

Through our strategic partnerships with Freescale, Everspin, Maxim and Micron we provide a range of high reliability versions of their standard products for use in aerospace applications. Our own design high speed data converters provide market leading performance for space and radio frequency communications. We also provide our customers with continuity of supply for components that they value, avoiding risks associated with counterfeit products.

Customers and markets

We have continued to focus on meeting our customers' requirements for high reliability, excellent service and on-time delivery. We have focused on our customers by increasing our business development resources to better understand our customers' needs, co-funded developments and strengthened our relationships. We have also continued our investment in growing our key strategic partnerships.

We see continued ongoing market growth for high reliability products in civil aviation applications such as flight control computers and engine management systems, driven by civil aviation production rates which have seen high single figure growth rates. Our own designed space qualified data converters are winning market share as they enable our customers to reduce the size and weight of their satellites and at the same time increase the number of communication channels. The steady demand for products that are provided primarily into defence applications growth is driven by the flow down of funds into the large defence OEMs.

Our in-house designed high speed data converters provide market leading performance for ADCs and DACs for space RF communications. Our data converters are used by most of the major space primes and tier one suppliers, including Boeing in the US where we secured a multi-year framework contract and Thales in Europe, where we enable high bandwidth radio frequency communication links.

We were pleased to have completed the acquisition of SP Devices in January 2016. SP Devices provides high performance sub-system solutions for analogue to digital conversion applications. These are used by customers including leading original equipment manufacturers across a number of sectors, including industrial test and measurement, healthcare, communications and science. It also brings proven patented technology in software and board level sub-systems and services, which complements and enhances e2v's broadband data converter business.

Operational progress

We have introduced new own design high speed data converters and new multi-chip modules which enable our customers' innovation. We have also secured design-ins for our products on future programmes for civil aerospace and space applications. During the year we completed the restructuring of the US operations and this has delivered cost reduction and positions the business for the future.

¹ Adjusted operating profit is before specific items

Performance

Reported revenue was £52.4m (2015: £52.0m). US legacy product lines saw revenue increase from flow down on programmes, along with good growth coming from our own design high speed data converters for space applications. This was offset by lower demand for microprocessors. In other applications there was the anticipated decline in the legacy ASIC business as these products approach the end of their lifecycle. SP Devices contributed £0.6m in the last two months of the year.

The division's adjusted⁽¹⁾ operating profit was £14.2m (2015: £11.9m), with a significant improvement in the margin despite the decline in revenue. This was due to improved product mix, with growth in the higher margin lines, good cost control and improved operating performance. Inventory levels have increased to take advantage of opportunities for strategic product line acquisitions, SP Devices and to support short term delivery to customers.

The order book at 31 March 2016 was £20m (2015: £20m). Orders for delivery within 12 months as at 31 March are £15m (2015: £18m). The lower order cover reflects the anticipated decline in the legacy ASICs business but also some delays to anticipated orders in the final quarter of the year.

The focus for the coming year is on delivering growth from the product line acquisitions and announced microprocessor last time buys. We will continue to invest in cards, subsystems and our own IP development moving up the value chain.

Simplification

As part of the strategy for our Semiconductors division, we are looking to move up the value chain to provide customers with board-level solutions and specialist applications expertise.

Our acquisition of Linköping-based Signal Processing (SP) Devices Sweden AB, a leader in the design and development of high performance analogue-to-digital processing technology, is a step forward in this approach. SP Devices is a great fit with our broadband data converter business and expands our capabilities for communication, industrial and discovery end market applications.

We have realigned our sales and engineering resources to support our three levels of offering: component, multichip module or subsystem. With the aim of simplifying our customers' design decisions, with a clear choice of product and service offerings.

Principle Risks and Uncertainties

Risk management approach

As noted in the Corporate Governance Report, the assessment and management of risk is a responsibility of the Board. The Executive Directors lead the risk management process which includes a formal process for identifying, evaluating and managing the significant risks faced by the Group, organised around a three-tiered framework at the process, management and strategic levels within the organisation.

A robust assessment of the principal risks facing the Group has been carried out and the details of those risks and the Group's approach to mitigating them are set out below. The assessment includes previously identified risks, and where appropriate, their mitigation, being monitored monthly at the Board and divisional review meetings, and any newly identified risks are evaluated as

required. A detailed risk review is carried out and presented to the Audit Committee, where the validity of the risk management process is assessed, the relevance and potential effects of the principal risks and uncertainties are reviewed, and the net risk to the Group (after mitigating controls) is evaluated and assessed relative to the risk appetite of the Group. All risks are classified based on a matrix of likelihood of occurrence compared with implications for the business, and are aligned with the strategic drivers of the business.

Principal risks

The principal risks are listed in the following table, along with their potential effect and mitigation. The financial risks associated with interest rates, credit and liquidity are discussed in note 31 to the consolidated financial statements.

Risk & Potential Effect	Mitigating Actions
Focus on customer	
Strategic realignment The Group seeks to achieve organic growth by further expansion into offering sub-systems and solutions. By repositioning itself in the value chain the Group and its customers are seeking to engage on a development and advisory basis. This carries inherent risks in execution, particularly with regard to finding and retaining the appropriate personnel.	<ul style="list-style-type: none"> Developing customer first focus further and embedding throughout the Group's processes Repositioning product offerings at a higher level in the value chain, resulting in increased involvement in customers' design processes, reducing the potential exposure to short term volatility in customer sourcing Continued investment in research and development, manufacturing, marketing, customer service support, people with the required skill sets and distribution networks to ensure competitiveness in strategic growth areas
Advancement in technology e2v operates in competitive global markets characterised by continuous technological development which is integral to the Group's business of design and manufacture of specialist technology for high performance systems and equipment. Failure to innovate could result in our product offering becoming obsolete. The development of new technologies carries risks including failure to develop a commercially viable offering, taking longer to reach the market than planned and the risk that market size will be smaller than originally envisaged.	<ul style="list-style-type: none"> Focussing research and development programmes on innovations consistent with the Group's strategic aims whilst accelerating investment through support, where possible, from government grant initiatives Working closely with customers to ensure the Group develops solutions tailored to their needs and involving them extensively during product development
Embed new culture	
Change management The repositioning of the Group in the value chain, growth both organically and through acquisitions, and the embedding of a culture that is customer-driven, is requiring organisational change. If not properly managed and communicated, there is a risk that the skills of our people will not align to new strategic requirements.	<ul style="list-style-type: none"> Maintaining development and succession programmes, competitive remuneration and good communications at all levels
Sustain innovation	
Knowledge and skills Our business invests significantly in the research and development of technologically advanced products. Failure to protect the Group's intellectual property could result in lack of competitive advantage and products, erosion of margin, or inability to recover investment. In addition, our success is reliant on our ability to attract, retain and continuously develop the right people in all areas of the business. In particular to deliver the strategic growth opportunities, the Group relies heavily on the skills, experience and competence of its people.	<ul style="list-style-type: none"> Identification and documentation of intellectual property arising throughout development, with protection of certain products and manufacturing processes by the use of patents Safeguarding know-how by ensuring suppliers, customers and employees are subject to confidentiality obligations in respect of treatment and disclosure of intellectual property Maintaining development and succession programmes, competitive remuneration and good communications at all levels

Risk & Potential Effect	Mitigating Actions
Operate with excellence	
<p>Long term contract execution Approximately one quarter of the Group's revenue relates to long term contracts, many of which involve advancements in technology and are fixed price. An inherent risk in fixed price contracts is that actual performance costs may exceed the projected costs on which the contracts are agreed, where failure to anticipate technical problems, estimate costs accurately or control costs during the performance of a contract can reduce its profitability or result in a loss.</p>	<ul style="list-style-type: none"> Major projects are subject to peer review and Executive Management approval Projects are reviewed at levels and frequencies appropriate to their performance and potential risks Work is underway to improve project management discipline across the Group and ensure appropriate tools are available
<p>Cyber security Computer systems are critical to the business and its future growth. A complete failure of the IT system, with the loss of trading and other records, would be damaging to the business. Furthermore, e2v faces an increased threat of system security breaches and data loss (including unintentional loss by employees) due to velocity of change in the dynamic external environment and as a result of the Group's expansion increasing global information sharing.</p>	<ul style="list-style-type: none"> Senior management IT Governance Committee identifies emerging external IT issues and prioritises mitigating actions Insider threat program, training of managers to raise awareness and assist in threat detection Reviewing and enhancing IT security policies and tools on a continuing basis Continued development of IT security processes, procedures and planned responses to incidences
<p>Product quality and liabilities There is a risk that the Group's products do not achieve the required specification or deliver to the customer's expectations which could lead to significant liabilities for warranty claims, defects and product recalls.</p>	<ul style="list-style-type: none"> Standardising production, where practical, and applying stringent quality procedures to minimise production defects Minimise potential risks arising from complex or extended contracts through specification certainty and clear contractual arrangements through a robust contract review process
<p>Supply chain disruption e2v's ability to supply products to our customers could be adversely affected by a disaster or disruptive event at any of the Group's manufacturing locations or those of key suppliers. Any interruption to supplies, or increases in costs, could adversely affect our financial position and future trading. For both projects and the production of standard product, there are a number of strategic partnerships and a reliance on external suppliers for specialist materials and products, often in small quantities. Some of these may be sourced from a single supplier, particularly for custom built or older components, and supply may be vulnerable to delay as suppliers prioritise customers with volume orders.</p> <p>Laws and regulations e2v is subject to applicable laws and regulations of many jurisdictions, on subjects including but not limited to, export-import controls, health and safety, environmental, tax, ethical matters including bribery and corruption. Failing to comply could harm business operations or the Group's reputation.</p> <p>Foreign currency The Group operates internationally and is exposed to a number of foreign currencies, the most significant being the US dollar and Euro. Fluctuations in exchange rates will effect both foreign currency denominated transactions and the translation of net assets and income statements of foreign subsidiaries which could result in profit and balance sheet volatility.</p>	<ul style="list-style-type: none"> Maintaining our global business continuity plan to minimise any business implications or disruption to production capability and subjecting the plan to testing to manage the risk of a loss of a major production facility or supplier Mitigating financial effect through business interruption insurance Using accredited supplier programmes and cementing long term partnership based relationships at every point in the supply chain Standardising components in production developments and retaining appropriate inventory levels of components Determining and validating other suppliers/sources of supply for key materials reducing the number of components/materials purchased from a sole supplier Employing individuals with relevant experience in these areas, aided by outside advisors where required, to oversee management of these dynamic risks Deploying resources to meet new requirements as they arise Emphasizing an ethical business conduct programme Monitoring compliance by regular reporting to the Board Hedging policy to manage transactional currency exposure. See note 31 to the consolidated financial statements for further details
Grow organically (accelerate with acquisitions)	
<p>Global markets e2v's business is subject to wider political and macro-economic conditions, particularly as a number of the Group's products are supplied for use into industries which are dependent upon, and subject to, government policies and national and international political considerations and budgetary constraints. Reduction in military spending or prolonged downturn due to recession or economic instability would adversely affect our sales.</p>	<ul style="list-style-type: none"> Increasing diversity of products through ongoing development of strategic growth application areas Expanding geographical spread Maintaining flexibility within the cost base to enable prompt response to significant changes in market conditions and demand
<p>Acquisitions The Group may pursue acquisitions as part of our growth strategy, but these could fail to integrate successfully or realise expected benefits.</p>	<ul style="list-style-type: none"> Acquisitions are considered by reference to the strategic plan to ensure strategic fit Established approach for due diligence and integration being followed

Corporate Responsibility Review

At e2v we continue to manage our business against responsible and sustainable principles. We have strong Corporate Responsibility (CR) policies which underpin the way we work and ensure that we meet the high expectations of all of our stakeholders. We report on five main areas – investors, employees, community, environment and supply chain, and full details of our CR policy and key performance indicators are on our website at www.e2v.com/cr

Steve Blair, Group CEO, maintains Executive Committee responsibility for the setting and implementation of our CR policies, with members of our Executive Committee holding named responsibility for specific aspects of the policy

Investors

We have an annual investor relations programme designed to ensure that we appropriately communicate with current and prospective analysts and investors. To manage and meet information requirements about e2v, we post relevant reports and presentations on the investor section of our website, which also has a number of financial tools to aid analysis. The site is supported through appropriate releases on the Regulatory News System (RNS). We also regularly host investor site visits and presentations, encourage attendance at our Annual General Meeting and appropriately respond to individual requests for information.

We have a target to reduce the number of printed copies of our financial reports to below 40% of our total number of shareholders. This year 53% of our shareholders requested printed copies (2015 50%). We have also ceased to print paper copies of our Half Yearly Financial Report.

We continue to be a member of the FTSE4Good Index, the responsible investment index calculated by global index provider FTSE Group.

Employees Health and Safety

The safety and well-being of our people in all aspects of our operations is critical to the success of our business and to the wider communities in which we operate. We continue to start all formal meetings with a 'Safety Share' to ensure Health and Safety is kept at the forefront of everyone's agenda. We are now in the 2nd year of our cultural HSE programme called Safety, Health, and Environment Leadership Team (SHELT). Since the launch of SHELT our incident reporting statistics have shown positive improvements, with proactive incidents (hazard spots) increasing from 162 in 2015 to 577 in 2016, and have seen that first aid incidents have fallen from 174 in 2015 to 72 in 2016, a 65% reduction. In addition, lost time accidents have fallen from three in FY15 to one in FY16. SHELT Key Performance Indicators (KPIs) for each division are in place with the targeted compliance score of 85% for 2016, to maintain a drive for HSE continuous improvement this score will be increased to 90% for 2017.

We have in place a comprehensive Health and Safety management system, which has been accredited with the OHSAS 18001 standards at the following manufacturing sites Chelmsford, Lincoln, and Grenoble.

Employee engagement

We believe that motivated employees deliver a better service to our customers, and we strive to make e2v a rewarding and enjoyable place to work. During the last year we ran quarterly pulse surveys with employees to monitor their levels of engagement, supported by face to face sessions with members of our Executive Committee. Over the 12 month period we have seen increases in a number of important areas, including being able to promptly respond to customers' requests, and the Group doing a good job of keeping an individual informed about matters affecting them. As part of ensuring that we create and maintain an environment in which employees feel recognised for the contribution that they make, we made 305 STAR Awards (2015 219), to recognise people who live our Group values and 'go above and beyond'.

To recruit and retain the best employees, we have a number of talent schemes in place, including our Apprenticeship and Fast Track schemes. For the second year running our Apprenticeship scheme was recognised in the National Apprenticeship Service Awards, achieving Highly Commended in the large employer award. We also maintained our position in their Top 100 List of Apprentice Employers in the UK. During the year, 39 employees were offered roles on our Apprenticeship and internship schemes globally, and we are targeting similar levels for 2017.

Seven individuals joined the Company on the Graduate scheme and our middle to senior level Fast Track talent scheme has also proved to be extremely successful, with further information on the success of the 2015 scheme on page 26. 12 employees are now taking part in this year's programme.

We've rolled out a comprehensive suite of training courses that have been designed specifically around the needs of our divisions and their people and our growth strategy. In addition, our global Leadership Excellence programme has been rolled out, with 65 managers trained, ensuring we align our leadership style and skills for the delivery of our growth ambitions.

We continue to support the education and development of young people in relation to Science, Technology, Engineering and Mathematics (STEM), with 53 STEM ambassadors having attended local schools events and career fayres.

Diversity and Inclusion

We aim to provide equality of opportunity in recruitment, training, promotion and career development for all people, irrespective of race, ethnicity, religion, sexual orientation, gender or age. We give full consideration to applications for employment from an individual with a disability, where a person with a disability can adequately fulfil the requirements of the role and workplace adjustments can be made.

If an existing employee becomes disabled, it is our policy, wherever practicable, to provide workplace adjustments to ensure continuing employment under normal terms and conditions, and to provide training, career development and promotion opportunities, wherever appropriate.

We are committed to striving for balance in our workforce at all levels

	Male	Female	Total
Headcount by gender	1,224	526	1,750
Senior managers by gender	52	16	68
Board directors by gender	5	2	7

Community

In addition to our responsibilities to shareholders, customers and employees, we believe that the contribution we make to the wider community at a Group and individual level is important

The Charities Committee co-ordinates the charitable activities of the Group and includes members from major sites around the world. It aims to meet every month and seeks to manage effectively the Group's approach to charitable support. The committee monitors the budget, distributes resulting funds and encourages employees in their charitable and community activities

The e2v Foundation is a fund managed by Essex Community Foundation (ECF). It is currently valued at £168,266 (2015 £178,766) and no contribution was made to the fund in 2016. In line with the rules of the fund, £8,858 (2015 £8,700) is available for donation to good causes. During 2015/16, £2,210 of corporate sponsorship was donated. £1,000 of this was for Chelmsford Science and Engineering Society (CSES), and the remaining £1,210 was for local community activities.

Our Core Charities are associated with e2v sites around the world. We have selected 10 charities with connections to six sites. Funds were raised for these charities from a range of activities, totalling more than £4,800. On a corporate basis, e2v made a donation of £5,000 to SOS Children's Villages. The activities of this charity, supporting children in many ways, were described to e2v staff during a Lunch and Learn session. Colchester Treatment Centre is one of our Corporate Charities and raises funds to improve facilities for cancer patients at Colchester General Hospital. We made a donation of £10,000.

We recognise the importance of supporting our employees and the local community in their fundraising efforts. This year we made donations totalling more than £7,000.

Environment

We continue to be committed to operate in an environmentally responsible manner. We manage, and where possible, reduce any impact on the environment from our operational activities.

Under mandatory greenhouse gas emission reporting, in 2016 the Group greenhouse gas emissions decreased by 9% in absolute terms compared with 2015 and decreased by 13% when normalised with reference to revenue.

We have identified electricity usage at the sites within our financial manufacturing portfolio boundary as the Key Performance Indicator (KPI) for energy management, and we are monitoring performance to allow the business to target

appropriate reductions. Electricity usage consistently represents approximately 80% of the organisation's greenhouse gas emissions.

In 2016 we piloted a project in our RF Power assembly areas at Chelmsford to ensure precious metal waste is separately collected and efficiently recycled. In addition, as part of our refurbishment activities at Chelmsford, the management of chemicals is being considered so that we can minimise any environmental impacts, including emissions and the risks of environmental incidents.

Mandatory greenhouse gas emissions reporting

Global GHG emissions data

Emissions from	Tonnes of CO ₂ e	
	2016	2015
Combustion of fuel and operation of facilities	3,406	3,801
Electricity, heat, steam and cooling purchased for own use	14,142	15,478
Total	17,548	19,279
Chosen intensity measurement	Tonnes of CO₂e/£M	
Emissions reported above, normalised to per £m revenue	74.2	85.7

Methodology

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, which fall within our financial control.

Combustion of fuel and operation of facilities includes the use of natural gas as a fuel, the use of oil for on-site electricity generation, the emission of process and refrigerant greenhouse gases from manufacturing and development activities and the use of fuel in owned vehicles.

We have used the methods indicated in the DEFRA Environmental Reporting Guidelines, June 2013 edition. Emission factors from the UK Government's 'GHG Conversion Factors for Company Reporting' for the relevant year were used, where available. For other factors, the International Energy Agency's figures in 'CO₂ Emissions from Fuel Combustion, Highlights' (2012 edition) were used.

The intensity ratios have been calculated using the reported revenue for each financial year. No revenue restatements have been made relating to the acquisition of SP Devices in January 2016. The acquisition of SP Devices has had no impact on the CO₂ emissions within the Group's financial boundary.

We have in place a comprehensive environmental management system which has been accredited with the ISO14001 standard at the following manufacturing sites: Chelmsford, Lincoln (Saddler Road), Milpitas and Grenoble.

Corporate Responsibility Review (continued)

Supply chain

We use best in class commodity management methodology and our procurement teams ensure that our sourcing and supplier development strategies are fully aligned with the Company's growth goals and the objectives of our external and internal customers

Our e2v supplier performance reviews drive continuous improvement by enabling the supplier base to focus on the key areas of cost, quality and service, in addition to promoting environmental, social and ethical best practices, while implementing risk mitigation plans

From a compliance perspective, we expect suppliers to confirm to e2v's legal, commercial and ethical requirements in conjunction with our Corporate Social Responsibility (CR) policy

Our approach helps us to target a low cost of ownership, whilst also ensuring a sustainable, secure supply chain, as well as maintaining our exacting quality standards

People

During 2015 the first year participants in our Fast Track scheme successfully completed the programme. The scheme aims to further the careers of our middle to senior level managers who are excelling in their current roles and are keen to progress their careers in the organisation. 11 employees graduated from the scheme during the year, and more than half of these individuals have either achieved a promotion or have undertaken a more challenging role.

One employee greatly benefiting from the scheme was Farzana Khan, who has been promoted from a role as Supply Chain Manager to an IT Engagement Manager. Having been with e2v for four years, Farzana was keen to progress her career and benefit from some of the opportunities open to employees on the scheme, including regular mentoring from our Executive Committee and high profile, cross-regional project work.

In Farzana's new role, she is focused on driving change through IT simplification, continuous improvement and operational excellence across the entire business landscape, supporting our current and future growth agenda.

Financial Review

“We have increased our dividend by 5.9%, reflecting our progressive dividend policy”

Revenue and adjusted⁽¹⁾ operating profit by division were as follows:

	Revenue		Adjusted ⁽¹⁾ operating profit	
	2016 £m	2015 £m	2016 £m	2015 £m
Imaging	103.5	88.7	15.7	9.3
RF Power	80.5	84.2	18.7	19.4
Semiconductors	52.4	52.0	14.2	11.9
	236.4	224.9	48.6	40.6
Corporate centre and exchange movement			(6.6)	(0.5)
			42.0	40.1

£42.0m

Adjusted⁽¹⁾ operating Profit
+4.7% (2015: £40.1m)

1 Adjusted operating profit is before specific items

Review of trading performance and KPIs

The Group's revenue of £236.4m is up 5.1% compared with the last financial year. The business grew 1.4% before the benefit of the acquisitions and excluding the effect of the sale of the Thermal Imaging business. We also benefited from a foreign exchange tailwind of 2.4%. By geographical spread, revenue was up in Asia Pacific and the rest of the world with North America and Europe where revenue was steady. Geographic reach, the proportion of revenue outside Western Europe increased to 59% (2015: 57%) reflecting the revenue growth Asia Pacific and the rest of the world. New business in the year, from new products or customers in the last three years, made up approximately 17% of revenue (2015: 19%) and business mix, the percentage of revenue from sub-systems and solutions, was 34% (2014: 35%).

Gross profit was £95.2m (2015: £96.2m) a decrease of 1.4% and represented 40.3% of revenues (2015: 42.8%). Included within gross margin is a significant swing in foreign exchange with losses on the retranslation of working capital and realised losses on foreign exchange contracts of £2.1m (2015: gains £3.4m). The majority of the revenue growth came from high to mid margin businesses, along with improvement in the margins on Space programmes. Gross margins benefited from improved operational performance in RF Power and Semiconductors with good cost control and the use of flexibility established in the cost base, including lower incentive payments. The re-organisation of our Chelmsford site will improve the working environment for our people and increase flexibility. We are also completed the separation of the defence businesses based in Lincoln to add further flexibility as we manage the portfolio of RF businesses. For the coming year the benefits of the reorganisations will be used to rebuild the flexibility in the cost base including incentive payments.

Net expenditure on research and development decreased to £13.8m (2015: £14.8m) representing 5.8% of revenue. The expenditure has been focused on investment in the key programmes supporting the growth opportunities. Of the spend during the year 87% was customer aligned. Grant funding decreased by £1.8m to £2.3m, as we reached the end of the funded phase of our Regional Growth Fund programmes. We also received funding in France from the PIA. The main R&D programmes include sensors for Industrial Vision, our CMOS platform and establishing the platform for next generation semiconductor products, the next generation of RF generating

Financial Review (continued)

sub-systems for Radiotherapy and process capability, coatings and CMOS for Space. We continue to use subcontract resource where necessary to deliver these key programmes and also provide agility and flexibility.

Selling and distribution costs decreased by 2.8% to £17.1m (2015: £17.6m) reflecting the reorganisation of our customer services teams and the completion of the US organisation, whilst we continue to expand our activities in Asia.

Administrative costs decreased to £25.1m (2015: £32.7m). Administrative costs include a number of the items excluded from adjusted⁽¹⁾ operating profit totalling £3.0m (2015: £8.9m) as detailed below. The remaining administrative costs of £22.2m (2015: £23.8m) decreased by 6.7%, reflecting the reorganisation of the US and lower incentive payments partially offset by the pay review, whilst building the platform with investment in our core IT systems and our expansion in Asia.

Adjusted⁽¹⁾ operating profit

Adjusted⁽¹⁾ operating profit is considered to reflect more accurately the underlying performance of the business and is calculated as follows:

	2016	2015
	£m	£m
Operating profit	39.0	31.1
Included in administrative costs		
Amortisation of acquired intangible assets	2.8	2.3
Acquisitions	0.8	0.8
Business improvement programme expenses, net	1.4	4.1
Foreign currency (gains)/losses arising from fair value adjustment	(0.6)	1.9
Profit on sale of properties	(0.3)	–
Disposal of businesses	(1.1)	(0.1)
Adjusted ⁽¹⁾ operating profit	42.0	40.1

Adjusted⁽¹⁾ operating profit increased to £42.0m (2015: £40.1m) and represented 17.8% of revenue (2015: 17.8%). Return on capital employed (adjusted⁽¹⁾ operating profit divided by net operating assets and intangibles) was 20% (2015: 23%), reflecting the increased operating profit offset by increased working capital and the intangible assets arising on the acquisition of SP Devices.

Amortisation of acquired intangible assets of £2.8m increased from the prior year (2015: £2.3m) and primarily reflects a full year of amortisation on the assets associated with the acquisition of AnaFocus. During the year payments under the earn out were £2.5m following the strong performance of the business and the achievement of integration targets. The final payment of £1.2m is due in the first half of the current financial year as a result of AnaFocus achieving the earn out targets set at the time of the acquisition.

The Group completed the acquisition of SP Devices in January 2016 and in connection with this the Group incurred one-off transaction costs of £0.2m. In the year, earn out payments to employees were recognised in relation to the AnaFocus acquisition along with foreign exchange losses on the outstanding contingent consideration of £0.6m.

During the year a restructuring of the remainder of the Group's central operations and RF Power was undertaken. The Group also incurred some costs relating to the re-organisation of its Chelmsford facility. We completed the reorganisation to implement our new vision and culture, to simplify our US operations and establish a separate organisation for the specialist defence activities of the Electronic Safety and Initiation and our Defence Microwave business.

The Group's overall foreign currency hedging policy is to put in place forward contracts to sell surplus currencies based on its trading forecasts, with the level of coverage decreasing over the next 12 months. The mark to market adjustment on this cover amounted to a gain of £0.6m (2015: loss £1.9m).

Finance charges

Net finance costs were £1.2m (2015: £1.0m), an increase of 20% compared with the prior year reflecting the level of debt over the course of the year. Of this £0.6m was non utilisation cost and amortisation of arrangement fees.

Taxation

The tax charge for the year was £8.1m (2015: £6.3m). The effective tax rate on reported profit for the year ended 31 March 2016 was 21%. This reflects a reduction in the UK tax rate to 20% (2015: 21%) partially offset by higher profits in France and Spain which are subject to higher rates of taxation. The tax charge in the current year has benefited from tax credits for research and development in the UK and France of £2.6m (2015: £2.3m). The effective tax rate on adjusted⁽¹⁾ profit before tax was 22%. For the current financial year we consider that the effective rate on adjusted⁽¹⁾ profit will be c 29% based on the planned distribution of profits, with growth principally outside the UK, and reflecting that the benefit of R&D tax credits will be accounted for within profit before tax reflecting changes in the tax credit regime in the UK.

The Group generated profits in the UK, France, Spain and the US which were subject to tax at 20%, c 34%, 28% and c 40% (including state taxes) respectively.

Profit for the year

The profit for the year is £29.7m (2015: £23.8m). The level of profitability reflects the lower level of specific items in the year partially offset by higher financing and tax costs. We have increased our dividend by 5.9%, reflecting our progressive dividend policy. An interim dividend of 1.6 pence per share, was paid in December 2015, and final dividend of 3.8 pence per share is proposed.

Currency

Our UK, Spanish and French manufacturing operations sell through the Group's global sales and distribution network and are therefore subject to transactional and translational risks particularly in relation to the US dollar which accounts for 45% (2015 45%) of the Group's sales. Where US dollar receipts are forecast to exceed US dollar costs, sufficient surplus US dollars are sold under foreign exchange contracts to cover costs incurred in the UK and France in accordance with the Group's hedging policy.

Our view for the current year is based on exchange rates as at the end of March 2016. These rates provide a revenue tail wind of c 7%. As at the 31 March 2016 we have unrealised losses on our foreign exchange hedges of £0.8m on the balance sheet, which we anticipate being realised in the current financial year. This combined with the translation of our overseas cost base means the net benefit of exchange rates in terms of adjusted profit is estimated to be around c 4%. The foreign exchange markets remain volatile and the outcome will depend on how rates change over the course of the year.

Cash flow and net borrowings

Net borrowings of £21.1m, increased by £15.9m. In terms of working capital movements this is in line with our working capital model, and decisions that we consciously made in the second half. In Imaging inventory increased by £3.0m and trade receivables increased by £2.1m to support growth. The cash outflow on our reorganisations and lower accruals for incentives accounting amounted to £6.5m. We have continued to focus on our customers with our programme to reduce concentration in our supply chains and this along with utilisation of advanced payments on Space programmes has absorbed a further £5.2m. This was in part supported by reductions in planned capital expenditure in the later part of the year such that this remained equivalent to depreciation and amortisation. We anticipate that capital expenditure will be c £14m, higher than depreciation in the coming year as we continue with our Chelmsford reorganisation. Acquisitions utilised cash of £13.0m. This included the acquisition in January of SP Devices for net consideration of £9.8m. In the year we also made earn out payments on AnaFocus of £2.5m and product line acquisitions in Semiconductors of £4.0m. In October 2015 we sold the Thermal Imaging business for £3.3m. In terms of financing we made share purchases of £3.7m as part of our normal hedging policy for share based incentive schemes, in addition to our normal payments for interest, tax and dividend.

Working capital

We have a range of working capital cycles across the divisions and businesses. For example we support long term availability of product for Semiconductors, often holding inventory for a number of years. In some of our Imaging sensor lines much of the manufacturing is provided by third parties and we only hold finished goods to satisfy customer orders. As part of our focus on customers we have increased inventory levels to improve our responsiveness to their requirements. We look to agree reasonable payment terms with our customers for our products

Where we provide bespoke products or working on long term programmes we seek to obtain advance payments to maintain a positive profile. In terms of trade payables we pay our suppliers in accordance with our agreed terms. Overall we seek to manage working capital through the cycle and estimate that on average across the Group three to four months working capital is needed to support growth and we will continue activities to shorten working capital cycles over the current financial year.

Borrowing facilities

The Group's committed multi-currency revolving facilities are equivalent to £94.3m at 31 March 2016 exchange rates and are available for until 28 July 2018. Based on the Group's performance and net borrowings as at 31 March 2016, the margin and utilisation fee payable is 115bps and non-utilisation fees at 40% of margin.

The facility is subject to leverage and interest cover covenants. Due to the performance of the Group during the year and that the Group has net borrowings of £21.1m as at 31 March 2016, there is significant headroom on both covenants.

Central functions

The costs of the central functions are allocated to the divisions. The central costs of £4.5m (2015 £4.0m) are the costs relating specifically to the management of e2v technologies plc which are not allocated.

Key performance indicators (KPIs)

Our KPIs to monitor financial performance have been covered in detail in the Business Review. The table below provides a summary of our KPIs. Non-financial KPIs will be discussed in detail in the Corporate Responsibility Review in the Annual Report and Financial Statements and include customer satisfaction, number of reportable accidents in the year, and percentage reduction in our carbon footprint.

	2016	2015
Reported revenue growth	5.1%	3%
Adjusted ⁽¹⁾ operating profit margin	17.8%	17.8%
Return on capital employed	20%	23%
12 month order book (reduction)/growth	(11%)	14%
Revenue from sub-systems and solutions	34%	35%
Revenue outside of Western Europe	59%	57%
New business proportion	17%	19%



Charles Hindson
Group Finance Director

Viability Statement

In accordance with provision C 2.2 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential effect of the principal risks documented within the Annual Report. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2019.

The Directors have determined that a three year period to 31 March 2019 is an appropriate period over which to provide its viability statement. This combines the normal period of the Group's financing arrangements, with the average of the range of business cycles across the Group and is aligned with the Group's planning cycle.

To allow the Directors to make this assessment, a business base case has been prepared. For the first year, this is based on the detailed budgets for the Group, and the following years are taken from the Group's strategic plan, which is based on an appropriate set of assumptions for growth, margins, working capital, capital expenditure, dividends and other matters that could have a significant effect on the financial performance and liquidity of the Group. Assumptions have also been made in respect of the Group's ability to secure additional financing, specifically to refinance the revolving credit facility which expires on 28 July 2018, as detailed in note 21 to the consolidated financial statements. The resulting base case provides the Directors with EBITDA, debt and finance charge headroom relative to current bank covenants.

The Directors have made a robust assessment of the principal risks facing the Group, including their potential impact, and the adequacy of the Group's financial headroom relative to a severe but plausible combination of these risks. While the review has considered the principal risks identified by the Group, the following were focussed on for enhanced stress testing: execution risks on current and future programmes, technological risk, both obsolescence and the potential for development programmes to fail, supply chain disruption and the potential for product quality or warranty issues, and, the risks from foreign exchange movements and the broader economic environment.

Whilst this review does not consider all of the possible risks that the Group could face, the Directors consider that the approach adopted and the work performed is reasonable in the circumstances of the inherent uncertainty involved and that it allows the Board to confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2019.

Financial

We have a number of important relationships with universities, ensuring that we continue to lead innovations in new technology platforms for high performance products.

In partnership with the University of Birmingham's College of Engineering and Physical Sciences, we have played a leading role in building a successful academic and industrial consortium which secured funding for the new £80 million National Quantum Technology hub in Sensing and Metrology. We are already playing a major role in two pioneering projects – to produce a gravity imaging camera prototype for the Defence and Science Technology Laboratory, and Freeze-Ray, a next generation laser-cooled cold atom trap funded by Innovate UK.

Our innovation is also supported by customer and grant funded programmes, which are focused on developing the new technology that our customers are seeking. We are also benefiting from Research and Development tax credits from the UK and French governments.

Five Year History

	2016 £000	2015 £000	2014 £000	2013 ⁽³⁾ £000	2012 £000
Revenue					
Imaging	103,473	88,755	81,093	64,511	66,160
RF power	80,540	84,194	82,318	81,896	86,112
Semiconductors	52,410	51,971	54,334	50,438	67,543
All other	–	–	–	3,518	14,800
Total revenue	236,423	224,920	217,745	200,363	234,615
Adjusted⁽¹⁾ operating profit	42,037	40,066	34,746	32,231	41,025
Amortisation of acquired intangible assets	(2,795)	(2,281)	(1,934)	(2,561)	(3,795)
Acquisition related costs	(824)	(759)	–	–	–
Business improvement programme costs, net	(1,377)	(4,115)	1,272	(788)	1,008
Fair value movements on foreign exchange contracts	618	(1,873)	796	(449)	(355)
Disposal of businesses	1,132	100	(30)	2,320	(1,650)
Change in Chief Executive Officer	–	–	(608)	–	–
Operating items associated with disposed non-core businesses	–	–	–	393	842
Profit on sale of properties	284	–	–	4,499	208
Impairment of property, plant and equipment	–	–	–	–	433
Last time build inventory provision	–	–	–	–	(2,510)
Operating profit	39,075	31,138	34,242	35,645	35,206
Net finance costs	(1,230)	(1,035)	(1,160)	(1,428)	(3,163)
Profit before tax	37,845	30,103	33,082	34,217	32,043
Income tax expense	(8,137)	(6,347)	(8,057)	(7,480)	(8,503)
Profit for the year	29,708	23,756	25,025	26,737	23,540
Earnings per share					
Basic earnings per share	13 64 p	10 94p	11 59p	12 53p	11 12p
Adjusted ⁽²⁾ basic earnings per share	14 59 p	13 68p	11 73p	11 07p	13 37p
Dividend per share					
Interim dividend proposed/paid	1 60 p	1 50p	1 40p	1 30p	1 30p
Final dividend proposed	3 80 p	3 60p	3 00p	2 80p	2 80p
Cash and debt					
Cash generated from operations	32,988	49,460	41,086	28,873	37,391
Net (debt)/cash (net of debt issue costs)	(20,806)	(4,674)	770	(9,465)	(29,674)
Average employee numbers	1,685	1,645	1,547	1,525	1,520

- (1) Adjusted operating profit is before specific items. Adjusted operating profit for the year ended 31 March 2012 has been restated to take account of the treatment of operating items associated with the disposed non-core businesses as a specific item. Revenue associated with the disposed non-core businesses is contained within the 'All Other' operating segment.
- (2) Adjusted earnings is profit for the year before specific items, net of their associated tax effect.
- (3) 2013 adjusted operating profit, profit before tax and net finance costs, profit before tax and profit for the year attributable to equity holders of the parent company have been restated to take account of the revision to IAS19. No other years have been restated.

Board of Directors

Neil Johnson

Chairman
Chairman of Nomination
Committee



Appointed 31/03/2013

Biography

Neil joined the e2v Board as Chairman in March 2013. He has considerable experience as an independent non-executive director, developed over the last decade. His experience encompasses international business development and a varied range of strategic corporate activity, in multiple sectors and geographies. Neil was Chief Executive Officer of the RAC Group until 1999 having previously run the European automotive operations within British Aerospace. He has also served a term as Director General of the Engineering Employers Federation. He was a member of a Ministry of Defence Advisory Board from 2006 to 2016 and was an Independent member of the Metropolitan Police Authority from 2009 to 2012. He is currently non-executive Chairman of Synthomer plc, Electra Private Equity plc and Motability Operations Group plc and is Senior Independent non-executive director of the Business Growth Fund. Neil also advises, and is a trustee of, a number of private companies and charitable trusts.

Steve Blair

Group CEO



Appointed 03/03/2014

Biography

Steve joined e2v as Group CEO in March 2014. He was Business Group Director for Spectris plc and Executive Board member responsible for the In-Line Instrumentation and Industrial Controls segments. He brings a wealth of international experience across both established and high growth emerging markets, in strategic planning and portfolio development, and has a proven track record in driving growth. Before joining Spectris, Steve was at Invensys plc, where his last position was President, Invensys Operations Management for North America based in Houston, Texas. He has also held various management positions at Silvertech Limited and Computing Devices Company Limited.

Charles Hindson

Group Finance Director

Appointed 05/05/2009

Biography

Charles joined the e2v Board in May 2009. Charles' last role was Chief Executive, and prior to that Group Finance Director, of Filtronic plc, a UK listed specialist electronics manufacturing group. Previously, he was Finance Director at Eutelstat S.A. and held various positions with the BT Group, British Gas plc, Price Waterhouse and 3i plc.

- Nomination Committee
- Remuneration Committee
- Audit Committee

Kevin Dangerfield
Non-Executive Director
Chairman of Audit Committee
○○○

Appointed 28/01/2011

Biography

Kevin was appointed to the Board in January 2011. He has held a number of senior appointments and was Chief Financial Officer of Morgan Advanced Materials plc from 2006 until 2016, prior to which he had been Group Financial Controller since 2000. His other senior appointments include European Finance Manager for Virgin Retail Europe Group from 1996 to 1998, and Group Finance Operations Manager for London International Group plc from 1998 to 2000.

Alison Wood
Non-Executive Director
Senior Independent Director
○○○

Appointed 17/07/2013

Biography

Alison joined the Board in July 2013. She has a wealth of experience in corporate strategy and strategic business development across the UK and US. Alison is currently an Independent Non-Executive Director of Cobham plc and Costain Group plc. Alison is also a Non-Executive Director of the British Standards Institute. She has previously held Non-Executive Directorships at BTG plc (2004-2008) and THUS plc (2007-2008). Alison was also Global Director Corporate Development & Strategy for National Grid plc (2008-2013) and prior to this she was Group Strategic Development Director for BAE Systems plc (1991-2008).

Dr. Krishnamurthy Rajagopal
Non-Executive Director
Chairman of Remuneration Committee ○○○

Appointed 01/11/2010

Biography

Raj joined the Board in November 2010 and has considerable experience of senior engagement in global engineering operations and in the supply of materials, equipment and services to the global semiconductor and other high technology industries. He is currently Chairman of both UMIP Ltd and HHV Pumps Ltd and a Non-Executive Director of Spirax-Sarco Engineering plc, Bodycote plc, WS Atkins plc and Porvair plc. He was an executive director of the BOC Group plc and is a Fellow of the Royal Academy of Engineering. Raj is a past Commissioner of the Audit Commission, an appointment he held for three years.

Carla Cico
Non-Executive Director
○○○

Appointed 01/04/2016

Biography

Carla joined the Board in April 2016. She has significant global experience in technologies adjacent to those in which the Group currently operates and has held senior executive positions in Asia, the Americas and Europe. Carla is a member of the board of directors of Allegion plc, a global provider of security products and solutions for homes and businesses and is also a director of Alcatel-Lucent SA, a global telecommunications provider. In previous roles, Carla has acted as director of World Duty Free SpA and as Chief Executive of both Rivoli S.p.A. and the Ambrosetti Group, China.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2016. The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Company's financial statements have been prepared in accordance with UK Accounting Standards including FRS 101, 'Reduced Disclosure Framework'.

Strategic Report

Pursuant to sections 414A-D Companies Act 2006, the Directors present the Strategic Report, which can be found on pages 1 to 31. This report sets out the development and performance of the Group's business during the financial year, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group.

The Strategic Report and this Directors' Report comprise the 'management report' for the purposes of the United Kingdom's Financial Conduct Authority's Disclosure and Transparency Rules (DTR 4.1.8R).

Results and dividends

The consolidated profit before taxation amounted to £37,845,000 (2015: £30,103,000). The profit attributable to ordinary shareholders amounted to £29,708,000 (2015: £23,756,000).

The Directors recommend the payment of a final dividend of £8,281,000 (3.8 p per share) (2015: £7,863,000, 3.6 p per share) to be paid on 2 August 2016 to ordinary shareholders on the register on 8 July 2016 which, together with the interim dividend of £3,472,000 (1.6 p per share) (2015: £3,264,000, 1.5 p per share) paid on 17 December 2015, makes a total dividend of £11,753,000 (5.4 p per share) (2015: £11,127,000, 5.1 p per share) for the year.

Post balance sheet events

There have been no material events since the year end.

Research and development

The Group continues to commit significant resources to existing product enhancement as well as the introduction of new products for established and emerging markets. Resource is also invested in a number of collaborative relationships with key universities to achieve leverage, knowledge exchange and access to and training of talented young scientists and engineers. This is achieved through various mechanisms including a number of Knowledge Transfer Partnerships. Customers directly fund a proportion of expenditure on product enhancement and new product development whilst the amount funded by the Group amounted to £13,838,000 (2015: £14,759,000).

Directors

The current members of the Board and the profiles of all Directors at the date of this report are set out in the Board of Directors section. With the exception of Carla Cico, who was appointed on 1 April 2016, all Directors served throughout the year and thereafter.

The beneficial and non-beneficial interests, including family interests, of the Directors in the share capital of the Company and details of Directors' share options are detailed in the Directors' Remuneration Report.

At the forthcoming Annual General Meeting, resolutions will be proposed for the re-election of all members of the Board in compliance with the UK Corporate Governance Code.

Nick Wargent was appointed as Company Secretary on 11 May 2015.

Directors' indemnity insurance

The Company has indemnified the Directors of the Company and all its subsidiaries against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and is still in place as at the date of this report.

Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008

Pursuant to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Company is required to disclose certain information. Such disclosures, which are not covered elsewhere in this Annual Report, include the following:

- the Company's Articles of Association (Articles) give power to the Board to appoint directors and require directors to submit themselves for re-election on an annual basis,
- the Board of Directors is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of the relevant statutes and the Company's Articles. The Articles contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the issuing and buying back of shares are also included in the Articles and such authorities are renewed by shareholders each year at the Annual General Meeting,
- certain agreements of the Group take effect, alter or terminate upon a change of control of the Group following a takeover, including its bank loan agreements, company share plans, and certain commercial trading contracts, and
- there are no restrictions on the transfer of securities, restrictions on voting rights and agreements between shareholders.

Capital Structure

Details of the issued share capital, together with movements in the Company's issued share capital are given in note 25 to the consolidated financial statements.

As at the latest practicable date prior to the publication of this report, being 13 May 2016, the Company's issued share capital comprising of ordinary shares of 5p each was 220,233,247 shares, with a nominal value of £11,011,662.

The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. All issued shares are fully paid.

Details of employee share schemes are set out in notes 25 and 28 to the consolidated financial statements. The Employee Benefit Trust and the Company abstain from voting on the shares they hold.

Interests in voting shares

At the following dates, the Company had been notified of the following interests of 3% or more in the Company's ordinary shares (excluding treasury shares)

	4 April 2016		6 May 2016	
	No of ordinary shares of 5p each	%	No of ordinary shares of 5p each	%
Aberforth Partners	31,377,607	14.37	30,477,607	13.96
AXA Group	23,961,958	10.97	22,758,316	10.42
Aviva plc	19,744,933	9.04	20,492,456	9.38
Artemis Investment Management	20,058,390	9.19	20,118,526	9.21
GVQ Investment Management	12,114,660	5.55	12,114,660	5.55
Henderson Group	11,216,092	5.14	11,333,095	5.19
BlackRock	9,070,286	4.15	9,371,295	4.29
Schroders	8,253,512	3.78	8,253,512	3.78
RWC Partners Ltd	7,818,073	3.58	7,818,073	3.58
Aberdeen Group	6,689,531	3.06	6,689,531	3.06

Political donations

No donations were made to any political parties in the year (2015: £nil)

Environmental matters

Information on the Group's greenhouse gas emissions is disclosed in the Corporate Responsibility Report on pages 24 to 26

Employment policies

The Group's employment policies are set out in the Corporate Responsibility Report on pages 24 to 26

Financial instruments

Details of the Group's use of financial instruments, together with information on policies and exposure to interest rate, foreign currency, credit and liquidity risks can be found in note 31 to the consolidated financial statements. All information detailed in that note forms part of this Directors' Report and is incorporated into it by cross-reference

UK Corporate Governance Code

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 37 to 40. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference

Going concern

The Group's business activities, together with the factors likely to affect its future development are discussed in the Chairman's and Group CEO's Statement and the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review section of the Strategic Report. In addition, notes 31 and 32

to the consolidated financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit and liquidity risk. The Group meets its day to day working capital requirements through its revolving credit facility which is not due for renewal until July 2018.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility and remain within the covenant requirements. There remains a level of uncertainty over the level of demand for the Group's products and services and the exchange rates between Sterling, US dollars and Euros.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure of information to the auditor

Each Director holding office at the approval date of this Directors' Report confirms 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 necessary steps that they ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Additional information – FRS 101, 'Reduced Disclosure Framework'

The Company will once again adopt FRS 101 for its entity financial statements for the year ending 31 March 2017. A shareholder or shareholders holding in aggregate 5% or more of the total allotted ordinary shares in e2v technologies plc may serve objections to the use of disclosure exemptions on e2v technologies plc in writing to its registered office no later than 31 July 2016.

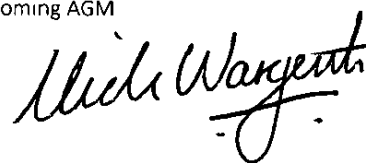
Annual General Meeting (AGM)

The AGM of the Company will be held on 13 July 2016 at Investec Investment Banking, 2 Gresham Street, London EC2V 7QP. The Notice of AGM is given on pages 119 to 122.

Auditor

KPMG LLP has expressed its willingness to continue in office. Resolutions for its re-appointment as auditor and the authority for the Directors to determine auditor's remuneration will be proposed at the forthcoming AGM.

By order of the Board



Nick Wargent
General Counsel and Company Secretary
13 May 2016

e2v technologies plc
Company No 4439718
Registered office 106 Waterhouse Lane, Chelmsford CM1 2QU

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations

Directors' responsibilities for the preparation of the Annual Report

Company law requires the Directors to prepare Group and parent company financial statements for each year. Under the provisions of this law, the Directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards 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 the affairs of the Group and the parent company and of their profit or loss for that period

In preparing each of the Group and parent company financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state that the Group financial statements have complied with IFRS as adopted by the EU, subject to any material departures being disclosed and explained,
- state for the parent company financial statements whether the applicable UK Accounting Standards have been followed, subject to any material departures being disclosed and explained in the financial statements, and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business

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

Under applicable law and regulations the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance statement that comply with that law and relevant regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

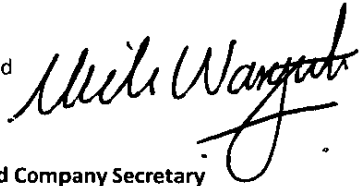
Directors' responsibility statement in respect of the Annual Report

We confirm that to the best of our knowledge that

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group, and
- the management report, which comprises the Directors' Report and the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and the Group together with a description of the principal risks and uncertainties that they face

We consider that the Annual Report and Financial Statements, when taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy

By order of the Board


Nick Wargent
General Counsel and Company Secretary
13 May 2016

Corporate Governance Report

Introduction

The Board recognises the importance of, and is committed to, high standards of corporate governance and as such the Board acknowledges its contribution to achieving management accountability, improving risk management and creating shareholder value. The following report, together with the Audit Committee Report and the Directors' Remuneration Report, explains how the Board and its Committees have discharged their duties and applied the main principles of good corporate governance as set out in the UK Corporate Governance Code published by the Financial Reporting Council in September 2014 (the Code). A copy of the Code is available at www.frc.org.uk. The Board has been mindful to ensure that the Group complies not just with the principles of the Code but also with its spirit.

Statement of Compliance

The Board confirms that the Group has complied with the relevant provisions set out in the Code throughout the year ended 31 March 2016 and from that date up until the date of publication of this Annual Report.

Leadership

The role of the Board

The role of the Board is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. Collectively the Board is responsible for the long term success of the Company. The names, biographical details and significant time commitments of the members of the Board are set out on pages 32 and 33.

The Board sets the Group's strategic aims, ensures the necessary financial and human resources are in place to enable the Group to meet its objectives, and reviews management's performance. The Board is responsible for setting the Group's values and standards and ensuring that the Group's obligations to its shareholders and other stakeholders, including employees, customers, suppliers and the wider community, are understood and met.

The Chairman's primary role includes ensuring that the Board functions properly, that it meets its obligations and responsibilities and that its organisation and mechanisms are in place and working effectively. The Chairman is also an ambassador for the Company to shareholders and wider stakeholders. There is no Deputy Chairman.

Non-Executive Directors are responsible for exercising independent and objective judgement in respect of Board decisions, developing strategy with Executive Directors and scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance.

The appointment of Carla Cico as a Non-Executive Director brings relevant experience in technological fields adjacent to those in which the Group currently operates, together with a global business perspective.

The Group CEO's primary role is to provide overall leadership and vision in developing, with the Board, the strategic direction of the Group. The Executive Directors are responsible for the management of the overall business, ensuring strategic and business plans are effectively implemented subject to agreed levels of authority and ensuring results are monitored and reported to the Board and financial and operational objectives are attained.

There exists a clear division of responsibilities between the Chairman and the Group CEO, which are set out in writing and agreed by the Board.

The Senior Independent Director acts as a sounding board to the Chairman and serves as an intermediary for other Directors where necessary. The Senior Independent Director is also available to shareholders should they have any concerns and where contact through the normal channels is inappropriate, and is responsible for leading the review of the Chairman's performance as part of the annual Board evaluation.

Operation of the Board

The Board's responsibilities are discharged by way of monthly Board reviews (except in August and December) and other Board meetings as required to approve matters beyond the authority limits of the Group CEO. The Board also convenes ad-hoc meetings during the year and resolves matters by written resolutions to deal with specific business requirements. There were ten general monthly Board meetings during the year. At the monthly Board meetings, the Non-Executive Directors review the reports presented to them by the Group CEO and Group Finance Director, which include a review of the financial results. This review compares the current year with the previous year and the annual operating plan as well as a current year forecast and order book levels.

In addition there are meetings of the Committees of the Board as well as regular business division and function reviews where senior members of executive management make presentations to the Directors.

Measures are taken to ensure that no conflicts of interest arise at Board and Committee meetings, and that quorum requirements are satisfied at all meetings.

The Board has adopted a formal schedule of matters detailing key aspects of the Company's affairs reserved for it to approve, which is reviewed annually to ensure it remains appropriate. Items requiring Board approval are either agreed at the monthly Board meetings, at intervening meetings specifically arranged for that purpose, or by written resolution. The reserved matters include the approval of customer quotes over the approved financial limit set by the Board, the acquisition and disposal of property, certain activities relating to mergers and acquisitions, dividend policy, capital structure, and the approval of the annual budget, Group strategy, interim management statements, Half Yearly Financial Statements and Annual Report and Financial Statements.

Throughout the Group there are clear lines of delegated authority covering the full range of financial commitments.

Corporate Governance Report (continued)

Board Committees

The Board has delegated certain responsibilities to Board Committees namely

- the Nomination Committee,
- the Audit Committee, and
- the Remuneration Committee

These Committees operate under clearly defined terms of reference, which are available on the Company's website, and report to the Board at Board meetings, as appropriate, via the relevant Committee Chair. The terms of reference are reviewed at least annually, with any revisions proposed by the respective Committees and then approved by the Board. The Board has provided its Committees with sufficient resources to undertake their duties, including access to the Company Secretary and external advisors where appropriate.

The reports of the Audit and Remuneration Committees are included on pages 41 to 66.

Nomination Committee

The Committee is chaired by Neil Johnson. The other members of the Committee are Steve Blair, Alison Wood, Kevin

Dangerfield, Krishnamurthy Rajagopal and, with effect from 1 April 2016, Carla Cico. The Committee met once during the year and has also taken decisions by way of written resolutions. The terms of reference of the Committee, which are available on the Company's website, include

- regular review of the structure, size and composition of the Board,
- formal, rigorous and transparent procedures for new appointments to the Board,
- the formal selection and nominations for Board approval of any new Board appointments, and
- provision of recommendations to the Board regarding succession, re-appointment and membership of the Audit and Remuneration Committees.

In relation to the appointment of Carla Cico as a Non-Executive Director the Committee engaged the services of Korn Ferry, an external executive search agency. Korn Ferry has no other connection with the Company.

In making recommendations for new Board appointments, the Committee has due regard to the benefits of diversity.

Attendance at meetings

Directors' attendance at the Board and Committee meetings convened during the year was as follows. All Committee and Board meetings held in the year were quorate.

	Full Board		Audit Committee		Remuneration Committee		Nomination Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
N Johnson	10	10	–	–	–	–	1	1
S Blair	10	10	–	–	–	–	1	1
C Hindson	10	10	–	–	–	–	–	–
A Wood	10	10	3	3	5	5	1	1
K Rajagopal	10	10	3	3	5	5	1	1
K Dangerfield	10	10	3	3	5	5	1	1

In addition, where not a member, Neil Johnson, Steve Blair and Charles Hindson attended by invitation the whole or part of some of the meetings of the Audit, Nomination and Remuneration Committees.

Carla Cico was appointed as a Non-Executive Director with effect from 1 April 2016.

Board effectiveness

Composition, independence and diversity of the Board

The Group is headed up by a Board which comprises the Chairman, Group CEO, Group Finance Director and, with the appointment of Carla Cico in April 2016, four Non-Executive Directors.

All of the current Non-Executive Directors have been appointed within the last six years. The Non-Executive Directors (including Neil Johnson upon his appointment as Chairman on 31 March 2013) are all considered to be independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The Board has considered the other appointments by the Directors, details of which are contained in their biographies on pages 32 and 33 and has confirmed that each is able to devote sufficient time to fulfil the duties required under the terms of their contracts or letters of appointment.

In line with the Code, the Company's Articles of Association require that Directors submit themselves for re-election on an annual basis.

The composition of the Board is intended to ensure that its membership represents a mix of backgrounds and experience that will enhance the quality of its deliberations and decisions. Diversity in board composition is an important driver of board effectiveness. In looking for prospective Directors, there is regard to the skills of the Board at that time and the need to address longer term succession and business priorities. The annual formal evaluation of the Board, Board Committees and individual Directors' performance takes Board diversity into account and is instrumental in identifying any new skill requirements, as well as possible shortcomings, gaps or inefficiencies.

The current female representation on the Board is 29%. The Board recognises the importance of gender diversity at the level below the Board and is committed to ensuring the appropriate level of gender diversity, in particular at senior management level where female representation is 24%. Further information on the total number of women employed by the Group is provided in the Corporate Responsibility Review.

The Company Secretary reports to the Chairman on governance matters and is responsible for keeping the Board as a whole up to date on all legislative, regulatory and governance matters and is responsible for supporting the Chairman and other Directors as necessary, including the management of Board and Committee meetings, their evaluation and advising on Directors' duties. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Conflicts of interest

In line with the Companies Act 2006, the Company has established a robust procedure requiring Directors to seek appropriate authorisation prior to entering into any outside business interests. Actual or potential conflicts of interest are reviewed by the Board.

Induction and training

New directors undertake an induction programme upon their appointment to the Board covering the activities of the Group and its key business and financial risks, the terms of reference of the Board and its Committees and the latest financial information of the Group. Ongoing training is provided as necessary and the requirement for this is assessed through the annual performance review as well as on an ad hoc basis. This

includes all training required to perform the role. Directors have access to and may consult with the Company Secretary at any time on matters related to their role on the Board. All Directors have access to independent professional advice at the Group's expense where they judge it necessary to discharge their duties, with requests for such advice being authorised by the Chairman or the Company Secretary.

Performance evaluation of the Board

The Chairman and Company Secretary undertook a performance evaluation of the Board which required an assessment, by each individual Director, of the performance of the Board and its Committees by way of an anonymous questionnaire and ratings process. The results of this assessment were reviewed by the Board and there were no areas of concern. The Senior Independent Director also led a performance review of the Chairman, which required an assessment, by each Director, of the performance of the Chairman. This assessment was reviewed by the Board and there were no areas of concern. The Chairman met with the Non-Executive Directors without the Executive Directors present on two occasions and the Senior Independent Director met with the Non-Executive Directors, without the Chairman present, once.

Accountability

Financial and business reporting

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects.

The statement that gives the reasons why the Directors continue to adopt the going concern basis for preparing the financial statements is given in the Directors' Report.

Risk management and internal control procedures

The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness and has accordingly reviewed the effectiveness of this during the year. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives, and can only provide reasonable and not absolute assurance against material misstatement.

An ongoing process, in accordance with the guidance of the Turnbull Committee on internal control, has been established for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place throughout the year under review and up to the date of approval of the financial statements.

In addition the Board considers the significance of environmental, social and governance matters relevant to the business of the Group as part of the Board meetings. The Group CEO holds Executive Committee responsibility for the Group's Corporate Responsibility policy and its execution.

A formal whistle blowing policy is operated and is included in the Group's employee handbook. This policy provides arrangements, by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Company also has in place a Group policy and set

Corporate Governance Report (continued)

of procedures, training and evaluation to raise awareness and compliance on all matters of anti-bribery and corruption

The Board has delegated certain of its responsibilities in relation to this area to the Audit Committee and further information on the Group's risk management and internal control processes are set out in the Audit Committee report. A robust assessment of the principal risks facing the Group has been carried out and details of those risks and the Group's approach to mitigating them are set out in the Strategic Report.

The Group's key risk management processes and system of internal control procedures include the following:

Management structure

The Group has adopted procedures for the delegation of authority and authorisation levels, segregation of duties and other control procedures. Appointments to the most senior management positions within the Group require Board approval.

Identification and evaluation of business risks

The major financial, commercial, legal, regulatory and operating risks within the Group are identified through a range of review meetings at the relevant management level. Senior management are also involved in the preparation of an annual risk assessment report which is reviewed by the Board.

Information and financial reporting systems

The Group's comprehensive planning and financial reporting procedures include detailed operational budgets for the year ahead and a three year rolling business plan, both of which are approved by the Board. Performance is monitored on a regular basis through monthly reporting and regular forecast updates. Management and specialists within the Finance Department are responsible for ensuring the appropriate maintenance of financial records and processes that ensure all financial information is relevant, reliable, in accordance with the applicable laws and regulations, and distributed both internally and externally in a timely manner. A review of the consolidation and financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published by the Group is subject to the approval of the Audit Committee.

Investment appraisal

All capital expenditure and research and development projects require detailed written proposals and go through strict authorisation processes. All acquisitions are subject to Board approval and commercial, legal and financial due diligence is carried out if a business is to be acquired.

Relations with shareholders

The Annual Report and Financial Statements, Half-Yearly Financial Report, Preliminary Announcement and Interim Management Statements provide investors with a balanced view of the Group's activities and performance. The principal form of communication with private investors is the Company's website which is updated regularly with Company information.

The Chairman is available to institutional investors and the principal contact points are the Group CEO and Group Finance Director. The Senior Independent Director is also available to whom investors may address any concerns they may have.

Presentations are given to individual institutions, or on a group basis if preferred, following the announcement of half-yearly and full year results. Site tours and ad-hoc meetings are also arranged where requested.

The AGM provides the Board the opportunity to meet informally and communicate directly with private shareholders. Voting at the AGM is conducted by way of a show of hands in order to encourage questions from and interaction with private shareholders. Proxy votes lodged on each AGM resolution are announced at the meeting and published on the Company's website.

In order that all Directors are aware of the views of shareholders any feedback on institutional presentations, both attributable and non-attributable, which is provided to the Company's advisers is circulated to the Board.

Approved by the Board of Directors and signed on its behalf by

Nick Wargent
General Counsel and Company Secretary
13 May 2016



Audit Committee Report

The Committee is chaired by Kevin Dangerfield and has met three times during the year. The other members of the Committee are Alison Wood and Krishnamurthy Rajagopal. Kevin Dangerfield is deemed to have recent and relevant financial experience. The Company Secretary acts as secretary to the Committee whilst the Chairman, Group CEO and Group Finance Director attend Audit Committee meetings by invitation. The audit partner of the Company's auditor attended two meetings during the year. At meetings at which the interim and full year results are reviewed, the Non-Executive Directors exercise their right for discussions with the audit partner where no Executive Directors are present.

The terms of reference of the Audit Committee, which are available on the Company's website, include

- keeping under review the effectiveness of the financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks,
- considering the requirements for establishing an internal audit function,
- monitoring the integrity of financial reporting,
- reviewing the arrangements for what is commonly known as whistle blowing,
- reviewing the Committee's terms of reference,
- making recommendations to the Board in relation to (1) the appointment and re-appointment of the external auditor as well as running the selection process of any new audit appointment, and (2) approval of Auditor's remuneration,
- keeping under review the relationship with the external auditor including assessments of independence and objectivity and the effectiveness of the audit process when taking into account the relevant UK professional and regulatory requirements,
- developing and implementing policy on engagement of external auditor to supply non-audit services, and
- reporting to the Board on how it has discharged its responsibilities

Risk management and internal controls

The Board has overall responsibility for risk management and the system of internal control and for reviewing its effectiveness, however certain of the responsibilities have been delegated to the Audit Committee, in particular the monitoring and review of internal control procedures for the identification, assessment and reporting of risks. The Audit Committee has received reports from management during the year and has reviewed the systems of internal control and risk management and is satisfied that the systems are effective.

The Committee receives reports on matters reported under the Group's whistle blowing policy and assesses both how such incidents are dealt with and whether there was an indication of material risk.

Financial reporting

The primary role of the Committee in relation to financial reporting is to review with both management and the external auditor, and report to the Board where requested or required, the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters

- quality, acceptability and consistency of the Group's accounting policies and practise,
- material areas in which significant judgements have been applied or there has been discussion with the auditors,
- whether the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy,
- the clarity of disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements, and
- any correspondence from regulators in relation to the Group's financial reporting

To facilitate the Committee's financial reporting responsibility it receives reports from the external auditor. At the meeting in which the Committee reviews the year end results the Committee consider a report which contains the findings of the auditor's audit work, including comments on the draft Annual Report and Financial Statements. At the meeting in which the Committee considers the half year results, a report is received from the auditor with regard to its review of the half year results. At this meeting the auditor also presents its planning memorandum for the annual audit, which includes details of key risks, audit scope and materiality. The auditor will also provide a summary of current and upcoming developments in company law, accounting standards and other regulations.

The Committee reviews the integrity of the Group's annual and half yearly financial statements of the Group. This includes a review and discussion of papers prepared by management with regard to key estimates, judgements and presentational matters. The primary areas of judgement considered by the Committee in relation to financial statements for the year ended 31 March 2016 and how these have been addressed are detailed below.

Carrying value of intangible assets

The Committee considered the carrying value of goodwill and other intangible assets and the assumptions related to the impairment review. The judgements in relation to the impairment review relate to the achievability of long term forecasts and the discount rates applied to the forecast cash flows. A sensitivity analysis on these assumptions was also considered by the Committee.

Accounting for acquisitions

The Committee has considered the acquisition accounting in relation to AnaFocus and SP Devices. Management have been challenged with respect to the assumptions and methodologies applied to support the fair value of intangible assets, net assets acquired and contingent consideration payable.

Audit Committee Report (continued)

Long term contractual arrangements:

The Committee reviewed key estimates and judgements, including estimates to complete, applied in the determination in the financial status of the more significant projects, and in particular any loss making contracts, and

Inventory provisions

The Committee reviewed the key judgements and assumptions used in determining the level of provisioning, in particular with reference to the Group's inventory holdings for its obsolescence management business and the last time build programmes undertaken in Grenoble on the closure of the front end fabrication plant in 2011. In these cases inventory is sold over a number of years and therefore the carrying value is dependent upon longer term future sales forecasts.

These areas have also been identified as areas of higher audit risk and accordingly the Group's auditor reported on these matters and discussed these judgements with the Committee.

With the requirement of the Code to include a viability statement in the 2016 Annual Report and Financial Statements, the Committee has provided assistance to the Board in relation to this matter. At its meeting in January 2016, the Committee considered a paper prepared by management which included a discussion of the period over which the Board should make its viability statement and the key risks and associated stress testing. Whilst at its meeting in May 2016 the Committee reviewed the draft viability statement and the supporting discussion paper prepared by management detailing the sensitivities as to liquidity and bank covenants, risks and associated stress testing.

External audit

Appointment, independence and effectiveness

The Committee considers the appointment of the external auditor each year and as part of the process considers the independence of the auditor and the effectiveness of the external audit process.

Following a tender process in 2013, KPMG LLP (KPMG) was appointed as auditor for the financial year ended 31 March 2014 and was re-appointed as auditor at the 2015 Annual General Meeting (AGM). Having reviewed the performance of KPMG, the Committee has decided to recommend to the Board that KPMG be re-appointed as auditor for the next financial year and a resolution to this effect will be put to the AGM on 13 July 2016. The Committee reviewed and agreed the audit fee for the financial year.

The external auditor is required to change the lead partner every five years and other partners periodically in order to protect the independence and objectivity and provide fresh challenge to the Group. Mike Barradell has completed three years in the role of lead partner. KPMG confirmed their independence to the Committee in October 2015 and May 2016. The Committee considered KPMG's presentations and confirmed that it considered the auditors to be independent.

Following the conclusion of the annual audit, the Committee reviews the effectiveness of the audit and the performance of

the auditor through an evaluation process, which takes into account the views of the Committee members, the Board and senior managers involved in the audit process. The results of the review are considered by the Committee and discussed with the auditor and management.

Non-audit services

To further safeguard the independence and objectivity of the external auditor, non-audit services provided by the external auditor were authorised by the Chairman of the Audit Committee. The Audit Committee monitors fees paid to the auditor for non-audit work. The following fees have been paid to KPMG for non-audit work during the year ended 31 March 2016: £27,000 for assurance services, including review of half-yearly financial statements and £9,000 for tax compliance services. The Company has engaged other independent firms of accountants to perform tax consulting and other consulting, including financial due diligence, work. The Committee monitors the level of non-audit services provided by the external auditor with a view to ensuring objectivity, independence and cost effectiveness.

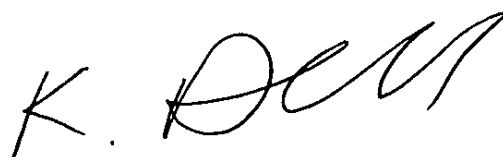
Internal audit

At the current time the Board are of the opinion that a formal internal audit function is not considered necessary due to the structure and size of the Group, widespread executive involvement in the day to day business and the level of review undertaken by the executive management and reported to the Board. The Group continues with a programme of internal audit reviews performed by multi-disciplinary peer review teams from across division, group functions and jurisdictions.

On behalf of the Audit Committee

Kevin Dangerfield

Chairman of the Audit Committee
13 May 2016



Directors' Remuneration Report

Letter from Krishnamurthy Rajagopal, Chairman of the Remuneration Committee

Dear Shareholder

I am very pleased to be able to take this opportunity, in my capacity as Chairman of the Remuneration Committee, to update you on the work of the Committee during the year ended 31 March 2016

Introduction

This is the third year that e2v is publishing the details of its Directors' remuneration under the policy approved by shareholders at the 2014 Annual General Meeting (AGM). No changes are proposed to the policy at the current time and as such, it will not be subject to a shareholder vote at this year's AGM. The policy section of the report (pages 45 to 54) has been reproduced for reference only, in line with best practice. However, as the regulations require the policy to be voted on by shareholders every three years, a new policy will be put to shareholders for approval at next year's AGM.

The Directors' Annual Report on Remuneration (pages 54 to 66) sets out how the policy was implemented for the year ended 31 March 2016 and this will be put to an advisory shareholder vote at the 2016 AGM.

Performance remuneration during the year

The results for the year ended 31 March 2016 reflect a good performance for the year. The Group reports revenue of £236m, an increase of 5% on last year. Adjusted operating profit of £42m, an increase of 5%, reflects this good operating performance. Cash generation during the year delivered operating cash inflow of £33m, with the Group reporting as at 31 March 2016 net borrowings of £21m, after the purchase of SP Devices.

Bonuses for the year ended 31 March 2016 were based solely on adjusted operating profit performance, with up to 100% of salary in cash for achieving stretch performance and a further 40% of salary (payable in deferred shares) achievable for above stretch performance. Notwithstanding adjusted operating profit for the year of £42m, 5% growth on prior year, this was below the target level of performance required resulting in no bonuses being payable to the Executive Directors for the year ended 31 March 2016.

The 2012 Long Term Incentive Plan (LTIP) award vested during the year. The award was based 50% on absolute Total Shareholder Return (TSR) and 50% on relative TSR performance. The strong performance of the Company over this period has delivered an 89% return to shareholders, resulting in 81% of the award vesting. The Group CEO joined the Group in 2014 and therefore was not a participant in the 2012 LTIP award cycle.

As noted in last year's Annual Report on Remuneration, the Committee undertook a review of the base salary level for the Group CEO during 2015. Following a consultation with major shareholders last summer, the Remuneration Committee approved a one-off salary increase for the Group CEO, Steve Blair, from £334,750 to £390,000 (effective from 1 October 2015). While the Committee originally considered phasing the increase over time, during the consultation exercise a number of our major investors indicated that they would be comfortable with a one-off adjustment. The increase has been designed to bring his salary in line with the appropriate rate for the role and reflects Steve's exceptional performance since he joined the Group, in re-energising the business and the strong improvement this has had on our financial and operational performance.

Charles Hindson received a 5% salary increase in October 2015, following a review of individual and Group performance. The average increase awarded across the workforce was 2.5% (with actual increases ranging from 0% to 5% depending on individual performance).

Implementation of the remuneration policy for the year ending 31 March 2017

In November 2014, Steve Blair launched the revised vision for the Group 'Bringing Life to Technology' in which he set out the strategic goal to double in scale by 2020. Over the last year, the market environment has proved to be increasingly challenging, but we are still focused on growth. This will be achieved both organically and increasingly through acquisitions, such as the recent one of SP Devices which provides high performance sub-system solutions for analogue to digital conversion applications.

Our focus remains on the end markets of Industrial vision, Space, Radiotherapy and Semiconductors, whilst continuing to support customers across other activities, including Science Imaging.

The approach to remuneration is to incentivise successful implementation of the growth strategy with a higher proportion of variable pay including the annual bonus and long term awards based on stretching performance targets.

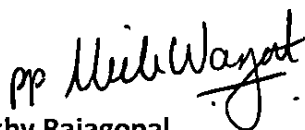
Directors' Remuneration Report (continued)

The Committee is not proposing to make any changes to the Remuneration Policy for the year ending 31 March 2017. In terms of how the policy will be applied in the year ahead, the key points to note are:

- basic salaries will be reviewed in line with the rest of the Group on 1 October 2016. Increases are expected to be within the normal workforce range,
- pension provision will remain at 15% of salary,
- the annual bonus will continue to be capped at 140% of salary based on a sliding scale of adjusted operating profit targets. Executive Directors will earn 50% of salary for achieving target performance and 100% of salary for achieving stretch target. Any bonus above 100% of salary (i.e. performance above stretch target) will continue to be deferred into shares for three years,
- the LTIP awards for 2016 will continue to be granted as a normal award (100% of salary) and an additional award (25% of salary) with performance based on earnings per share (EPS) and TSR (each accounting for half of the award). The TSR targets for the normal and additional awards will be the same as those applying to the 2015 awards. The EPS targets for the 2016 awards will require adjusted EPS growth of 5% to 13% per annum for the normal awards and 13% to 15% per annum for the additional awards. This represents a reduction on the threshold target for the normal awards from 6% to 5% per annum as a result of the challenging market and economic conditions faced by the Company. The stretch target for the normal awards and the target range for the additional awards are the same those used in prior years. The target ranges for the 2016 awards have been set taking into account latest internal and external forecast for the business and the Remuneration Committee is satisfied that the proposed target range is suitably challenging
- shareholding guideline, set at two times salary, will continue to operate

In summary, this has been a challenging year for the Group but our approach to executive remuneration continues to incentivise executives to build sustainable value for our shareholders over the long term.

Yours sincerely



Krishnamurthy Rajagopal
Chairman of the Remuneration Committee

Directors' Remuneration Policy Report

The following table sets out the approved policy for Executive Directors in respect of each element of the remuneration package. Further details regarding the operation of the policy can be found on pages 54 to 66 of this report. This policy was approved by shareholders at the AGM on 16 July 2014. No changes are proposed to the policy and it will therefore not be subject to a shareholder vote at the 2016 AGM. A new policy that will be subject to a vote by shareholders will be presented for approval at the 2017 AGM. The policy has been reproduced for reference only.

Operation	Maximum opportunity	Performance metrics
Base salary Core element of remuneration, paid for doing the expected day-to-day job. To ensure a market competitive level of base reward, sufficient to attract and retain the best talent.		
Paid in cash The Committee takes into consideration a number of factors when setting salaries, including (but not limited to): <ul style="list-style-type: none"> the broader company policy applied to all employees, scope of role and individual performance, market competitiveness against companies of similar size and similar business operations, overall company performance and affordability, and general external economic factors (e.g. inflation). Salaries are normally reviewed annually, with any change typically being effective from 1 October, in line with practice in the rest of the Group.	Executive Director pay increases will generally be in line with increases being implemented across the Group for the employee population. The Committee may exceed these levels for Executive Directors in certain circumstances, including increased responsibilities, development of an individual within the role, where necessary for retention or if the salary is uncompetitive, provided it does not exceed what it reasonably considers to be the market rate for the role.	None, although overall performance is taken into account during the salary review process.
Benefits To ensure a market competitive level of benefits, sufficient to attract and retain the best talent.		
Executive Directors are eligible to receive benefits, which typically may include (but not be limited to) company car provision (or cash equivalent), private medical insurance and life assurance. Where Executive Directors are required to relocate, the Committee may offer relocation and, if appropriate, additional expatriate benefits. Executive Directors are also eligible to participate in any all employee share plans operated by the Company on the same basis as other eligible employees. e2v currently operates a HMRC Save As You Earn (SAYE) scheme (see below for further details).	Benefits are set taking into account a number of factors, which may include: <ul style="list-style-type: none"> the jurisdiction in which the individual is based, the level of benefits provided for other employees within the Group, and market practice for comparable roles within appropriate pay comparators. They will not exceed what the Committee reasonably considers to be a market competitive level. The Committee keeps the benefit policy and benefit levels under regular review. Participation in the SAYE is capped at the prescribed HMRC limits in operation at the time and in accordance with the rules of the scheme.	None.
Pension To provide a market-competitive level of post-retirement benefits, sufficient to attract and retain the best talent.		
Company contributions may be made directly into a pension scheme (e.g. a defined contribution personal pension plan) or as a cash allowance or salary supplement. Contributions are set as a percentage of salary.	Maximum employer contribution of 20% of salary in respect of any financial year. Where this exceeds HMRC annual and/or lifetime limits, a cash allowance of equivalent cost, including employer national insurance, is paid (the total contribution will not exceed 20% of salary, regardless of the allocation).	None.

Directors' Remuneration Report (continued)

Operation	Maximum opportunity	Performance metrics
Annual Bonus To incentivise the delivery of annual targets. Element of deferral into shares to ensure sustainable value is created and alignment with shareholders. Malus provisions to mitigate risk.		
<p>Awards based on performance during the relevant financial year</p> <p>Performance measures are set annually and pay-outs are determined by the Committee after the year end, based on performance against those targets</p> <p>A portion of the bonus may be deferred into share awards under the Deferred Bonus Plan. The portion is determined by the Committee for each financial year and may vary on an annual basis, up to a maximum deferral level of 50%</p> <p>Bonus awards in deferred shares under the Deferred Bonus Plan normally vest three years after grant</p> <p>Bonus awards in deferred shares under the Deferred Bonus Plan are normally made in the form of conditional share awards but may be awarded in other forms if appropriate (such as nil-cost options)</p> <p>Nil-cost options may normally be exercised until the tenth anniversary of the date of grant. Awards may also be satisfied in cash</p> <p>At the Committee's discretion, dividend equivalent payments may be made (in cash or shares) on deferred shares, equal to the amount of dividends that would have been payable during the period between the grant and vesting of an award. Unvested deferred share awards are subject to claw-back provisions</p> <p>The Committee may cancel or reduce a deferred bonus award if the results used to calculate the relevant bonus contained a material mis-statement</p>	<p>Maximum opportunity of up to 140% of base salary in respect of any financial year</p>	<p>Annual bonus targets are set by the Committee each year, taking into account the Group strategy and corporate plan</p> <p>When setting the targets, the Committee ensures that they are appropriately stretching in the context of the corporate plan and that there is an appropriate balance between incentivising Executive Directors to meet targets for the year, whilst ensuring that they do not drive unacceptable levels of risk and encourage inappropriate behaviours</p> <p>100% of targets will be based on financial performance measures</p> <p>For achievement of a threshold level of performance (the minimum level of performance that results in any payment), typically no more than 50% of the maximum will be paid</p>

Operation	Maximum opportunity	Performance metrics
Long Term Incentive Plan (LTIP) Incentivise executive performance over the longer term. Rewards the delivery of targets linked to the long term strategy of the business, and the creation of shareholder value over the longer term. Malus provisions to mitigate risk.		
<p>Awards are normally made annually</p> <p>Vesting of awards is dependent on achievement of performance targets, measured over a period of ordinarily not less than three years</p> <p>The Committee has the discretion to amend the performance conditions applicable to an award if an event occurs which causes the Committee to determine an amended performance condition would be more appropriate and not materially less difficult to satisfy</p> <p>Share awards are normally made in the form of nil-cost options but may be awarded in other forms if appropriate (such as conditional share awards). Nil-cost options may normally be exercised until the tenth anniversary of the date of grant. Awards may also be satisfied in cash</p> <p>The Committee may adjust or amend the terms of the plan in accordance with the plan rules</p> <p>At the Committee's discretion, dividend equivalent payments may be made (in cash or shares) equal to the amount of dividends that would have been payable during the period between the grant and vesting of an award</p> <p>The Committee may impose additional conditions or cancel or reduce unvested awards in certain circumstances which it considers appropriate, including</p> <ul style="list-style-type: none"> material misstatement of the Group's audited financial results, material failure of risk management by the Company, any Group member or relevant business unit, material breach of any applicable health and safety legislation or regulations by the Company, Group member or relevant business unit, or serious reputational damage to the Company, any Group member or relevant business unit <p>In the event of a change of control, awards may vest taking into account the extent to which any performance condition has been satisfied and, if the Board so determines, the period of time from the grant date to the date of the relevant event</p>	<p>The maximum award level shall not normally exceed 175% of salary in respect of any financial year of the Company (with the Committee having discretion to award up to 200% of salary in exceptional circumstances)</p>	<p>Awards vest based on variety of financial and/or shareholder value creation performance measures</p> <p>The Group's strategy is to generate long term sustainable returns to shareholders. The Committee aims to align the performance measures under the LTIP with the long term strategy of the Group and considers that strong performance under the chosen measures should result in sustainable value creation</p> <ul style="list-style-type: none"> Financial measure – financial measures reflect the underlying performance of the Group and are a direct and focused measure of Group success. Targets are set to be stretching, with regard to the strategic plan and relevant external expectations Shareholder value creation measure – providing a direct link to the ultimate delivery of shareholder returns, promoting alignment between Executive Director reward and the shareholder experience. Targets are positioned at a level which the Committee considers to be appropriately stretching, with due regard to the wider market <p>For achievement of a threshold level of performance (the minimum level of performance that results in any payment), no more than 25% of the maximum award will be paid</p>
All Employee Share Plans Allows all employees (including Executive Directors) the opportunity to invest personally in the Group and share in its growth		
SAYE The Group operates an HMRC approved Save As You Earn plan, under which monthly payments are made into a savings plan over a period of three or five years, to purchase options granted at a discount of up to 20%	Participation in the SAYE plan is capped at the prescribed HMRC limits in operation at the time and in accordance with the scheme rules	None

Directors' Remuneration Report (continued)

Notes to policy table

Legacy matters

The Committee can make remuneration payments and payments for loss of office outside of the Policy set out above, where the terms of the payment were agreed before the Policy came into effect, or at a time when the relevant individual was not a Director of the Company (provided that, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company) This includes the exercise of any discretion available to the Committee in connection with such payments

For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted

Group CEO Share Incentive Plan

The Group CEO Share Incentive Plan was a one-off plan to provide, on appointment, the Group CEO with the opportunity to demonstrate long term commitment to the Group through a significant personal investment in the Company and to incentivise him to grow shareholder value in the long term No future awards will be made under the Group CEO Share Incentive Plan A short summary of the plan is provided below, with more detailed information provided in the notice of the General Meeting in November 2013

- Initial shares were offered on a nil-price option basis to match the personal investment made by the Group CEO
- Based on achievement of share price growth targets over the three-year performance period and subject to a secondary Total Shareholder Return (TSR) measure requiring upper decile performance to achieve full vesting, both the invested shares and the matching shares are eligible to be multiplied by a maximum of three times
- Vesting is dependent on the Group CEO retaining the initial personally acquired shareholding

Awards not subject to performance measures

Shares deferred under the annual bonus are not subject to further performance measures, as they represent the deferred element of remuneration which has already been earned

Change of control

Awards under the deferred bonus, LTIP and Chairman and Group CEO Share Incentive Plans may be adjusted in the event of a variation of the Company's share capital, demerger, delisting, special dividend, dividend in specie or other corporate event which may affect the current or future value of share awards

Explanation of choice of performance measures and how targets are set

The Committee believes the choice of performance measures for the annual bonus and LTIP represent an appropriate balance between the short term and long term focus of the Group's strategy aims and key performance indicators, as well as an appropriate balance between internal and external assessments of performance When targets are set, the Committee takes into account a number of different factors, including market practice, market expectations and internal business plans and forecasts

Remuneration arrangements throughout the Group

Remuneration arrangements for the wider employee population are based on the principle that reward should help deliver the business strategy and should be sufficient to attract and retain the best talent To the extent practicable, reward practices for Executive Directors are cascaded down through the organisation, such that where possible employees are incentivised towards common goals

Throughout the Group, the aim is to provide remuneration packages that are competitive in the relevant market for that role

Operation	Maximum opportunity	Performance metrics
Fees Core element of remuneration, paid for fulfilling the relevant role. Attracts the appropriate individual to oversee the Group's business strategy		
NEDs receive a basic annual fee, paid monthly, in respect of their Board duties Further fees are paid to NEDs in respect of chairmanship of Board committees and the role of Senior Independent Director. No fees are paid for membership of a Board committee The Non-executive Chairman receives an all-inclusive fee for fulfilling the role of Company Chairman Where contractual arrangements allow, further daily rate fees may be payable for the provision of additional services The remuneration of the Non-executive Chairman is set by the Committee. The Executive Directors are responsible for determining NED fees These fees are the sole element of NED remuneration. NEDs are not eligible for annual bonus, share incentives, pensions or other benefits other than the Chairman Share Incentive Plan, as set out below Fees are reviewed periodically	Current fee levels can be found in the Report on Remuneration on page 56 Fees are set at a level which is considered appropriate to attract and retain the calibre of individual required by the Company Fees normally reflect the level of contribution and time commitment expected, and are positioned with reference to comparable roles in companies of similar size, sector and complexity	None

Chairman Share Incentive Plan

The Chairman Share Incentive Plan was approved by shareholders at the Company's July 2013 AGM. No further awards will be made under this plan. The key features of the plan are described below (a more detailed summary is provided in the July 2013 AGM Notice available on the Group's website).

The plan provides the Chairman with the opportunity to demonstrate long term commitment to the Company through a significant personal investment in the Company and to incentivise him to grow shareholder value in the long term.

- A contingent award of shares was made, dependent upon a personal investment made by the Chairman and the achievement of performance targets over a three-year performance period. A total potential award of 720,000 nil-cost options was made, comprising up to six times the number of shares purchased by the Chairman.
- Vesting is conditional on the Chairman retaining the initial personally acquired shareholding.
- Vesting is also subject to certain performance conditions and targets. Share price growth targets are set subject to a secondary TSR performance measure requiring upper decile performance to achieve maximum vesting.

Recruitment policy

Principles

The Group's recruitment policy is based on a number of key principles:

- To provide a remuneration package which is sufficient to attract, retain and motivate key talent, whilst at all times having regard to the best interests of the Group and shareholders and ensuring that the Group pays no more than is necessary.
- In determining an appropriate remuneration package, the Committee takes into account a number of factors. These will usually include the candidate's experience and calibre, their location and circumstances, external market influences and existing arrangements for other Executive Directors.
- Following appointment, the remuneration arrangements for the individual will typically be in line with the policy set out in the Policy Table, or be transitioned onto these arrangements.
- Where the Company appoints a new Executive Director, the Committee will provide full details of the remuneration in the next Director's Annual Report on Remuneration and will seek to provide shareholders with rationale for the decisions which were taken.
- The Committee may also consider providing additional benefits to expatriate appointments, where appropriate.

Directors' Remuneration Report (continued)

Components and approach

The following table sets out key elements which may be considered by the Committee in determining the remuneration package. In circumstances in which the Committee considers it appropriate, other elements in addition to those below may also be considered

Element of package	Approach
Basic salary	The level of base salary for any new recruit is set at a level commensurate with calibre and experience If it is considered appropriate to set the initial salary at a below-market level, then, subject to performance, as the individual gains experience a series of greater than usual increases may be required to reach an appropriate market competitive level over subsequent years
Benefits	New appointments would typically receive benefits in line with the Policy table above The Committee may consider providing relocation expenses and in the case of expatriate appointments, other additional benefits such as international school fees and tax advice, where necessary
Pension	New appointments would typically receive pension provision in line with the Policy table
Annual bonus	Maximum annual bonus in line with the Policy table
Share awards	Maximum LTIP award in line with the Policy table LTIP awards may be made to any new recruit in line with the policy above and subject to the rules of the plan Typically, awards will be made in the normal annual cycle following the announcement of the annual results. However, at the Committee's discretion, awards may be granted at other times in the year (including on appointment) and the performance period may therefore be adjusted as appropriate

The maximum level of variable pay which may be awarded in respect of a recruitment event (internal or external), will not exceed 340% of base salary excluding buy-out awards. This represents the current maximum award under the annual bonus and LTIP

Buy-out awards

To facilitate recruitment, the Committee may make a one-off award to 'buy-out' variable incentives which the individual would forfeit at their current employer. Typically such awards will be made in the form of shares with appropriate performance measures although in certain circumstances some, or all, of the award may be made in cash. This may include the use of the relevant provision in the FCA listing rules, allowing for exceptional one-off awards to be made without prior shareholder approval.

In making such awards, the Committee will give consideration to relevant factors. These will generally include the proportion of the performance/vesting period outstanding and the potential value of the forfeited remuneration, including any performance conditions attached to the forfeited awards and the likelihood of those conditions being met.

In cases of an internal hire, any existing variable pay arrangements in relation to the previous role will be allowed to pay-out according to their terms and may be adjusted to take into account the Board appointment.

In the event of the appointment of a new Non-Executive Director, remuneration arrangements will be in line with those detailed in the Non-Executive Director Policy table on page 49.

Service contracts

All Directors' service contracts are available for inspection at the Company's registered office. All Directors stand for re-election annually at the AGM.

A summary of the key terms of the Executive Directors service contracts is set out below.

Contract commencement date	3 March 2014	5 May 2009
Notice period	12 months notice by the Company 12 months notice by the employee	12 months notice by the Company 6 months notice by the employee
Basic salary	Base pay will be reviewed annually but with no obligation for it to be increased	
Benefits	Company car / car allowance Family cover for private medical insurance and permanent health insurance Life assurance cover of four times basic salary Personal pension contribution of 15% of basic salary	
	Relocation expenses	n/a
Termination payment	There is no entitlement to payments for loss of office. Payments will be restricted to salary and contractual benefits for the relevant notice period only.	
Non-Competition clause	12 months	6 months

Service contracts for future appointments are expected to be in line with the terms set out above.

Executive Directors are permitted, with the agreement of the Board, to accept outside appointments provided that such appointments do not conflict with their duties as Directors of the Company. Whether any fees payable in respect of such outside appointments are retained by the Executive Director or remitted to the Company is determined on a case by case basis. No Executive Director held any such appointment in the year ended 31 March 2016.

The Chairman and Non-Executive Directors do not have service contracts but have letters of appointment with the Company. A summary of the Non-Executive Directors' letters of appointment is provided below.

	Contract commencement date	Notice period
N Johnson	31 March 2013	12 months
A Wood	17 July 2013	1 month
K Rajagopal	1 November 2010	1 month
K Dangerfield	28 January 2011	1 month
C Cico	1 April 2016	1 month

Letters of appointment for future appointments are expected to be in line with the terms set out above.

In addition to Neil Johnson's letter of appointment as Chairman, the Company entered into a consultancy agreement with C1 (International Consulting) Limited for the provision of consultancy services by Neil Johnson. The total of the annual fees paid to Neil Johnson and C1 (International Consulting) Limited equates to the fees due to an individual fulfilling the role of Chairman of the Company of £141,000. Under the terms of the consultancy agreement that the Company has entered into with C1 (International Consulting) Ltd further daily rate fees may be paid for the provision of any additional services by the Non-Executive Chairman as required by the Company.

Directors' Remuneration Report (continued)

Loss of office payment policy

The Committee takes into account a number of factors when considering leaving arrangements for an Executive Director

- Where an individual resigns, they will receive no additional payment for loss of office
- Where the individual is dismissed for performance, capability or any other substantial reason, they will receive no more than their statutory / contractual entitlements, including salary for the relevant notice period, car allowance and pension contribution
- Where the individual is dismissed for gross misconduct, they will receive no compensation
- Individuals will not normally be eligible to receive an annual bonus if on the date the bonus is declared they are no longer employed by the Company, under notice or on garden leave. Where the Committee considers the individual to be a 'good leaver', in some exceptional circumstances it may consider the individual eligible for a time pro-rated annual bonus, determined against the relevant performance conditions
- Other payments such as legal and outplacement fees may be paid if it is considered appropriate

Treatment of outstanding share awards is governed by the relevant share plan rules. These are set out in the table below

Share plan	Leaver treatment
Bonus awarded in shares under the Deferred Bonus Plan	All awards lapse unless, at the discretion of the Committee, the leaver is deemed to be a 'good leaver' specified as leaving due to ill-health, injury or disability, redundancy, death or, any other reason (except for dismissal for misconduct), as determined by the Committee. In such circumstances awards will vest on the date of termination
LTIP	<p>All awards will lapse unless, at the discretion of the Committee, the leaver is deemed to be a 'good leaver' specified as leaving due to ill-health, injury or disability, redundancy, death, the individual's employing business or company ceasing to be part of the Group or, any other reason (except for dismissal for misconduct) as determined by the Committee</p> <p>Awards will normally vest on the original vesting date, unless the Committee determines that awards should vest as soon as practicable following leaving</p> <p>In these circumstances, the Committee will determine the extent to which awards should vest taking into account achievement of the relevant performance conditions and, unless the Committee determines otherwise, the period of time that has elapsed between grant and the anniversary of the grant date following the individual's departure. Where a participant has died, awards will only be time pro-rated in accordance with the rules where the Committee considers it appropriate</p> <p>Awards lapse for other leavers</p>
Chairman and Group CEO Share Incentive Plans	If the Chairman or Group CEO dies or leaves as a result of ill-health, injury or disability or for any other reason determined by the Committee (except for dismissal for misconduct), any unvested award will vest to the extent determined by the Committee after determining the extent to which the relevant performance conditions have been met

Other events

On a change of control or winding up of the Company

Share plan	Treatment
Bonus awarded in share under the Deferred Bonus Plan	All awards vest in full unless the Committee determines otherwise. Alternatively, awards may be exchanged for equivalent awards in another company
LTIP	Awards will normally vest taking into account the extent to which the relevant performance condition has been satisfied and, if the Committee so determines, the period of time from the grant date to the date of the relevant event. Alternatively, awards may be exchanged for equivalent awards in another company
Chairman and Group CEO Share Incentive Plans	Awards will vest to the extent determined by the Committee after it has determined the extent to which the relevant performance conditions have been met. Awards will only be time pro-rated in exceptional circumstances where the Committee considers it appropriate

In the event of a demerger, delisting, special dividend or other event, which, in the opinion of the Committee, may affect the current or future value of shares, the Committee may allow awards to vest on the same basis

Consideration of conditions elsewhere in the Group

When considering remuneration arrangements for Executive Directors, the Committee considers, as a matter of course, the pay and employment conditions in place for employees elsewhere within the Group

- **Basic salary** – In determining basic salary increases for Executive Directors, the Committee pays specific attention to the level of increases within the wider employee population. It also assesses Group performance and affordability within the context of the whole employee base
- **Annual bonus** – The performance measures and targets that are set for the Executive Directors form the basis for the variable pay arrangements in place at the executive committee and senior management levels. The percentage of salary that can be earned reduces through the organisation to reflect the relevant level of responsibility
- **LTIP, benefits and pensions** – Similarly, the same basic principles that govern these additional elements of Executive Director's remuneration are also used elsewhere in the Group. Award levels are tailored to reflect seniority level

Whilst the Committee does not formally consult with employees when setting Executive Director pay, those employees who hold shares are able to comment on the Directors' Remuneration Report in the same manner as other shareholders

Consideration of shareholder views

The Remuneration Committee is committed to ongoing dialogue with shareholders and seeks the views of significant shareholders whenever material changes are under consideration

Illustration of the application of remuneration policy

The remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of stretching short term and long term performance targets. In reviewing the remuneration package, the Committee takes into account the level of remuneration which Executive Directors may receive at various levels of performance, to ensure that it is appropriate and shareholders are receiving value for money

The charts below provide illustrative values for the remuneration packages of the Executive Directors under three different performance scenarios. Note that these charts are for illustrative purposes only and based on a number of assumptions. Actual outcomes may differ from those shown

Note: the charts have been updated to reflect how the approved policy will be applied in the year ending 31 March 2017

Fixed pay	Assumptions
All performance scenarios	<p>Consists of total fixed pay, including salary, benefits and pension provision</p> <ul style="list-style-type: none"> • Basic salary – salary effective as at 1 April 2016 • Benefits – the amount received in year ended 31 March 2016 • Pension – 15% of base salary
Variable pay	Assumptions
Up to threshold (Minimum performance)	<ul style="list-style-type: none"> • Annual bonus – no pay-out • LTIP – nil vesting
On-target (Performance in line with expectations)	<ul style="list-style-type: none"> • Annual bonus – 50% of salary (36% of maximum pay-out) • LTIP – 25% of salary (20% of maximum vesting)⁽¹⁾
Maximum performance	<ul style="list-style-type: none"> • Annual bonus – 140% of salary (100% of maximum pay-out) • LTIP – 125% of salary (100% of maximum vesting)⁽¹⁾

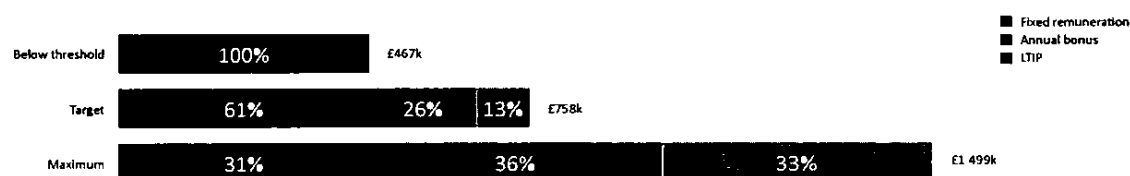
(1) For the purposes of these charts, we have assumed a maximum LTIP opportunity of 125% of salary. Our remuneration policy allows for maximum awards of up to 175% of salary, or 200% of salary in exceptional circumstances

The charts exclude any value related to participation in the SAYE all-employee plan

No share price growth or dividend equivalent payment assumptions have been incorporated

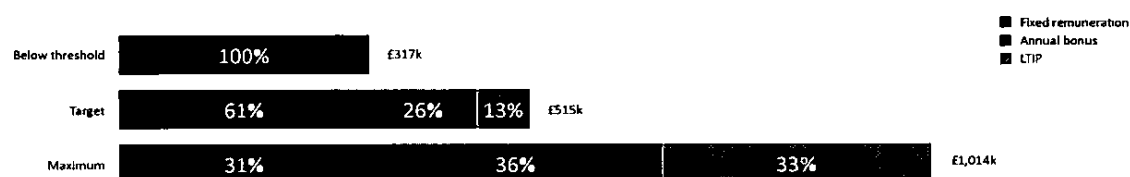
Directors' Remuneration Report (continued)

Group CEO – Steve Blair



	£000
Base salary	£390
Total benefits	£18
Pension	£59
Total fixed pay	£467

Group Finance Director – Charles Hindson



	£000
Base salary	£263
Total benefits	£15
Pension	£39
Total fixed pay	£317

Minor amendments

To aid in the administration of the Policy set out above, the Committee may make minor amendments without obtaining shareholder approval. For example, such amendments may include those for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation.

Remuneration Committee

The Remuneration Committee is responsible for recommending to the Board the framework and broad policy for the remuneration of the Chairman, Group CEO, Group Finance Director and such other members of the executive management as it is requested to consider. The remuneration of the Non-Executive Directors is a matter reserved for the Executive Directors, subject to shareholder consultation as appropriate.

Members of the Committee are appointed by the Board. Krishnamurthy Rajagopal is Chairman of the Committee. Its other members, who have served on the Committee throughout the year ended 31 March 2016, are Kevin Dangerfield and Alison Wood. On 1 April 2016 Carla Cico was appointed to the Committee. The Board considers that all members of the Committee comprise independent directors. The Committee meets at least once a year. The Group CEO is given notice of all meetings, may attend by invitation, and is consulted on the remuneration of other executives. However, the Group CEO does not take part in discussions that relate directly to his own remuneration.

The Committee members have no personal financial interest (other than as a shareholder), conflict of interest arising from cross-directorships with the Executive Directors, or involvement in the day to day business of the Group.

When determining the pay of Executive Directors, the Committee takes into account the pay and employment conditions of employees throughout the Group. In this regard, the Committee ensures (via regular interaction with the Group's human resources (HR) teams) that it is kept fully informed of all relevant group wide remuneration related issues and ensures that the same broad remuneration principles are used when designing the wider employee remuneration policies. The Chairman of the Remuneration Committee regularly consults with the Group HR Director, who may attend meetings by invitation. The Group Finance Director may also attend meetings by invitation. The General Counsel and Company Secretary acts as secretary to the Committee.

The Committee's terms of reference are available on the Group's website and include,

- agreeing with the Board the remuneration of the Chairman,
- agreeing with the Board the remuneration of the Executive Directors,
- agreeing with the Board the policy for the remuneration of the Company Secretary and other members of the executive management committee as well as reviewing the appropriateness and relevance of the policy,
- determining targets for any performance related pay schemes and approving total annual payments under the schemes,
- reviewing all share incentive plans, the related performance targets and all awards made under the schemes,
- determining the procedure for vetting, authorisation and reimbursement of claims for all Directors, and
- establishing criteria, terms of reference and selection and employment of remuneration consultants.

The Committee met five times during the year. Details of attendance at Committee meetings during the year ended 31 March 2016 are set on page 38. During the year the Committee has considered the appropriateness and relevance of the remuneration policy, the Executive Directors' remuneration packages, including base salaries, the grant and vesting of share-based incentive awards and the amount and basis of performance related bonuses.

Advisors to the Committee

The Committee requests its advisors to attend meetings periodically during the year. The Committee retained the services of New Bridge Street, a brand of Aon Hewitt Limited, as its independent advisor on remuneration matters throughout the year. New Bridge Street was appointed as adviser to the Committee in November 2014 following a competitive tender process. Total fees for advice provided to the Committee by New Bridge Street were £62,079 (2015: £16,666).

New Bridge Street is a member of the Remuneration Consultants Group and as such operates under the code of conduct in relation to executive remuneration consulting in the United Kingdom. New Bridge Street is a trading name of Aon Hewitt Ltd, part of Aon plc (Aon). During the year Aon also provided advice on pensions and risk-benefit insurance. The Committee is satisfied that the advice it has received from New Bridge Street has been objective and independent and that no conflict of interest arises as a result of these services.

Implementation of Directors' Remuneration Policy

Single figure of remuneration (subject to audit)

The total remuneration of the Directors of the company for the year ended 31 March 2016 is as follows

	Salary and/or fees		Taxable benefits ⁽¹⁾		Bonus		LTIP ⁽²⁾		Other ⁽³⁾		Sub-Total		Pension		Total	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
N Johnson	141	141	—	—	—	—	—	—	—	—	141	141	—	—	141	141
S Blair	362	330	14	41	—	273	—	—	—	—	376	644	53	48	429	692
C Hindson	257	242	12	13	—	205	301	499	18	—	588	959	34	32	622	991
A Wood	48	45	—	—	—	—	—	—	—	—	48	45	—	—	48	45
K Rajagopal	48	45	—	—	—	—	—	—	—	—	48	45	—	—	48	45
K Dangerfield	48	45	—	—	—	—	—	—	—	—	48	45	—	—	48	45
Total	904	848	26	54	—	478	301	499	18	—	1,249	1,879	87	80	1,336	1,959

(1) Taxable benefits comprise the provision of a company car or car allowance, private medical insurance and in 2015 relocation costs.

(2) The 2016 figure relates to the 2012 LTIP award which vested on 2 July 2015 (see page 60).

(3) The 2016 figure relates to the 2012 SAYE exercise.

Directors' Remuneration Report (continued)

Basic salary (subject to audit)

The Group's normal salary review process takes place in the autumn, with any changes effective from 1 October

As highlighted in last year's Annual Statement on Remuneration, the Committee believed that it was appropriate to review the salary for Steve Blair, Group CEO, in the second half of 2015 in light of this policy. Since joining e2v in March 2014, Steve has re-energised e2v and made a major positive impact on the Group's operations, with the financial performance improving significantly and the Group structure simplified. In November 2014, Steve launched 'our vision, our future' focussed on 'Bringing life to technology'. We are pleased with the progress he has made in delivering this vision and the impact of this strategy has been well received by shareholders.

Steve was appointed in March 2014 on a salary of £325,000 which subsequently increased to £334,750 in October 2014. This was considered below market against companies of a comparable size and complexity and reflected that this was his first listed company Chief Executive role. Given Steve's performance in the role and following discussions with major shareholders, the Committee felt it appropriate to now re-position his salary closer to the appropriate level for the role in line with our policy. While the Committee originally considered phasing the increase over time in line with best practice, it became clear during the consultation exercise that a number of major investors were comfortable with a one-off adjustment. Accordingly, noting the continued strong performance of the individual and the Group and the very positive feedback from shareholders, the Committee awarded a one-off salary increase to £390,000 effective from 1 October 2015.

Following a review of individual and Group performance, Charles Hindson received a 5% salary increase (also effective from 1 October 2015). This compares with an average increase across the workforce of 2.5%, with actual increases ranging from 0% to 5% depending on individual performance.

The salaries as at 1 April 2016 are therefore

- Group CEO – £390,000
- Group Finance Director – £263,682

Base salaries will be reviewed in line with the rest of the Group on 1 October 2016. The increases are expected to be within the normal workforce range.

Fees (subject to audit)

Fees for the Chairman and Non-Executive Directors are determined taking account the individual's responsibilities including chairing Committees of the Board, time required to devote to the role and comparable market rates. Fees were last increased in October 2014. The fee policy as at 1 April 2016 is set out in the table below.

	Policy as at 1 April 2016 £000	Policy as at 1 April 2015 £000
Chairman	141.0	141.0
Non-Executive Director basic fee	41.0	41.0
Remuneration Committee Chairman fee	6.5	6.5
Audit Committee Chairman fee	6.5	6.5
Senior Independent Director fee	6.5	6.5

Benefits (subject to audit)

Benefits provided during the year are as follows

	S Blair		C Hindson	
	2016	2015	2016	2015
	£000	£000	£000	£000
Car or car allowance	13	12	11	11
Medical insurance	1	1	1	2
Relocation costs	–	28	–	–
Total taxable benefits	14	41	12	13
Life assurance	2	2	1	1
Permanent health insurance	2	2	2	1
Relocation costs	–	2	–	–
Total non-taxable benefits	4	6	3	2
Total benefits	18	47	15	15

Non Executive Directors do not receive any benefits

Pensions (subject to audit)

The Group operates a stakeholder pension arrangement and also makes contributions into individual personal pension plans. The Company makes contributions of 15% of basic salary to the relevant pension schemes in respect of Executive Directors. Executive Directors can also make additional employee contributions through salary sacrifice arrangements. Where HMRC annual and/or lifetime limits are reached, the Executive Director can elect to take a cash allowance of an equivalent cost to the Company, including employer national insurance.

	Paid as cash allowance £000	2016 Paid as pension contribution £000	Total £000	Paid as cash allowance £000	2015 Paid as pension contribution £000	Total £000
S Blair	13	40	53	9	39	48
C Hindson	34	–	34	32	–	32
	47	40	87	41	39	80

Non Executive Directors' fees are non-pensionable

Performance-related annual bonus (subject to audit)

An annual bonus is payable to Executive Directors subject to the attainment of specific targets which are based on Group performance. Non-Executive Directors are not entitled to a bonus.

For the year ended 31 March 2016, the Executive Directors could earn up to a maximum of 140% of salary in annual bonus. The bonus was based on the single financial measure of adjusted operating profit and was structured as follows:

	Adjusted operating profit	Bonus opportunity	Structure
Target performance	£45.20m	Up to 50% of salary	Cash
Stretch performance	£47.80m	Up to 100% of salary	Cash
Above stretch performance	£48.64m	Up to 140% of salary	100% of salary in cash and up to 40% of salary in shares deferred for three years
Actual performance	£42.04m	nil	As actual performance was below the target level, no bonus payments have been paid

For the year ending 31 March 2017, the same structure and target and maximum opportunity will be applied and the bonus will continue to be based solely on adjusted operating profit targets. The forward looking targets are considered to be commercially sensitive, but full retrospective disclosure will be given in next year's report.

Loss of office payments (subject to audit)

There were no loss of office payments made during the year.

Directors' Remuneration Report (continued)

Share awards (subject to audit)

Outstanding share awards relating to Directors are summarised below

Grant date and type	Awards held at 1 April 2015 No	Granted in the year No	Exercised in the year No	Lapsed in the year No	Awards held at 31 March 2016 No	Date from which exercisable No	Exercise price (pence)
N Johnson							
22 07 13 Chairman SIP	720,000	–	–	–	720,000	22 07 2016	–
S Blair							
13 03 2014 CEO SIP Joining	72,338	–	–	–	72,338	13 03 2017	–
13 03 2014 CEO SIP Matching	434,028	–	–	–	434,028	13 03 2017	–
07 08 2014 LTIP normal ⁽¹⁾	212,418	–	–	–	212,418	07 08 2017	–
07 08 2014 LTIP additional ⁽²⁾	53,104	–	–	–	53,104	07 08 2017	–
24 06 2015 LTIP normal ⁽¹⁾	–	131,832	–	–	131,832	24 06 2018	–
24 06 2015 LTIP additional ⁽²⁾	–	32,958	–	–	32,958	24 06 2018	–
10 12 2014 SAYE	5,555	–	–	–	5,555	01 01 2018	162 00
09 12 2015 SAYE	–	4,812	–	–	4,812	01 01 2019	187 00
C Hindson							
02 07 2012 LTIP	148,595	–	–	(27,639)	120,956	02 07 2015	–
18 07 2013 LTIP normal ⁽¹⁾	174,126	–	–	–	174,126	18 07 2016	–
18 07 2013 LTIP additional ⁽²⁾	43,530	–	–	–	43,530	18 07 2016	–
07 08 2014 LTIP normal ⁽¹⁾	156,318	–	–	–	156,318	07 08 2017	–
07 08 2014 LTIP additional ⁽²⁾	39,079	–	–	–	39,079	07 08 2017	–
24 06 2015 LTIP normal ⁽¹⁾	–	98,900	–	–	98,900	24 06 2018	–
24 06 2015 LTIP additional ⁽²⁾	–	24,724	–	–	24,724	24 06 2018	–
27 06 2012 Deferred shares	41,491	–	–	–	41,491	27 06 2015	–
11 12 2012 SAYE	8,185	–	(8,185)	–	–	01 01 2016	109 95
09 12 2015 SAYE	–	9,625	–	–	9,625	01 01 2019	187 00

(1) The normal award is up to 100% of salary with performance targeting stretch performance

(2) The additional award of up to a further 25% of salary is made to Executive Directors only and targets performance above stretch. Further details of the normal and additional awards are given on pages 60 to 61

Chairman Share Incentive Plan

An award of nil cost options was made on 22 July 2013 to Neil Johnson. The award will vest on 22 July 2016 subject to the extent which two performance conditions, share price and total shareholder return (TSR), are met. There is also a shareholding requirement of 120,000 shares during the performance period.

The share price condition is that the average closing share price over the final three months of the three year performance period exceeds the share price in the table below

Share price Pence	Number of potential options vesting No
140	60,000
157	125,405
177	199,730
197	274,054
216	348,379
236	422,702
256	497,028
275	571,351
295	645,677
315	720,000

The potential number of options is calculated on a sliding scale basis for share prices between the prices set out above. The potential number of options vesting is then subject to the scaling pursuant to the TSR condition.

The TSR condition is that the Company's performance when measured against the TSR for the FTSE Small Cap Index (three month average) over the three year period from the date of grant will be as follows

TSR ranking	Vesting level
Top decile (91-100)	100%
76-90	75%
61-75	62.5%
51-60	50%
Median or lower	—

Group CEO Share Incentive Plan

On 13 March 2014 an award of 72,338 nil cost options (Joining Award) and an award of 434,028 nil cost options (Matching Award) were made to Steve Blair. The vesting of the Joining Award is subject to the Group CEO's continued employment and continued holding of his personally acquired shares at 13 March 2017. Both awards have a shareholding requirement of 72,338 shares during the performance period. The vesting of the Matching Award is subject to the extent which the share price and TSR conditions, measured over the performance period to 22 July 2016, are met.

The share price condition is that the average closing share price over the final three months of the performance period exceeds the share price in the table below

Share price Pence	Number of potential options vesting No
185	72,352
211	144,705
237	217,014
263	289,323
289	361,676
315	434,028

The potential number of options is calculated on a sliding scale basis for share prices between the prices set out above. The potential number of options vesting is then subject to the scaling pursuant to the TSR condition below

Directors' Remuneration Report (continued)

The TSR condition is that the Company's performance when measured against the TSR for the FTSE Small Cap Index (three month average) over the performance period to 22 July 2016 will be as follows

TSR ranking	Vesting level
Top decile (91-100)	100%
76-90	75%
61-75	62.5%
51-60	50%
Median or lower	—

LTIP

(A) 2012 LTIP (awards vesting in the year and which are included in the single figure of remuneration table on page 55)

50% of the award was based on absolute TSR performance. The other 50% of the award was based on the Company's TSR relative to the TSR of a specified list of peer group companies. Performance is measured over three years and there is no provision for re-testing.

Proportion of award vesting	Level of performance required – absolute TSR	Level of performance required – relative TSR
100%	290 pence or above	Upper quartile
On a straight-line basis between 25% and 100%	Between 200 and 290 pence	Between median and upper quartile
0%	Below 200 pence	Below median
Actual performance	257.13 pence	Rank 7 of 23
Actual vesting	72.6%	90.2%

The peer group for 2012 awards comprised Bodycote, Charter International (since acquired by Colfax Corporation), Chemring Group, Cookson Group (since demerged into Vesuvius and Alent), Dialight, Domino Printing Sciences, Fenner, Goodwin, Halma, Hill & Smith Holdings, Laird, Melrose Industries, Morgan Advanced Materials, Oxford Instruments, QinetiQ Group, Renishaw, Renold, Rotork, Senior, Severfield (formerly Severfield-Rowen), Spectris, Spirax-Sarco Engineering, TT Electronics, Ultra Electronics Holdings, UMECO (since acquired by Cytec Holdings), and Volex.

Vesting was also subject to the Committee being satisfied that the Group's underlying financial performance was satisfactory over the period.

Of the award subject to absolute TSR performance 73% of the award vested and of the award subject to relative TSR performance 90% of the award vested. Such that overall 81% of the award vested. The gross value of the LTIPs that vested on 2 July 2015 is as follows and is disclosed in the Single figure of remuneration table on page 55.

	Share price on 1 July 2015 Pence	Shares vested No	Total £000
C Hindson	248.5	120,956	301

(B) 2013 LTIP (outstanding award)

50% of the awards are based on the Company's absolute TSR performance. The other 50% of the awards are based on the Company's TSR relative to the TSR of a specified list of peer group companies. Performance is measured over three years (from the date of grant) and there is no provision for re-testing.

Normal award

Proportion of award vesting	Level of performance required – relative TSR	Level of performance required – absolute TSR
100%	Upper quartile	235 pence or above
On a straight-line basis between 25% and 100%	Between median and upper quartile	Between 160 and 235 pence
0%	Below median	Below 160 pence

Additional award

Proportion of award vesting	Level of performance required – relative TSR	Level of performance required – absolute TSR
100%	Upper quintile	264 pence or above
On a straight-line basis between 0% and 100%	Between upper quartile and upper quintile	Between 235 and 264 pence
0%	Upper quartile	Below 235 pence

The peer group for 2013 awards comprises Bodycote, Chemring Group, Dialight, Domino Printing Sciences, Fenner, Goodwin, Halma, Hill & Smith Holdings, Laird, Melrose Industries, Morgan Advanced Materials, Oxford Instruments, QinetiQ Group, Renishaw, Renold, Rotork, Senior, Severfield (formerly Severfield-Rowen), Spectris, Spirax-Sarco Engineering, TT Electronics, Ultra Electronics Holdings, and Volex

Vesting is also subject to the Committee being satisfied that the Group's underlying financial performance was satisfactory over the period

(C) 2014 LTIP (outstanding award)

The 2014 LTIP awards were made on 7 August 2014. 50% of both awards are based on the Company's TSR performance relative to the TSR of the constituents of the FTSE Small Cap Index. The other 50% of the awards are based on the Group's basic adjusted earnings per share (EPS) growth. TSR performance is measured over three years from the date of grant and EPS performance is measured over three financial years ending 31 March 2017.

Normal award

Proportion of award vesting	Level of performance required – Annual EPS growth	Level of performance required – relative TSR
100%	+13%	Upper quartile
On a straight-line basis between 25% and 100%	Between +6% and +13%	Between median and upper quartile
0%	Below +6%	Below median

Additional award

Proportion of award vesting	Level of performance required – Annual EPS growth	Level of performance required – relative TSR
100%	+15%	Upper decile
On a straight-line basis between 0% and 100%	Between +13% and +15 %	Between upper quartile and upper decile
0%	Below +13%	Below upper quartile

Vesting is also subject to the Committee being satisfied that the Group's underlying financial performance was satisfactory over the period

Directors' Remuneration Report (continued)

(D) 2015 LTIP (awards granted during the year)

The 2015 LTIP awards were made on 24 June 2015

	Nil cost options awarded No	% salary	Face value (at maximum vesting) £000	Performance period end date ⁽¹⁾	% vesting at threshold performance
S Blair					
Normal	131,832	100	334	24 06 2018	0%
Additional	32,958	25	84	24 06 2018	0%
C Hindson					
Normal	98,900	100	251	24 06 2018	0%
Additional	24,724	25	63	24 06 2018	0%

(1) For TSR condition, earnings per share (EPS) condition measured to 31 March 2017

The face value of the awards (at maximum vesting) has been calculated using 253.92 pence, being the average closing share price over the three days prior to the date of grant. 50% of both awards are based on the Company's TSR performance relative to the TSR of the constituents of the FTSE Small Cap Index. The other 50% of the awards are based on the Group's basic adjusted earnings per share (EPS) growth. TSR performance is measured over three years from the date of grant and EPS performance is measured over the three financial years ending 31 March 2018. The performance targets for the relative TSR and EPS growth conditions are the same as for the 2014 LTIP awards, as detailed above.

(E) 2016 LTIP (awards to be made during the year ending 31 March 2017)

It is intended that LTIP awards will be made in June 2016 whereby the Executive Directors will receive nil price options based on 100% of salary for 'normal' awards and 25% of salary for an 'additional award'. The awards will vest on the third anniversary of grant to the extent the performance targets have been satisfied.

50% of both the normal and the additional awards will be based on the Company's TSR performance relative to the TSR of the constituents of the FTSE Small Cap Index. The other 50% of the awards is based on the Group's basic adjusted EPS growth. The additional awards will be subject to more stretching performance targets.

The relative TSR condition will be the same as for the 2014 and 2015 LTIP awards (see above). The adjusted EPS condition will require growth of 5% to 13% per annum growth for the normal awards (for 25% to 100% vesting) and 13% to 15% per annum for the additional awards (for 0% to 100% vesting). This represents a reduction in the threshold target for the normal awards from 6% to 5% per annum as a result of the challenging market and economic conditions faced by the Company. The stretch target for the normal awards and the target range for the additional awards are the same those used in prior years.

The performance measures chosen ensure the alignment of senior management's and shareholders' interests. The use of an EPS target is consistent with best practice and relative TSR target is considered to be the output measure of success for the delivery of the Group's growth ambitions.

Deferred Bonus Plan

A deferred bonus arrangement was introduced for the year ended 31 March 2012 whereby, in addition to earning up to 100% of salary as a cash bonus, the Executive Directors may, if maximum performance was achieved, earn up to a further 40% of salary in shares, deferred for a period of three years (and subject to continued employment). A bonus of 127.4% was achieved for the year ended 31 March 2012 and an award of 27.4% of salary was made to the Group Finance Director, structured as a nil price option earning dividends. No further awards have been made under this plan. The awards vested on 27 June 2015. The share price on the date of vesting was 253.5p giving a gross value of £105,000.

Share Save Scheme (SAYE)

The Group operates HM Revenue and Customs approved Share Save Scheme for which all employees and Executive Directors can apply to join if they are UK employees. The Group CEO and Group Finance Director participate in the Scheme.

The gross value of this award that vested on 1 January 2016 is as follows and is disclosed in the Single figure of remuneration table on page 55

	Share price on 1 January 2016 Pence	Shares vested No	Total £000
C Hindson	224.75	8,185	18

Directors' interests in shares (subject to audit)

The beneficial interests of the Directors in the ordinary share capital of the Company as at 31 March 2016 are set out in the table below, together with the beneficial interests at the end of the previous financial year. Outstanding share option awards as at 31 March 2016 are also shown.

	Beneficially owned Ordinary 5p shares		LTIP No	Deferred Share Award No	Outstanding share option awards				Options exercised during the year No
	31 March 2016 No	31 March 2015 No			Chairman Share Incentive Plan No	Group CEO Share Incentive Plan Joining Award No	Matching Award No	SAYE No	
N Johnson	170,000	170,000	—	—	720,000	—	—	—	—
S Blair	119,338	119,338	430,312	—	—	72,338	434,028	10,367	—
C Hindson	1,914,052	1,905,867	657,633	41,491	—	—	—	9,625	8,185
K Rajagopal	50,000	50,000	—	—	—	—	—	—	—
A Wood	—	—	—	—	—	—	—	—	—
K Dangerfield	25,000	25,000	—	—	—	—	—	—	—

Of the options held by Charles Hindson, 120,956 of the LTIP and all of the Deferred Share Award have vested and are exercisable. Charles Hindson exercised his 8,185 SAYE options on 22 February 2016 and recorded a gain of £9,200.

There have been no changes to the beneficial interests between year-end and the date of this report.

Shareholding guideline

Under the Company's shareholding guidelines, which are operated to further align the interests of the Executive Directors and shareholders, Executive Directors are expected to build up over five years and retain shares equal in value to at least twice their respective basic salaries. Where Executive Directors hold shares above these levels then, with the prior approval of the Chairman, they may undertake sales of these excess shares and this will not be viewed adversely. As at 31 March 2016, Steve Blair holds 119,338 shares, representing 66% of his annual salary. Charles Hindson holds 1,914,052 shares, which is in excess of the shareholding guideline. This is based on the share price on 31 March 2016 of 215.0 pence.

Sourcing of shares – Employee Benefit Trust (EBT) and treasury shares

The Company established the EBT in 2004 as a discretionary employee benefit trust, in which all employees of the Group are potentially beneficiaries. The Trustee is EES Trustees International Limited, a professional offshore trustee. The main purpose of the EBT is to operate the LTIP and other share option schemes following recommendations from the Remuneration Committee or Board. Shareholder approval has been given to allow the Trustee to hold no more than 5 per cent of the issued ordinary share capital of the Company, and as at 31 March 2016 the percentage was 0.21% (2015: 0.36%). 328,490 shares from the EBT having been utilised during the year to satisfy LTIP awards that vested. In addition to the shares held by the EBT, as at 31 March 2016, the Company held in treasury 1,851,091 (2015: 351,037) of its own shares. This holding represents 0.84% (2015: 0.16%) of the issued share capital of the Company. 1,500,000 shares were purchased during the year (2015: £nil). No treasury shares were issued during the year (2015: 1,595,054) to satisfy LTIP awards that vested.

Directors' Remuneration Report (continued)

Group CEO pay, TSR and all-employee pay

This section of the report provides visibility of our remuneration arrangements in context by providing

- Seven year history of the Group CEO's remuneration,
- TSR performance over the same period,
- A comparison of the year-on-year change in the Group CEO's remuneration with the change in average remuneration across the Group, and
- Year-on-year comparison of the total amount spent on pay across the Group

Group CEO pay

Year	Chief Executive	Single figure of total remuneration £000	Annual Bonus as % of maximum %	LTIP as a % of maximum %
2016	S Blair	428	—	n/a
2015	S Blair	692	58	n/a
2014	S Blair ⁽¹⁾	150	n/a	n/a
2014	K Attwood ⁽²⁾	541	n/a	76
2013	K Attwood	341	—	—
2012	K Attwood	653	91	—
2011	K Attwood	557	100	—
2010	K Attwood	413	100 ⁽³⁾	—

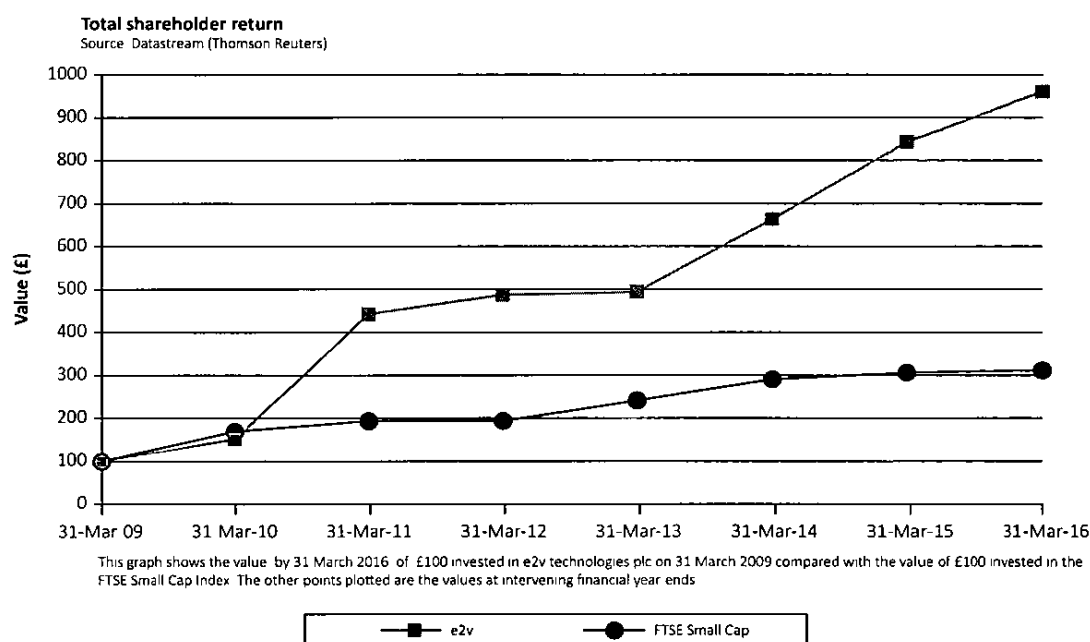
(1) Date of appointment 3 March 2014

(2) For period to 30 August 2013, date of resignation

(3) Exceptionally in 2010, as a consequence of the restructuring during the period, the Remuneration Committee amended the bonus target during the year and reduced the bonus potential from 100% to 50% of salary. As the amended target was achieved, 100% of the reduced bonus was paid. Further details are available in the 2010 Annual Report.

Seven year TSR performance graph

The graph below shows the change in the TSR (with dividends re-invested) for the seven year period to 31 March 2016 of a holding of a £100 investment in the Company's shares against the corresponding change in a hypothetical holding of shares in the FTSE Small Cap Index. This sector was chosen as it represents the equity market index in which the Company is a constituent member and it is also used to form the basis of one of the performance measures for the Chairman and Group CEO Share Incentive Plans and the LTIP.



Percentage change in Group CEO's remuneration

	Salary %	Taxable benefits %	Annual bonus %
Group CEO	9.7	(68.3)	(100.0)
UK Employees average ⁽¹⁾	3.5	(4.5)	(76.4)

(1) We have used all UK-based employees as the comparative group, as this represents the most appropriate reference group for reward purposes for the UK-based Group CEO.

The percentage change in the salary for the Group CEO year-on-year reflects the re-positioning of his base salary as noted on page 56. During year ended 31 March 2015, the Group CEO received one-off relocation costs following his appointment. Whilst a bonus has been awarded to the wider employee population, as actual performance for year ended 31 March 2016 was below the target level for the management bonus scheme, of which the Group CEO is a participant, no bonus payments have been awarded under that arrangement.

Relative spend on pay

	2016 £000	2015 £000	Change %
Payment to shareholders	11,335	9,746	16.3
Group employment costs (before specific items)	81,239	82,325	(1.3)

The decrease in Group employment costs reflects the reduced levels of bonus paid, offset by the overall increase in Group headcount and the effect of annual salary increases.

Directors' Remuneration Report (continued)

Statement of shareholder voting

The following tables set out the actual voting in respect of 2015 Directors' Remuneration Report at the 2015 AGM

	For	Against	Votes withheld/ abstentions
To approve Directors' Annual Report on Remuneration			
Percentage of votes (%)	97.97%	2.03%	–
Number of votes cast	174,497,956	3,616,425	1,073,019

Share price during the financial year

The market price of the ordinary shares at 31 March 2016 was 215.0 pence (2015: 193.0 pence) and the range during the year was 192.25 pence to 260.75 pence

Statutory requirements

The remuneration report has been prepared on behalf of the Board by the Remuneration Committee


We adopt the principle of good governance as set out in the UK Corporate Governance Code and comply with the regulations contained in the Schedule 8 of the Large and Medium-sized Companies & Groups (Accounts and Reports) (Amendment) Regulations 2013, the Listing Rules of the Financial Conduct Authority and the relevant schedules of the Companies Act 2006

The Companies Act 2006 and the Listing Rules require the Company's auditor to report on the audited information in their report on page 117 and to state that this section has been properly prepared in accordance with these regulations. The Directors' Annual Report on Remuneration, on pages 54 to 66 is subject to shareholder approval at the AGM on 13 July 2016

Approval

This Report was approved by the Remuneration Committee and was approved subsequently by the Board of Directors

On behalf of the Board


Krishnamurthy Rajagopal
Chairman of the Remuneration Committee
13 May 2016

Consolidated Income Statement

Year ended 31 March 2016

	Notes	Before specific items £000	2016 Specific items (note 5) £000	Total £000	Before specific items £000	2015 Specific items (note 5) £000	Total £000
Revenue	3	236,423	–	236,423	224,920	–	224,920
Cost of sales		(141,256)	–	(141,256)	(128,713)	–	(128,713)
Gross profit		95,167	–	95,167	96,207	–	96,207
Research and development costs	6	(13,838)	–	(13,838)	(14,759)	–	(14,759)
Selling and distribution costs		(17,116)	–	(17,116)	(17,576)	–	(17,576)
Administrative costs		(22,176)	(2,962)	(25,138)	(23,806)	(8,928)	(32,734)
Operating profit		42,037	(2,962)	39,075	40,066	(8,928)	31,138
Finance costs	9	(1,243)	–	(1,243)	(1,051)	–	(1,051)
Finance revenue	9	13	–	13	16	–	16
Profit before taxation		40,807	(2,962)	37,845	39,031	(8,928)	30,103
Income tax expense	10	(9,037)	900	(8,137)	(9,340)	2,993	(6,347)
Profit for the year		31,770	(2,062)	29,708	29,691	(5,935)	23,756
Attributable to							
Equity holders of the Company		31,770	(2,062)	29,708	29,691	(5,935)	23,756
Earnings per share							
Basic	11	14 59p		13 64p	13 68p		10 94p
Diluted	11	14 41p		13 47p	13 54p		10 83p

Consolidated Statement of Comprehensive Income

Year ended 31 March 2016

	Notes	2016 £000	2015 £000
Profit for the year		29,708	23,756
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	29	182	(642)
Income tax relating to items not reclassified to the income statement	10	(62)	221
		120	(421)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on retranslation of foreign operations		11,672	(11,731)
Exchange differences on net investment hedges		(1,213)	4,472
Income tax relating to items that may be reclassified to the income statement	10	244	(932)
		10,703	(8,191)
Other comprehensive income/(expense) for the year		10,823	(8,612)
Total comprehensive income for the year		40,531	15,144
Attributable to			
Equity holders of the Company		40,531	15,144

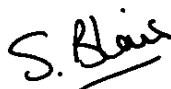
Consolidated Statement of Financial Position

As at 31 March 2016

	Notes	2016 £000	2015 £000
ASSETS			
Non-current assets			
Property, plant and equipment	14	46,869	43,537
Intangible assets	15	114,872	98,693
Trade and other receivables	18	–	315
Deferred income tax assets	24	9,952	9,862
Total non-current assets		171,693	152,407
Current assets			
Inventories	17	54,744	43,981
Trade and other receivables	18	55,752	51,454
Other financial assets	22	147	–
Income tax receivable		3,084	154
Cash at bank and in hand	19	20,497	21,099
Total current assets		134,224	116,688
Total assets		305,917	269,095
LIABILITIES			
Current liabilities			
Trade and other payables	20	(46,476)	(52,233)
Borrowings	21	(2,194)	(1,399)
Other financial liabilities	22	(845)	(1,318)
Income tax payable		(1,963)	(2,273)
Provisions	23	(3,559)	(5,042)
Total current liabilities		(55,037)	(62,265)
Net current assets		79,187	54,423
Non-current liabilities			
Trade and other payables	20	(2,057)	(1,091)
Borrowings	21	(39,109)	(24,374)
Provisions	23	(1,092)	(939)
Employment and post-employment benefits	29	(5,298)	(4,893)
Deferred income tax liabilities	24	(5,223)	(5,702)
Total non-current liabilities		(52,779)	(36,999)
NET ASSETS		198,101	169,831
CAPITAL AND RESERVES			
Called up share capital	25	11,010	10,963
Share premium	26	44,534	43,553
Merger reserve	26	44,557	44,557
Own shares reserve	26	(4,137)	(483)
Capital redemption reserve	26	274	274
Foreign currency translation reserve	26	(212)	(10,915)
Retained earnings		102,075	81,882
TOTAL SHAREHOLDERS' FUNDS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		198,101	169,831

These financial statements were approved by the Board of Directors and authorised for issue on 13 May 2016. They were signed on its behalf by

S Blair
Group CEO



C Hindson
Group Finance Director



Consolidated Statement of Cash Flows

Year ended 31 March 2016

	Notes	2016 £000	2015 £000
Cash flows from operating activities			
Profit before tax		37,845	30,103
Net finance costs		1,230	1,035
Operating profit		39,075	31,138
Adjustments to reconcile to net cash inflows from operating activities			
Depreciation of property, plant and equipment	14	8,113	7,465
Amortisation of intangible assets	15	5,513	4,317
Profit on disposal of businesses	5	(1,132)	–
Profit on sale of property, plant and equipment		(295)	(12)
Foreign currency (gains)/losses arising from fair value adjustment	5	(618)	1,873
Share based payment charge	28	1,200	875
Increase in inventories		(9,255)	(5,645)
(Increase)/decrease in trade and other receivables		(2,076)	9,718
Decrease in trade and other payables		(6,076)	(2,724)
(Decrease)/increase in provisions		(1,461)	2,455
Cash generated from operations		32,988	49,460
Income taxes paid		(10,461)	(8,725)
Net cash flows from operating activities		22,527	40,735
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		27	48
Proceeds from disposal of businesses		3,324	–
Interest received		13	15
Acquisition of subsidiary undertakings, net of cash acquired	13	(12,002)	(19,686)
Purchases of property, plant and equipment		(11,310)	(8,176)
Purchases of software		(616)	(1,840)
Expenditure on product development and patents		(103)	(451)
Net cash flows used in investing activities		(20,667)	(30,090)
Cash flows from financing activities			
Interest paid		(725)	(681)
Proceeds from issue of shares		1,028	424
Purchases of treasury shares		(3,656)	–
Dividends paid	12	(11,335)	(9,746)
Net proceeds from borrowings	21	12,321	7,769
Transaction costs of new bank loans raised		–	(721)
Payment of finance lease liabilities	21	(889)	(247)
Net cash flows used in financing activities		(3,256)	(3,202)
Net (decrease)/increase in cash and cash equivalents		(1,396)	7,443
Net foreign exchange difference	21	794	(819)
Cash and cash equivalents at 1 April		21,099	14,475
Cash and cash equivalents at 31 March	19	20,497	21,099

Consolidated Statement of Changes in Equity

Year ended 31 March 2016

	Called up share capital £000	Share premium £000	Merger reserve £000	Own shares reserve £000	Capital redemption reserve £000	Foreign currency translation reserve £000	Retained earnings £000	Total equity £000
At 1 April 2014	10,939	43,153	44,557	(2,655)	274	(2,724)	69,085	162,629
Other comprehensive income	–	–	–	–	–	(8,191)	(421)	(8,612)
Profit for the year	–	–	–	–	–	–	23,756	23,756
Total comprehensive income	–	–	–	–	–	(8,191)	23,335	15,144
Issue of shares	24	400	–	–	–	–	–	424
Transfer on issue of treasury shares	–	–	–	2,172	–	–	(2,172)	–
Dividends paid	–	–	–	–	–	–	(9,746)	(9,746)
Share based payment charge	–	–	–	–	–	–	875	875
Tax on share based payment	–	–	–	–	–	–	505	505
At 31 March 2015	10,963	43,553	44,557	(483)	274	(10,915)	81,882	169,831
Other comprehensive income	–	–	–	–	–	10,703	120	10,823
Profit for the year	–	–	–	–	–	–	29,708	29,708
Total comprehensive income	–	–	–	–	–	10,703	29,828	40,531
Issue of shares	47	981	–	–	–	–	–	1,028
Transfer on issue of treasury shares	–	–	–	2	–	–	(2)	–
Purchase of treasury shares	–	–	–	(3,656)	–	–	–	(3,656)
Dividends paid	–	–	–	–	–	–	(11,335)	(11,335)
Share based payment charge	–	–	–	–	–	–	1,200	1,200
Tax on share based payment	–	–	–	–	–	–	502	502
At 31 March 2016	11,010	44,534	44,557	(4,137)	274	(212)	102,075	198,101

Notes to the Consolidated Financial Statements

Year ended 31 March 2016

1. Authorisation of financial statements and statement of compliance with IFRS

e2v technologies plc (the Company) is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company's shares are publicly traded on the London Stock Exchange. The address of the registered office is given in the Directors' Report. The nature of the Group's operation and its principal activities are set out in the Strategic Report.

The consolidated financial statements of the Company for the year ended 31 March 2016 comprise the results of the Company and its subsidiary undertakings (together referred to as the Group).

These financial statements are presented in Sterling as that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2. All values are rounded to the nearest thousand (£000) unless otherwise indicated.

The financial statements were approved for issue by the Board on 13 May 2016.

The principal accounting policies adopted by the Group are set out below.

2. Summary of significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) applied in accordance with the Companies Act 2006. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union (EU) and therefore the consolidated financial statements comply with Article 4 of EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial and equity instruments. The principal accounting policies are set out below and have been applied consistently to all periods presented in these financial statements.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further information on the going concern of the Group can be found on page 30 in the viability statement.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of e2v technologies plc and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Group subsidiaries are detailed in note 2 to the Company Financial Statements. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests (if applicable), even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

2. Summary of significant accounting policies (continued)

Business combinations

For acquisitions undertaken after 1 April 2010, the acquisition of subsidiaries is accounted for using the acquisition method of accounting. The cost of the acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets meeting either the contractual, legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition date fair value can be measured reliably.

If the aggregate of the acquisition date fair value of the consideration transferred and the amounts recognised for the non-controlling interest is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in the income statement.

Where the fair values of the identifiable net assets and contingent liabilities acquired have been determined provisionally, or where contingent consideration is payable, adjustments arising from their subsequent finalisation are not reflected in the income statement if they arise within twelve months of the acquisition date and the adjustments arise from better information about conditions existing at the acquisition date. If contingent consideration is classified as equity, it is not remeasured and is accounted for within equity. Otherwise changes are included in the income statement.

Acquisitions undertaken prior to 1 April 2010 were accounted for under the purchase method of accounting. However transaction costs directly attributable to the acquisition formed part of the acquisition costs. Furthermore, contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Foreign currency translation

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are retranslated into Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate of exchange ruling at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

All exchange differences are recognised in the income statement in the period in which they arise except for exchange differences on transactions entered into that hedge certain foreign currency risks, and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

On consolidation, the assets and liabilities of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. The exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity, within the foreign currency translation reserve. On disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate of exchange ruling at the balance sheet date.

2. Summary of significant accounting policies (continued)

Property, plant and equipment

Freehold buildings, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less accumulated depreciation and any impairment in value

Assets under construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation on these assets commences when the assets are available for use.

Freehold land is not depreciated and is held at historical cost.

Depreciation is recognised so as to write-off the cost of assets (other than land and assets under construction) less their residual values on a straight-line basis over the estimated useful life, as follows:

Freehold buildings	25 to 50 years
Leasehold improvements	over the remaining lease term
Plant and equipment	3 to 10 years
Office equipment, fixtures and fittings	3 to 10 years

The carrying values are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of net selling price and value in use. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in the income statement in the administrative expenses line item. Where an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for this asset in prior years. A reversal of impairment loss is recognised immediately in the income statement.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Impairment is determined by assessing the recoverable amount of the cash generating unit, to which goodwill relates. If the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a cash generating unit or part of the cash generating unit the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous amounts recorded under UK Generally Accepted Accounting Practice (UK GAAP) subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and will not be included in determining any subsequent profit or loss on disposal.

Intangible assets – research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development activities is capitalised only if all of the following conditions are met: an asset is created that can be identified (such as software and new processes), it is probable that the asset created will generate future economic benefits, and the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives, the period of expected future sales, estimated at between three and five years. The amortisation is recorded as part of research and development costs in the income statement. Where no internally generated intangible asset can be capitalised, development expenditure is recognised as an expense in the period in which it is incurred.

When the asset is not in use, the carrying value of development costs is reviewed for impairment annually or more frequently when an indicator of impairment arises during the reporting period indicating that the carrying value may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

2. Summary of significant accounting policies (continued)

Other intangible assets

Intangible assets acquired separately are capitalised at cost and intangible assets acquired from a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

Computer software purchased or internally generated for use that is integral to the hardware (because without that software the equipment cannot operate) is treated as part of the hardware and capitalised as property, plant and equipment. Other software programmes are treated as intangible assets. Intangible assets, excluding development costs and software, created within the business are not capitalised and expenditure is charged to the income statement in the period in which the expenditure is incurred.

Intangible assets are tested for impairment annually either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, it is provided so as to write-off the cost of intangible assets on a straight-line basis over the estimated useful life, as follows:

Patents, trademarks and technology	5 to 10 years
Customer relationships and agreements	4 to 10 years
Software	2 to 7 years

This expense is recorded in the income statement in administrative costs. Assets held under finance leases are depreciated over the shorter of the lease term or their useful economic life.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using a first-in, first-out method. Net realisable value represents the estimated selling prices less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provision is made for obsolete, slow-moving or defective items where appropriate. A net increase in provision for the year as a whole is recognised as an expense in the year whilst a net reversal of provision for the year as a whole is recognised as a reduction in expense.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Trade and other receivables

Trade receivables, which generally have 30 to 60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents

Cash in the balance sheet comprises cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purpose of the Consolidated statement of cash flows, cash and cash equivalents consist of cash as defined above.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or the disposal group is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to the sale plan involving the loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

2. Summary of significant accounting policies (continued)

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL and are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Other financial liabilities are initially measured at fair value, net of transaction costs.

A financial liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of an existing liability and the recognition of a new liability.

Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Borrowings are classified as current liabilities unless, at the balance sheet date, the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statement using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is based on the best reliable estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation and its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and that the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Pensions, other post-employment and other employment benefits

The Group operates defined contribution pension schemes which require contributions to be made to a separately administered fund. Payments to defined contribution pension schemes are charged as an expense as they fall due. Payments made to a state-managed pension are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

The Group operates unfunded defined benefit plans in France providing termination payments (post-employment benefit) to employees upon retirement and long service awards paid when the employee reaches certain lengths of service (other employment benefit). The cost of providing benefits is determined with actuarial valuations being carried out on each balance sheet date. Past service cost is recognised immediately. Actuarial gains and losses are recognised in full in the period in which they occur. Those related to the termination benefits are recognised outside the income statement and are presented in other comprehensive income, whilst those related to the long service award are recognised in the income statement. When a settlement or curtailment occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

2. Summary of significant accounting policies (continued)

Share based payment transactions

Employees (including Directors) of the Group receive remuneration in the form of share based transactions, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using binomial or Black-Scholes models, combined with Monte Carlo simulation as appropriate. Further details are given in note 28. In valuing equity settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each reporting date reflects the extent to which the vesting period has expired and management's best estimate of the number of awards that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. If a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new shares are treated as if they were a modification of the original award.

The dilution effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (note 11).

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Finance lease assets are capitalised at the commencement of the lease term at the lower of the present value of the minimum lease payments or the fair value of the leased asset. The obligations relating to finance leases, net of finance charges in respect of future periods, are recognised as liabilities. Leases are subsequently measured at amortised cost using the effective interest method.

All other leases are classified as operating leases. Rental payments under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which the economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue from the sale of standard products is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods,
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the entity, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue in respect of long term contracts for non-standard products and services is recognised by reference to the stage of completion of the project. The stage of completion is determined either by reference to the completion of a physical proportion of the work, dependent upon the nature of the underlying project, or by reference to the proportion that costs incurred for work performed to date bear to the estimated total project costs. Revenues derived from variations on projects are recognised only when they have been accepted by the customer. Full provision is made for losses on projects in the period in which they are first foreseen.

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement, provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

2. Summary of significant accounting policies (continued)

Revenue (continued)

Finance revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Finance revenue income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants for research programmes are recognised as revenue over the periods necessary to match them with the related costs incurred, and in the income statement are deducted from the related costs. Government grants related to property, plant and equipment are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise income tax is recognised in the income statement.

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arising from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured on an undiscounted basis and is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Derivative financial instruments and hedging

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in notes 31 and 32.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probably forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

No derivative financial instruments have been designated as a fair value or cash flow hedge during the current or prior financial year.

A derivative with a positive fair value is presented as a financial asset whereas a derivative with a negative fair value is presented as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group uses foreign currency borrowings to hedge its investment in currency investments and classifies the hedging relationship as a net investment hedge. To the extent that the hedge is effective, changes in the fair value of the hedging instrument are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

2. Summary of significant accounting policies (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

Dividend distribution

Dividends to holders of equity instruments declared after the balance sheet date are not recognised as a liability as at the balance sheet date. Final dividend distributions to the Company's shareholders are recognised in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recognised when paid.

Own shares reserve

e2v technologies plc shares held by the Employee Benefit Trust and the Company are classified in shareholders' equity as own shares and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to retained earnings. No gain or loss is recognised in the income statement or the statement of comprehensive income on the purchase, sale, issue or cancellation of equity shares.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management must make judgements, estimates and assumptions concerning the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based upon factors such as historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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 following are the critical judgements and key sources of estimation uncertainty that the Directors have made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the consolidated financial statements: accounting for acquisitions (fair valuation of intangible assets, net assets acquired and contingent consideration payable) (note 13), subsequent impairment of goodwill and other intangible assets arising on acquisition (note 16), the measurement of long term contract balances as included in work-in-progress (note 17) and provisions (note 23), with regard to the stage of completion and the total costs to complete, and the measurement of inventory provisions, especially with regard to the Group's inventory holdings for its obsolescence management business and the last time build programmes undertaken in Grenoble ahead of the closure of its front end fabrication plant in 2011 (note 17). Other areas of estimation uncertainty include the measurement of product warranty provisions, with regard to the estimation of the level of returns (note 23), the measurement of defined benefit liabilities (note 29), and the measurement and recognition of tax liabilities and deferred tax assets (note 24).

Adjusted profit measures

In order to provide a more relevant presentation of the Group's underlying performance, profit for each financial year has been analysed between

- a) Trading results before specific items, and
- b) The effect of specific items. Specific items are material items of income and expense which, in the opinion of the Directors, because of the nature or infrequency of the events giving rise to them, merit separate presentation to allow a better understanding of the elements of the Group's underlying performance for the financial year and are presented on the face of the income statement to facilitate comparisons with prior periods and assessments of trends in financial performance.

Specific operating items may include business improvement programme expenses, last time build inventory provisions, gains and losses on sale of property, acquisition costs, impairments and fair value gains and losses on foreign exchange contracts, all operating items attributable to terminated or disposed operations and operations held for sale where there is a contractual agreement to sell, and amortisation of acquired intangible assets, including impairment.

Specific finance items may include fair value gains and losses arising on interest rate swaps, realised exchange differences on the re-denomination of borrowings, and write-off of debt issue costs.

Specific tax items include the tax effect on specific operating items and specific finance items.

Further analysis of specific operating items is provided in note 5. There are no specific finance items in the current or prior year.

2. Summary of significant accounting policies (continued)

New standards and interpretations applied during the year

There were no changes to the accounting standards that had a material impact on these financial statements

New standards and interpretations not applied

The International Accounting Standards Board (IASB) and International Financial Reporting Committee (IFRIC) have also issued the following Standards and Interpretations with an effective date after the date of these financial statements (and in some cases not yet adopted by EU)

		Effective for periods commencing after
IFRS 9	Financial Instruments (issued in 2014)	1 January 2018
IFRS 14 ⁽¹⁾	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases (issued in 2016)	1 January 2019
IAS 7	Amendment – Disclosure Initiative (issued in 2016)	1 January 2017
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 12	Amendment – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IFRS 11	Amendment – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Annual Improvements	Annual Improvements to IFRSs 2012 – 2014 Cycle	1 January 2016

(1) Note that IFRS 14 Regulatory Deferral Accounts is not applicable to the Group as the Group is not a first-time adopter of IFRSs

The Group intends to adopt these standards in the first accounting period after the effective date. With the exception of IFRS 15, the Directors do not anticipate that the adoption of the remaining Standards and Interpretations will have a material effect on the consolidated financial statements in the period of initial application. With regard to IFRS 15, which provides for a single principles based model to be applied to all sales contracts based on the transfer of control of goods and services to customers, given the percentage of the Group's revenue arising from long term contracts, the Directors anticipate that the application of IFRS 15 may have a material effect on the amounts reported and the disclosures made in the consolidated financial statements. Until the Group performs a detailed review, it is not practicable to provide a reasonable estimate of the effect.

3. Revenue

An analysis of the Group's revenue is as follows

	2016 £000	2015 £000
Sale of goods	180,357	171,092
Contract revenue recognised in the year	56,066	53,828
Revenue	236,423	224,920
Third party contributions to research and development programmes	2,259	4,054
Finance revenue	13	16
Total revenue	238,695	228,990

The following balances relate to contracts in progress at the balance sheet date

	2016 £000	2015 £000
Amounts recoverable from customers included in trade receivables	7,822	8,950
Amounts recoverable from customers included in work-in-progress	7,783	6,287
	15,605	15,237
Amounts due to customers included in trade and other payables	(7,169)	(10,128)

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

4. Segment information

The Group is organised into three operating divisions, which are organised and managed separately based on the key products that they provide. Each is treated as an operating segment and a reportable segment in accordance with IFRS 8, 'Operating Segments'.

The operating and reportable segments are:

- **Imaging** providing high quality imaging sensors, cameras and sub-systems which deliver higher performance for our customers across a range of applications in the automation, healthcare, discovery and environment markets
- **RF Power** producing components and sub-systems that deliver high performance and high reliability radio frequency power generation for healthcare, industrial and defence applications
- **Semiconductors** providing high reliability semiconductors that meet the demanding specifications of our customers. Our design capability is enabling us to partner with customers and move up the value chain by providing multi-chip modules and boards

A more detailed description for each segment is included with the 'Our value proposition - what we do and our key drivers' sections of the Business Review in the Strategic Report.

Centre-corporate includes those unallocated costs directly associated with the management of the Group's public quotation and other related costs arising from the corporate management of the Group along with treasury related activities.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment. There was no inter-segment trading during the period covered by these financial statements.

Year ended 31 March 2016	Imaging £000	RF Power £000	Semi- conductors £000	Centre- corporate £000	Total operations £000
Revenue					
Revenue from external customers	103,473	80,540	52,410	–	236,423
Segment result					
Adjusted segment profit	15,666	18,763	14,171	–	48,600
Corporate costs	–	–	–	(4,455)	(4,455)
Exchange differences	–	–	–	(2,108)	(2,108)
Adjusted operating profit/(loss)	15,666	18,763	14,171	(6,563)	42,037
Specific operating items	(420)	(989)	(2,099)	546	(2,962)
Operating profit/(loss)	15,246	17,774	12,072	(6,017)	39,075
Net finance costs					(1,230)
Profit before taxation					37,845
Income tax expense					(8,137)
Profit for the period					29,708
Year ended 31 March 2015					
Revenue					
Revenue from external customers	88,755	84,194	51,971	–	224,920
Segment result					
Adjusted segment profit	9,316	19,433	11,878	–	40,627
Corporate costs	–	–	–	(3,977)	(3,977)
Exchange differences	–	–	–	3,416	3,416
Adjusted operating profit/(loss)	9,316	19,433	11,878	(561)	40,066
Specific operating items	(1,997)	(1,026)	(1,557)	(4,348)	(8,928)
Operating profit/(loss)	7,319	18,407	10,321	(4,909)	31,138
Net finance costs					(1,035)
Profit before taxation					30,103
Income tax expense					(6,347)
Profit for the period					23,756

4. Segment information (continued)

Segment net assets and other segment information

The following is an analysis of the Group's net assets and other information by reportable segment

Year ended 31 March 2016	Imaging £000	RF Power £000	Semi- conductors £000	Centre- corporate £000	Total operations £000
Net Assets					
Property, plant and equipment	21,959	12,060	10,528	2,322	46,869
Intangible assets	28,423	7,607	74,146	4,696	114,872
Other assets	45,309	27,813	33,138	37,916	144,176
Total assets	95,691	47,480	117,812	44,934	305,917
Total liabilities	(17,043)	(7,468)	(4,891)	(78,414)	(107,816)
Net assets	78,648	40,012	112,921	(33,480)	198,101
Other segment information					
Capital expenditure					
Property, plant and equipment	6,200	2,461	1,112	990	10,763
Intangible assets	176	102	7	2,883	3,168
Depreciation	2,211	4,119	1,348	435	8,113
Amortisation	1,883	523	1,722	1,385	5,513
Year ended 31 March 2015	Imaging £000	RF Power £000	Semi- conductors £000	Centre- corporate £000	Total operations £000
Net Assets					
Property, plant and equipment	19,670	11,937	10,260	1,670	43,537
Intangible assets	28,118	8,028	59,524	3,023	98,693
Other assets	41,809	28,468	22,698	33,890	126,865
Total assets	89,597	48,433	92,482	38,583	269,095
Total liabilities	(19,721)	(8,956)	(3,090)	(67,497)	(99,264)
Net assets	69,876	39,477	89,392	(28,914)	169,831
Other segment information					
Capital expenditure					
Property, plant and equipment	4,356	2,872	682	791	8,701
Intangible assets	1,652	481	–	1,388	3,521
Depreciation	3,327	1,972	1,548	618	7,465
Amortisation	990	467	1,552	1,308	4,317

Geographical information

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below

	2016 £000	2015 £000
Revenue by destination		
United Kingdom	32,443	32,902
North America	77,129	77,113
Europe	64,373	63,606
Asia Pacific	56,937	47,437
Rest of the world	5,541	3,862
	236,423	224,920

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

4. Segment information (continued)

Geographical information (continued)

	2016 £000	2015 £000
Non-current assets (excluding taxes)		
United Kingdom	42,910	41,700
North America	35,639	36,707
Europe	82,694	63,840
Asia Pacific	498	298
	161,741	142,545

5. Specific operating items

	2016 £000	2015 £000
Amortisation of acquired intangible assets (note 15)	2,795	2,281
Acquisition related costs	824	759
Business improvement programme expenses, net	1,377	4,115
Foreign currency (gains)/losses arising from fair value adjustment	(618)	1,873
Disposal of businesses	(1,132)	(100)
Profit on sale of properties	(284)	–
Specific item charge	2,962	8,928

Acquisition related costs

As detailed in note 13, the Group completed the acquisition of SP Devices in January 2016 and in connection with this incurred one-off transaction costs of £232,000 (2015 £446,000 in connection with acquisition of AnaFocus). Exchange losses of £199,000 (2015 gains £231,000) have been recorded relating to the outstanding contingent consideration for both SP Devices and AnaFocus. Where payments in connection with the acquisition are dependent upon future employment, they are treated as a cost of continuing employment, costs of £393,000 (2015 £544,000) have been recorded in relation to AnaFocus. No such costs arise from the acquisition of SP Devices.

Business improvement programme expenses, net

During the year the Group has repositioned its regional teams in US and Asia so that they too are aligned with the divisions and has also reorganised RF's defence business into three distinct units. Costs of £1,205,000 have been recorded principally related to staff costs and which include £214,000 to establish a new facility in Lincoln for the Microwave business unit. Project Sunrise, the reorganisation of the footprint at the Chelmsford facility, continues with costs of £441,000 (2015 £686,000) incurred in the period.

In the year ended 31 March 2015, an announcement to cease manufacturing in Beijing, China during the first half of the following financial year was made prior to 31 March 2015, together with the commencement of a consultation process regarding the planned closure of the sales office in Bievres, France. During the current year these work programmes have progressed and a credit of £269,000 recorded, principally as an onerous lease provision is no longer required.

During the year ended 31 March 2015, the Group restructured the Group's central operations, RF Power and Imaging teams and a charge of £3,429,000 was recorded in respect of these activities and those in Bievres and China, principally related to staff and onerous lease costs.

Foreign currency (gains)/ losses arising from fair value adjustment

The Group, in part, hedges its exposure to foreign currency risks through the use of forward exchange contracts. The changes in the fair value of the instruments are recorded as specific items in the income statement. Fluctuations in the exchange rates have resulted in a net fair value gain of £618,000 (2015 loss £1,873,000).

Disposal of businesses

On 8 October 2015 the Group sold the trade and assets of the thermal imaging business. The net proceeds on this transaction were £2,919,000. The assets disposed comprised developments costs (£95,000), property, plant and equipment (£248,000) and inventories (£1,494,000) such that a gain on sale of £1,082,000 has been recognised. Deferred consideration relating to the sale of the Group's RF Satcom business became receivable in the year and a further gain of £50,000 has been recognised. A gain of £100,000 was recognised in the year ended 31 March 2015 in connection with this same business on the expiration of product warranties.

Profit on sale of properties

In the year ended 31 March 2010, the Group sold its former Lincoln site. The contract included the provision for a further payment dependent upon the square footage of the new properties built. An amount of £284,000 has been agreed with the developer.

6. Profit for the year

Profit from continuing operations is stated after charging/(crediting)

	2016 £000	2015 £000
Research and development expenditure expenses, gross	15,401	18,221
Third party contributions received	(2,259)	(4,054)
Research and development expenditure expenses, net	13,142	14,167
Amortisation of capitalised development expenditure	696	592
Total research and development expense, net	13,838	14,759
Government grants received, research and development funding	(2,155)	(3,833)
Included in cost of sales		
Depreciation of property, plant and equipment	7,471	6,884
Included in research and development costs		
Amortisation of development costs and patents	696	593
Included in distribution and administrative costs		
Depreciation of property, plant and equipment	642	581
Amortisation of software	2,022	1,443
Amortisation of acquired intangibles	2,795	2,281
Total depreciation, amortisation and impairment expense	13,626	11,782
Foreign currency (gains)/ losses arising from fair value adjustments	(618)	1,873
Other net foreign currency losses /(gains)	2,307	(3,647)
Total net foreign currency losses/(gains)	1,689	(1,774)
Net increase in provision for impairment of trade receivables recognised in administrative costs	72	196
Costs of inventories recognised as an expense	130,722	125,470
Including Write-down of inventories to net realisable value	2,270	2,939
Reversals of impairments in inventories ⁽¹⁾	(2,890)	(1,218)
Minimum lease payments recognised as an operating lease expense	1,531	1,418

(1) The reversal of impairments arose as a result of changes in demand for products

7. Auditor's remuneration

	2016 £000	2015 £000
Audit of the parent company and Group financial statements	108	103
Statutory audit fees of subsidiary undertakings	143	170
Total audit fees	251	273
Other assurance services	27	27
Corporate finance services	–	78
Taxation compliance services	9	8
Other taxation advisory services	–	24
Total non-audit fees	36	137
Total auditor's remuneration	287	410

Other assurance services includes half-yearly review fee of £25,000 (2015: £25,000). During the prior year, Corporate finance and other taxation advisory services relate to work performed by KPMG LLP in connection with the Group's acquisition of AnaFocus.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

8. Staff costs and Directors' remuneration

The average monthly number of employees (including Directors) during the year was made up as follows

	2016 No	2015 No
Manufacturing, engineering and operations	1,357	1,306
Sales and support functions	328	339
	1,685	1,645

Their aggregate remuneration comprised

	2016			2015		
	Before specific items £000	Specific items £000	Total £000	Before specific items £000	Specific items £000	Total £000
Wages and salaries	65,698	1,244	66,942	67,373	3,739	71,112
Social security costs	11,832	–	11,832	11,415	–	11,415
Defined contribution pension costs (note 29)	2,287	–	2,287	2,209	18	2,227
Share based payment charges (note 28)	1,200	–	1,200	924	(49)	875
Termination allowance and long services awards costs (note 29)	222	–	222	404	(116)	288
	81,239	1,244	82,483	82,325	3,592	85,917

The specific items arise in connection with the business improvement programme and the acquisition of AnaFocus and are detailed in note 5

Details of Directors' remuneration for the year are provided in the Directors' Remuneration Report

9. Finance costs and revenue

	2016 £000	2015 £000
Bank loan interest	685	644
Other interest	194	86
Interest on employment and post-employment benefits (note 29)	52	117
Interest on finance leases	42	30
Amortisation of debt issue costs	270	174
Total finance costs	1,243	1,051
Bank interest receivable	13	16
Total finance revenue	13	16

10. Income tax expense

Major components of income tax expense charged to the income statement for the years ended 31 March 2016 and 2015 are

	2016 £000	2015 £000
Current income tax		
Current income tax expense – UK corporation tax	2,237	2,274
Current income tax expense – foreign tax	5,747	6,887
Current income tax expense	7,984	9,161
Adjustments in respect of current income tax of previous years	(168)	(112)
Total current income tax expense	7,816	9,049
Deferred income tax		
Relating to origination and reversal of temporary differences	622	(2,068)
Adjustments in respect of deferred income tax of previous years	(348)	(97)
Effect of change in tax rate (note 24)	47	(537)
Total deferred income tax expense	321	(2,702)
Income tax expense recognised in the consolidated income statement	8,137	6,347

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income

	2016 £000	2015 £000
Current tax		
Relating to exchange differences on loans	(244)	932
Deferred tax		
Relating to actuarial losses on post-employment benefits (note 29)	62	(221)
Income tax recognised directly in other comprehensive income	(182)	711

In addition to the amounts recognised in the income statement and statement of other comprehensive income, the following amounts relating to tax have been recognised directly in equity

	2016 £000	2015 £000
Current tax		
Relating to exercise of share options	(249)	(389)
Deferred tax		
Change in estimated excess tax deductions related to share based payment	(257)	(116)
Effect of change in tax rate	4	–
Deferred income tax recognised directly in equity	(253)	(116)
Total income tax recognised directly in equity	(502)	(505)

A reconciliation of income tax expense applicable to the accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 March 2016 and 2015 is as follows

	2016 £000	2015 £000
Profit before taxation	37,845	30,103
At UK statutory income tax rate of 20% (2015: 21%)	7,569	6,322
Permanent differences	188	334
Tax relief on research and development	(2,579)	(2,348)
Effect of higher taxes on overseas earnings	3,333	2,628
Share based payments	78	23
Unrecognised deferred tax in respect of losses	17	134
Adjustments in respect of current income tax of previous years	(168)	(112)
Adjustments in respect of deferred income tax of previous years	(348)	(97)
Change in tax rate	47	(537)
Total tax expense reported in the consolidated income statement	8,137	6,347

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

11. Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive options.

Adjusted earnings per share is calculated on the basis of net profit for the year before specific items. In the Directors' judgement adjusted earnings per share is considered to more appropriately reflect the underlying performance of the business year on year.

The following reflects the net profit and share data used in the basic and diluted earnings per share computations:

	2016 £000	2015 £000
Profit for the year	29,708	23,756
Amortisation of acquired intangible assets	2,795	2,281
Acquisition related costs	824	759
Business improvement programme expenses, net	1,377	4,115
Foreign currency (gains)/ losses arising from fair value adjustment	(618)	1,873
Disposal of businesses	(1,132)	(100)
Profit on sale of properties	(284)	–
Tax effect of the above	(900)	(2,993)
Profit before specific items attributable to ordinary shareholders	31,770	29,691
	2016 No 000	2015 No 000
Weighted average number of ordinary shares		
For basic EPS	217,777	217,115
Effect of dilution		
Share options	2,731	2,137
For diluted EPS	220,508	219,252

Since the reporting date and before the completion of these financial statements 46,189 shares (2015: 10,000) have been issued as a result of exercises under share option schemes. The weighted average number of ordinary shares excludes shares held by the EBT and by the Company as treasury shares.

12. Dividends paid and proposed

	2016 Pence per share	2016 £000	2015 Pence per share	2015 £000
Final dividend paid in respect of the prior year	3.6	7,863	3.0	6,482
Interim dividend paid in respect of the current year	1.6	3,472	1.5	3,264
	5.2	11,335	4.5	9,746

The EBT and the Company have waived their right to receive dividends. See note 25 for details of these holdings.

The Board recommends that a final dividend in respect of the year ended 31 March 2016 of 3.8p per share will be paid on 2 August 2016 to shareholders registered at the close of business on 8 July 2016. This dividend is subject to approval by shareholders at the Annual General Meeting and therefore the liability of approximately £8,281,000 has not been included in these financial statements. The amount is based on the number of shares in issue, excluding those held by the EBT and the Company, at the date that these financial statements have been approved and authorised for issue. The actual payment may differ due to increases or decreases in the number of shares in issue between the date of approval of these financial statements and the record date of the final dividend.

13. Business combinations

On 22 January 2016, the Group acquired 100% of the share capital of Signal Processing Devices Sweden AB (SP Devices), a Linköping based company specialising in the design and development of high performance analogue-to-digital processing technology. The business brings proven patented technology in software and board level sub-systems and services, which complements and enhances e2v's existing broadband data converter business. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of SP Devices for the period from the acquisition date, reported within the Semiconductors segment (note 4).

13. Business combinations (continued)

The provisional fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition were

	£000
ASSETS	
Intangible assets	2,061
Property, plant and equipment	8
Deferred income tax asset	626
Inventories	198
Trade and other receivables	408
Cash	266
	3,567
LIABILITIES	
Trade and other payables	(646)
Borrowings	(342)
Deferred income tax liability	(243)
	(1,231)
Total identifiable net assets at fair value	2,336
Goodwill arising on acquisition	10,219
Total consideration	12,555
Consideration satisfied by	
	£000
Cash paid	9,768
Contingent consideration	2,787
	12,555
Analysis of cash flows on acquisition	
	£000
Consideration paid	9,768
Net cash acquired with the subsidiary	(266)
Net cash outflow included in investing cash flows	9,502

The goodwill of £10,219,000 represents the premium paid in anticipation of future profitability from assets that are not capable of being separately identified and separately recognised such as the assembled workforce as well as the expectation that the Group will be able to leverage its wider market access and strong financial position to generate sustainable financial growth beyond that what SP Devices would have potentially achieved as a standalone company. None of the goodwill is expected to be deductible for tax purposes.

The intangible assets acquired as part of the acquisition relate mainly to current technology (£1,266,000), customer relationships and agreements (£720,000), and trade name (£75,000), the fair value of which is dependent on estimates of attributable future revenues, profitability and cash flows and are being amortised over 15, 8 and 2 years respectively. Trade and other receivables acquired have a provisional fair value of £408,000 and a gross contractual value of £408,000, all of which is currently expected to be collectible. The fair value of the acquired identifiable assets and liabilities is provisional pending finalisation of the fair value exercise.

£2,787,000 of contingent consideration represents the fair value, at acquisition date, of the additional consideration. This is the maximum payment and is dependent on the achievement of revenue targets over a two year period from acquisition. Acquisition related costs of £232,000 have been included as a specific item in administrative expenses (note 5).

SP Devices contributed £675,000 of external revenue and £92,000 to the Group's adjusted operating profit from the date of acquisition to 31 March 2016. If the acquisition had been completed on 1 April 2015, Group revenue and adjusted operating profit for the year ended 31 March 2016 would have been £239.0 million and £42.3 million, respectively.

The Group acquired 100% of the voting rights of Innovaciones Microelectronicas SL (AnaFocus) on 4 September 2014. Provisional numbers were disclosed in the 2015 financial statements while management completed the fair value exercise. No adjustments were identified during the completion of this review. There have been no changes to the expected settlement of the contingent consideration, with a payment of £2,500,000 recognised in the year in line with the maximum payment. A further payment for the final tranche of contingent consideration of €1.5 million is expected to be paid in the first half of year ending 31 March 2017.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

14. Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Office equipment fixtures and fittings £000	Assets under construction £000	Total £000
Cost					
At 1 April 2014	19,185	31,494	5,131	6,630	62,440
Acquisitions through business combinations	41	1,596	62	–	1,699
Additions	–	–	–	8,701	8,701
Disposals	(84)	(1,255)	(164)	–	(1,503)
Reclassifications	226	8,891	470	(9,587)	–
Exchange adjustment	(705)	(4,229)	(387)	(20)	(5,341)
At 1 April 2015	18,663	36,497	5,112	5,724	65,996
Acquisitions through business combinations	–	–	8	–	8
Additions	402	1,704	339	8,318	10,763
Disposals	(195)	(1,668)	(316)	(51)	(2,230)
Reclassifications	48	5,937	613	(6,598)	–
Exchange adjustment	1,205	3,147	312	48	4,712
At 31 March 2016	20,123	45,617	6,068	7,441	79,249
Depreciation					
At 1 April 2014	6,904	10,693	3,764	–	21,361
Provided during the year	731	6,128	606	–	7,465
Disposals	(84)	(1,221)	(162)	–	(1,467)
Exchange adjustment	(886)	(3,670)	(344)	–	(4,900)
At 1 April 2015	6,665	11,930	3,864	–	22,459
Provided during the year	732	6,772	609	–	8,113
Disposals	(195)	(1,456)	(316)	–	(1,967)
Exchange adjustment	724	2,779	272	–	3,775
At 31 March 2016	7,926	20,025	4,429	–	32,380
Carrying Amount					
At 31 March 2014	12,281	20,801	1,367	6,630	41,079
At 31 March 2015	11,998	24,567	1,248	5,724	43,537
At 31 March 2016	12,197	25,592	1,639	7,441	46,869

The carrying value of land within the land and buildings category is £2,559,000 (2015 £2,493,000) which is not depreciated

15. Intangible assets

	Patents, trademarks and technology £000	Development costs £000	Software £000	Customer relationships and agreements £000	Goodwill £000	Total £000
Cost						
At 1 April 2014	15,051	16,317	12,881	37,000	81,699	162,948
Acquisitions through business combinations	6,118	706	49	8,736	11,024	26,633
Additions	8	443	3,070	–	–	3,521
Disposals	–	–	(23)	–	–	(23)
Exchange adjustment	(1,785)	(689)	(439)	(1,946)	(2,843)	(7,702)
At 1 April 2015	19,392	16,777	15,538	43,790	89,880	185,377
Acquisitions through business combinations	826	515	–	720	10,219	12,280
Additions	7	96	3,065	–	–	3,168
Disposals	–	(1,625)	(2)	–	–	(1,627)
Exchange adjustment	1,589	483	576	2,997	5,661	11,306
At 31 March 2016	21,814	16,246	19,177	47,507	105,760	210,504
Amortisation						
At 1 April 2014	14,013	14,824	9,874	31,160	17,031	86,902
Charge during the year	582	592	1,443	1,700	–	4,317
Disposals	–	–	(23)	–	–	(23)
Exchange adjustment	(1,365)	(637)	(329)	(1,797)	(384)	(4,512)
At 1 April 2015	13,230	14,779	10,965	31,063	16,647	86,684
Charge during the year	757	696	2,022	2,038	–	5,513
Disposals	–	(1,530)	(1)	–	–	(1,531)
Exchange adjustment	1,103	426	273	2,249	915	4,966
At 31 March 2016	15,090	14,371	13,259	35,350	17,562	95,632
Carrying Amount						
At 31 March 2014	1,038	1,493	3,007	5,840	64,668	76,046
At 31 March 2015	6,162	1,998	4,573	12,727	73,233	98,693
At 31 March 2016	6,724	1,875	5,918	12,157	88,198	114,872

At 31 March 2016, the net carrying amount of leased software held under finance leases was £2,978,000 (2015 £1,147,000)

The amortisation of acquired intangible assets presented in note 5 as a specific operating item, relates to amortisation of intangibles acquired through business combinations as follows

	2016 £000	2015 £000
Patents, trademarks and technology	757	581
Customer relationships and agreements	2,038	1,700
	2,795	2,281

Goodwill is not amortised but is annually tested for impairment (note 16). All other assets have finite lives.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

16. Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to cash generating units (CGUs) for impairment testing as detailed below

	e2v technologies £000	e2v semi- conductors SAS, Imaging £000	e2v semi- conductors SAS, Semi- conductors £000	e2v Inc, Semi- conductors £000	AnaFocus £000	SP Devices £000	Total £000
Cost							
At 1 April 2014	11,412	9,320	33,829	27,138	–	–	81,699
Acquired during year	–	–	–	–	11,024	–	11,024
Exchange adjustment	–	(1,136)	(4,124)	3,401	(984)	–	(2,843)
At 1 April 2015	11,412	8,184	29,705	30,539	10,040	–	89,880
Acquired during year	–	–	–	–	–	10,219	10,219
Exchange adjustment	–	725	2,624	868	887	557	5,661
At 31 March 2016	11,412	8,909	32,329	31,407	10,927	10,776	105,760
Impairment							
At 1 April 2014	1,703	9,320	–	6,008	–	–	17,031
Exchange adjustment	–	(1,136)	–	752	–	–	(384)
At 1 April 2015	1,703	8,184	–	6,760	–	–	16,647
Exchange adjustment	–	725	–	190	–	–	915
At 31 March 2016	1,703	8,909	–	6,950	–	–	17,562
Carrying Amount							
At 31 March 2014	9,709	–	33,829	21,130	–	–	64,668
At 31 March 2015	9,709	–	29,705	23,779	10,040	–	73,233
At 31 March 2016	9,709	–	33,329	24,457	10,927	10,776	88,198

e2v technologies comprises four UK based CGUs, RF Power, Siemens High Power Satcom, Dynex Microwave Alarms and UK Imaging. Goodwill acquired through the acquisitions of Siemens High Power Satcom (£359,000) and Dynex Microwave Alarms (£1,344,000) have been fully impaired.

e2v semiconductors SAS is based in Grenoble has two CGU's Imaging and Semiconductors. The goodwill for the Imaging CGU was fully impaired in the year ended 31 March 2009. e2v Inc is based in Milpitas, USA.

AnaFocus, based in Seville, and SP Devices, based in Linköping were acquired in the years ended 31 March 2015 and 31 March 2016 respectively.

The recoverable amount of the remaining goodwill for all CGU has been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets and models from the Strategy Review, both of which are approved by the Board. The key assumptions used in the valuations are:

Operating margins – the budgeted margin is used for the coming year, which is then adjusted if required for further years for any expected changes due to sales mix or efficiency improvements.

Discount rates – discount rates reflect the Directors' estimate of the return on capital employed required in every CGU. This is the benchmark used by the Group to assess operating performance and to evaluate future capital investment proposals. A 15% (2015: 15%) pre-tax discount rate, adjusted for specific risk where appropriate, is considered appropriate for the purpose of impairment reviews as it is consistent with the rates used in all investment appraisals and is considered to be a conservative estimate of the return expected by market participants.

Growth rates – have been considered separately for every CGU and are based on financial budgets and the Strategy Review. After five years, a long term growth rate of 2.5% (2015: 2.5%) has been utilised.

For all CGUs the impairment review indicated sufficient headroom not to be at risk of creating impairment in the usual range of sensitivity tests.

17. Inventories

	2016 £000	2015 £000
Raw materials and consumables	24,896	18,609
Work-in-progress	20,915	16,639
Finished goods	8,933	8,733
Total inventories at lower of cost and net realisable value	54,744	43,981

18. Trade and other receivables

	2016 £000	2015 £000
Non-current		
Other debtors	–	315
Total non-current trade and other receivables	–	315
Current		
Trade receivables	47,217	44,126
Other debtors	4,553	4,048
Prepayments and accrued income	3,982	3,280
Total current trade and other receivables	55,752	51,454
Total trade and other receivables	55,752	51,769

Trade receivables are non-interest bearing and are generally on 30 or 60 day terms and are shown net of provision for impairment. Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customers. As at 31 March 2016 trade receivables with a value of £1,062,000 (2015: £1,009,000) were impaired and provided for due to poor payment history, insolvency of the debtor or their age profile. The movements on the provision for impairment of receivables were as follows:

	2016 £000	2015 £000
Provision at 1 April	1,009	778
Amounts written off	(45)	33
Unused amounts reversed	(314)	(521)
Provisions created in the year	386	717
Foreign exchange on retranslation	26	2
Provision at 31 March	1,062	1,009

	Trade receivables past due but not impaired		Impaired trade Receivables	
	2016 £000	2015 £000	2016 £000	2015 £000
0-30 days overdue	3,703	4,163	262	307
31-60 days overdue	776	105	325	138
61-90 days overdue	225	638	30	91
91-120 days overdue	108	–	117	6
120+ days overdue	54	271	328	467
Total	4,866	5,177	1,062	1,009

The credit quality of the receivables which are neither past due nor impaired is assessed on an ongoing basis and as at the balance sheet date, the risk of impairment was not considered significant.

The Directors consider the carrying amount of trade and other receivables is approximately equal to their fair value.

19. Cash

	2016 £000	2015 £000
Cash at bank and in hand	20,497	21,099

Cash at bank earns interest at floating rates based on daily bank deposit rates. The book value of cash also represents its fair value.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

20. Trade and other payables

	2016 £000	2015 £000
Current		
Trade payables	18,084	18,420
Taxation and social security costs	4,201	3,285
Other payables	1,882	1,556
Contract balances received on account	6,212	8,984
Accruals and deferred income	16,097	19,988
Total current trade and other payables	46,476	52,233
Non-current		
Accruals and deferred income	2,057	1,091
Total non-current trade and other payables	2,057	1,091
Total trade and other payables	48,533	53,324

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables and other payables are non-interest bearing and are normally settled on 60 day terms or within six months, respectively. Interest payable is settled monthly, quarterly or half-yearly throughout the year depending upon the draw down periods under the revolving credit facilities.

Included in accruals and deferred income is the contingent consideration payable to certain former shareholders of AnaFocus and SP Devices (see note 13).

The Directors consider that the carrying amount of trade payables approximates their fair value.

21. Borrowings

	2016 £000	2015 £000
Current		
Finance leases	1,403	418
Other loans	791	981
Total current borrowings	2,194	1,399
Non-current		
Bank debt	36,234	22,500
Unamortised debt issue costs	(277)	(547)
	35,957	21,953
Finance leases	1,587	770
Other loans	1,565	1,651
Total non-current borrowings	39,109	24,374
Total borrowings	41,303	25,773

The other principal features of the Group's borrowings are as follows:

Bank debt

On 29 July 2014, the Group entered into a new revolving credit facility which expires on 28 July 2018, and which is denominated in Sterling (£62,500,000), US dollars (\$40,000,000) and Euros (€5,000,000). At 31 March 2016 exchange rates, the total facility is £94,268,000 (2015 £93,176,000). Provided covenants continue to be met, the draw down under the revolving credit facility is at the discretion of the Group and consequently the loan is treated as non-current. As at 31 March 2016, £36,234,000 (2015 £22,500,000) was drawn down under this facility.

The revolving credit facility is repaid and re-drawn at periodic intervals ranging from one to six months, with the interest rate set at each draw down date. Interest is set by reference to LIBOR plus a margin which is determined based on the level of the reported leverage covenant (defined as net borrowings: earnings before interest, tax, depreciation and amortisation).

As at 31 March 2016, the Group had available £58,034,000 (2015 £70,676,000) of un-drawn committed borrowing facilities in respect of which all conditions precedent had been met.

As at 31 March 2016, unamortised debt issue costs were £277,000 (2015 £547,000). As at 31 March 2016 and at 31 March 2015, the bank loans were unsecured.

21. Borrowings (continued)

Finance leases

Obligations under finance leases are as follows

	Future minimum lease payments		Future finance charges		Present value of minimum lease payments	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Less than one year	1,429	460	(26)	(42)	1,403	418
Between one and five years	1,592	798	(4)	(28)	1,588	770
Total finance leases	3,021	1,258	(30)	(70)	2,991	1,188

Outstanding finance lease relate to design software packages and are euro and US dollar denominated

Other loans

Prior to acquisition, AnaFocus received a number of interest-free or low interest loans from a number of bodies in Spain to support its research and development activities. The loans are repayable by instalments through to October 2025. These loans were fair valued on acquisition, using prevailing interest rates for equivalent loans of 5%. This prevailing rate remains appropriate as at 31 March 2016, and therefore the carrying value of £2,356,000 approximates the fair value.

Reconciliation of movement in net borrowings

	At 1 April 2015 £000	Cash flow £000	Assumed on acquisition £000	Non-cash movements £000	Exchange movement £000	At 31 March 2016 £000
Cash and cash equivalents	21,099	(1,662)	266	–	794	20,497
Bank loans	(22,500)	(12,894)	(342)	–	(498)	(36,234)
Net bank borrowings	(1,401)	(14,556)	(76)	–	296	(15,737)
Finance leases	(1,188)	889	–	(2,491)	(200)	(2,990)
Other loans	(2,632)	573	–	(111)	(186)	(2,356)
Net borrowings	(5,221)	(13,094)	(76)	(2,602)	(90)	(21,083)
Debt issue costs	547	–	–	(270)	–	277
Net debt	(4,674)	(13,094)	(76)	(2,872)	(90)	(20,806)

Non-cash movements include intangible assets acquired under finance leases (£2,449,000), finance charges on finance leases (£42,000), unwinding of discounting on interest free and low interest loans (£111,000) and amortisation of debt issue costs (£270,000).

22. Other financial assets and liabilities

	2016 £000	2015 £000
Other financial assets		
Current		
Forward currency contracts	147	–
Other financial liabilities		
Current		
Forward currency contracts	(845)	(1,318)

Further details of the derivative financial instruments are included in notes 31 and 32

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

23. Provisions

	Onerous project losses £000	Employment related £000	Product warranty £000	Property related £000	Total £000
At 1 April 2015	647	2,562	2,401	371	5,981
Arising during the year	982	1,116	849	–	2,947
Released during the year	(614)	(123)	(757)	(146)	(1,640)
Utilised	(15)	(2,193)	(622)	–	(2,830)
Exchange adjustment	8	99	86	–	193
At 31 March 2016	1,008	1,461	1,957	225	4,651
Current	663	1,461	1,435	–	3,559
Non-current	345	–	522	225	1,092
At 31 March 2016	1,008	1,461	1,957	225	4,651
Current	647	2,562	1,760	73	5,042
Non-current	–	–	641	298	939
At 31 March 2015	647	2,562	2,401	371	5,981

The effect of the time value of money is not material and therefore the above provisions are not discounted

Onerous project losses

A provision is recognised for expected losses on projects in progress at the balance sheet date. It is expected that the losses will be incurred in the next two financial years.

Employment related

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. All payments associated with the programme are expected to be incurred over the period to March 2017.

From time to time the Group may be required to defend itself against proceedings brought by other parties, including former employees. Provision is made for any expected costs and liabilities in relation to these proceedings where appropriate, though there can be no guarantee that such provisions (which may be subject to potentially material revision from time to time) will accurately predict the actual costs and liabilities that may be incurred.

Product warranty

A provision is recognised for expected warranty claims on products sold that are within their warranty period at the end of the year under local sale of goods legislation or contract terms. The warranty period can be date or hours usage based. It is expected that these costs will be incurred in the next two financial years. Assumptions used to calculate the provision for warranties were based on relevant sales levels and current information available about warranty claims and represent the Directors' best estimate of the expenditure required to settle the Group's obligation.

Property related

Includes a provision recognised for expected environmental costs relating to UK manufacturing operations. It is expected that the environmental costs will be incurred more than one year after the balance sheet date.

24. Deferred income tax

The movements on deferred income tax liabilities and (assets) during the year are as follows

	Total £000
At 1 April 2015	(4,160)
Acquisition of subsidiary	(383)
Charged to income statement	274
Credited to other comprehensive income	62
Credited directly in equity	(253)
Effect of change in tax rate – income statement	47
Exchange adjustment	(316)
At 31 March 2016	(4,729)

Deferred income tax balances relate to the following

	2016 £000	2015 £000
Deferred income tax liabilities		
Accelerated depreciation for tax purposes	367	435
Fair value of intangible assets	5,230	5,653
Fair value of land and buildings	460	411
	6,057	6,499
Deferred income tax assets		
Employment benefits	(1,924)	(1,921)
Share based payment charges	(1,182)	(848)
Deferred tax allowances on provisions and accruals	(6,081)	(6,252)
Losses and deductions carried forward	(1,458)	(1,336)
Revaluation of financial instruments	(141)	(302)
	(10,786)	(10,659)
Net deferred income tax (assets)	(4,729)	(4,160)
Deferred tax assets	(9,952)	(9,862)
Deferred tax liabilities	5,223	5,702
	(4,729)	(4,160)

The UK government, with effect from 1 April 2015, reduced the main rate of UK corporation tax from 21% to 20%. In addition, the Finance Bill 2016, which was substantively enacted on 26 October 2015, will reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020. UK deferred tax balances as at 31 March 2016 have been calculated based on the reduced corporation tax rate of 20%, 19% and 18% being the relevant tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The Spanish government, for financial periods beginning during 2015, reduced the main rate of Spanish corporation tax rate from 30% to 28%, and for financial periods beginning during 2016, reduced the rate further to 25%. Spanish deferred tax balances as at 31 March 2016 have been calculated based on the Spanish corporation tax rate of 25%, the rate expected to apply to the period when the asset is realised or the liability is settled.

There are no income tax consequences for the Company attaching to the payment of dividends to its shareholders.

Management have reviewed the situation for those jurisdictions where deferred assets arise and have determined, based on current forecasts prepared by management, that these assets can be recovered through future taxable profits within a reasonable time horizon.

At the balance sheet date, the Group has unused tax losses of £6.2 million (2015: £5.0 million) available for offset against future profits. A deferred tax asset of £1,458,000 has been recognised in respect of these losses, which expire between 2026 and 2032.

As at 31 March 2016, the aggregate amount of undistributed earnings of overseas subsidiaries for which deferred tax liabilities have not been recognised is approximately £137 million (2015: £113 million). No liability has been recognised in respect of these differences because the Group is in the position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It is likely that the majority of the overseas earnings would qualify for the UK dividend exemption.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

25. Called up share capital

	No	£000
Ordinary shares issued and fully paid, 5p each		
At 1 April 2014	218,780,046	10,939
Issued for cash on exercise of share options	469,523	24
At 31 March 2015	219,249,569	10,963
Issued for cash on exercise of share options	937,489	47
At 31 March 2016	220,187,058	11,010

Own shares	Held by Company		Held by EBT	
	No	£000	No	£000
At 1 April 2014	1,946,091	2,650	787,733	5
Disposed of on exercise of options	(1,595,054)	(2,172)	–	–
At 31 March 2015	351,037	478	787,733	5
Purchase of shares	1,500,000	3,656	–	–
Disposed of on exercise of options	–	–	(328,490)	(2)
Acquired on exercise of options	54	–	–	–
At 31 March 2016	1,851,091	4,134	459,243	3

The market value of the own shares at 31 March 2016 were £4,967,000 (2015 £2,198,000)

During the year the Company increased its issued share capital on the exercise of options under share option schemes. Total proceeds from shares issued under exercise of share options amounts to £1,028,000 (2015 £424,000)

Under the terms of the Group's various share option schemes (note 28), the following options to subscribe for ordinary shares are outstanding

Date of Grant	Option price (pence)	Exercise period	2016 No	2015 No
Long Term Incentive Plan				
2 July 2012	–	From 2 July 2015	120,956	635,550
18 July 2013	–	From 18 July 2016	705,796	800,562
18 July 2013	–	From 18 July 2017	283,200	290,766
3 October 2013	–	From 3 October 2016	24,222	42,092
3 October 2013	–	From 3 October 2017	24,222	42,092
7 August 2014	–	From 7 August 2017	807,770	877,207
4 September 2014	–	From 4 September 2017	15,484	15,484
10 November 2014	–	From 10 November 2017	–	70,268
24 June 2015	–	From 24 June 2018	687,826	–
9 February 2016	–	From 9 February 2019	94,116	–
Deferred Share Awards				
27 June 2012	–	27 June 2015 to 26 June 2018	45,355	41,491
Chairman and Group CEO Share Incentive Plans				
22 July 2013	–	From 22 July 2016	720,000	720,000
13 March 2014	–	From 13 March 2017	506,366	506,366
Share Save Scheme				
6 December 2011	90.00	1 January to 30 June 2015	–	38,800
11 December 2012	109.95	1 January to 30 June 2016	53,856	952,548
3 December 2013	120.00	1 January to 30 June 2017	862,380	918,780
10 December 2014	162.00	1 January to 30 June 2018	401,553	442,437
9 December 2015	187.00	1 January to 30 June 2019	1,750,414	–
			7,103,516	6,394,443

26. Reserves

Nature and purpose of reserves

Share premium

Generally, additions to this reserve are made when shares are issued, for cash or otherwise, by the Company for amounts in excess of their nominal value. This reserve can be utilised to issue fully paid bonus shares and to write-off any issue costs.

Merger reserve

The excess of the net proceeds over the nominal value of the share capital issued during the rights issue and placement in 2010 was recognised to the merger reserve. The Directors believe this reserve is currently distributable.

Own shares reserve

The own share reserve records movements in e2v technologies plc's shares held by the EBT or the Company.

Capital redemption reserve

The capital redemption reserve is used to record reserve transfers required on the redemption of shares. This reserve is not distributable.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the net investments hedged in these subsidiaries.

27. Commitments and contingencies

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain properties, motor vehicles and items of machinery where it is not in the best interest of the Group to purchase these assets. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	2016 £000	2015 £000
No later than one year	1,334	1,055
After one year but not more than five years	896	967
	2,230	2,022

Capital commitments

At 31 March 2016, the Group has commitments of £1,277,000 (2015: £3,835,000) principally relating to the acquisition of new plant and equipment.

Contingent liabilities

The Company and its subsidiaries may be parties to legal proceedings and claims which arise in the ordinary course of business, and can be material in value. Appropriate provision has been made in these accounts where, in the opinion of the Directors, liabilities are likely to materialise (note 23). Furthermore, in the ordinary course of business, the Group may also issue performance and advance payment guarantees. Guarantees are treated as contingent liabilities until such time as it becomes probable that a payment will be required under the terms of the guarantee. As at 31 March 2016, bank guarantees of £3,406,000 (2015: £3,580,000) are outstanding.

The Group has received grant assistance from the UK government's Regional Growth Fund which is conditional on certain job targets being achieved in future years. The Directors are of the opinion that the risk of repayment of the grants is not significant and consequently no liability is recorded for the repayment of such grants.

28. Equity settled share based payments

The Group operates three share based award schemes as detailed below. The share based payment expense charged to the income statement as an administrative cost for the year ended 31 March 2016 was £1,200,000 (2015: £875,000).

Long Term Incentive Plan (LTIP)

For those awards made during the year ended 31 March 2016, awards vest on the third anniversary of the date of the award, subject to performance targets being met. For the 'normal' awards, 50% of the awards are subject to a performance condition based on the Group's adjusted earnings per share (Adjusted EPS) and the remaining 50% of the awards are subject to a performance condition which relates to the Company's Total Shareholder Return (TSR) performance relative to the TSR for the FTSE Small Cap Index (calculated as an average over the three month period ending on the last day of the performance period). Additional awards made to the Group CEO and Group Financial Director also have 50% of the award subject to Adjusted EPS and 50% of the award subject to relative TSR performance, however more stretching targets are assigned to these awards compared with the 'normal' awards.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

28. Equity settled share based payments (continued)

Long Term Incentive Plan (LTIP) (continued)

For those awards made during the year ended 31 March 2015, awards vest on the third anniversary of the date of the award, subject to performance targets being met. For the 'normal' awards, 50% of the awards are subject to a performance condition based on the Group's adjusted earnings per Share (Adjusted EPS) and the remaining 50% of the awards are subject to a performance condition which relates the Company's Total Shareholder Return (TSR) performance relative to the TSR for the FTSE Small Cap Index (calculated as an average over the three month period ending on the last day of the performance period). Additional awards made to the Group CEO and Group Financial Director also have 50% of the award subject to Adjusted EPS and 50% of the award subject to relative TSR performance, however more stretching targets are assigned to these awards compared with the 'normal' awards.

For those awards made during the year ended 31 March 2014, awards vest on either the third or fourth anniversary of the date of the award, subject to performance targets being met. For the 'normal' awards, 50% of the awards are subject to a performance condition based on the Company's absolute TSR performance calculated as an average over the three month period ending on the last day of the performance period and the remaining 50% of the awards are subject to a performance condition which relates the Company's TSR performance relative to the TSR of a specified list of peer group companies. Additional awards were made to the Group Financial Director which also have 50% of the award subject to absolute TSR performance and 50% of the award subject to relative TSR performance, however more stretching targets are assigned to these awards compared with the 'normal' awards.

All awards under this scheme have a nil exercise price and have no end date by which they must be exercised. The following table provides details of awards made under this scheme.

	2016 No	2015 No
Outstanding at the beginning of the year	2,774,021	3,980,842
Granted during the year	817,386	1,031,951
Exercised during the year	(328,490)	(1,595,054)
Forfeited during the year	(499,325)	(643,718)
Outstanding at the end of the year	2,763,592	2,774,021

Shares in relation to the LTIP will initially be issued from those currently held by the EBT or from those held in treasury by the Company. See note 25 for the number of shares held and for the resulting balance recorded within reserves.

There were 120,956 options exercisable at the balance sheet date (2015: nil).

Deferred Share Awards

A deferred bonus arrangement was introduced for the year ended 31 March 2012, whereby in addition to earning up to 100% of salary as a cash bonus, the Executive Directors may, if maximum performance is achieved, earn up to a further 40% of salary in shares, deferred for a period of three years (and subject to continued employment). All awards under this scheme have a nil exercise price and which will normally be exercisable for three years following vesting. The shares issued on vesting will be adjusted for any dividends declared since the options were issued. The following table provides details of awards made under this scheme.

	2016 No	2015 No
Outstanding at the beginning of the year	41,491	41,491
Dividend	3,864	—
Outstanding at the end of the year	45,355	41,491

These options are exercisable as the balance sheet date (2015: nil).

Chairman and Group CEO Share Incentive Plans

In the normal course of events the award under the Chairman Share Incentive Plan (Chairman's Award) will vest on the third anniversary of the grant date, subject to the extent to which both a share price and TSR condition are met, as measured over the three year performance period. The TSR condition relates the Group's TSR performance to the TSR for the FTSE Small Cap Index. There is also a shareholding requirement of 120,000 shares during the performance period.

Under the Group CEO Share Incentive Plan there are two awards, a Joining Award and a Matching Award. In the normal course of events, both the Joining and Matching Awards will vest on the third anniversary of the grant date. The vesting of the Joining Award is subject to the Group CEO's continued employment at that date and a shareholding requirement of 72,338 shares during the vesting period. The vesting of the Matching Award is subject to the extent which both a share price and TSR condition are met, as measured over the period to 22 July 2016 (i.e. the same end date to the performance period as the Chairman's Award). The TSR condition relates the Group's TSR performance to the TSR for the FTSE Small Cap Index.

28. Equity settled share based payments (continued)

Chairman and Group CEO Share Incentive Plans (continued)

The following table provides details of awards made under these arrangements

	2016 No	2015 No
Outstanding at the beginning and end of the year	1,226,366	1,226,366

Share Save Scheme (SAYE)

The Group operates an HM Revenue and Customs approved SAYE for all UK employees, including Executive Directors. The following table illustrates the number, weighted average remaining contractual life and the weighted average exercise prices (WAEP) of share options for the SAYE

	2016 No	2016 WAEP pence	2015 No	2015 WAEP pence
Outstanding at the beginning of the year	2,352,565	123 33	2,501,758	109 83
Granted during the year	1,783,420	187 00	454,658	162 00
Exercised during the year	(937,489)	109 62	(469,523)	90 25
Forfeited during the year	(128,293)	147 45	(133,927)	118 48
Expired during the year	(2,000)	90 00	(401)	90 25
Outstanding at the end of the year	3,068,203	163 54	2,352,565	123 33
Exercisable at the end of the year	53,856	109 95	58,266	103 18
Weighted average share price on date of exercise of options (pence)		224 52		175 18
Weighted average remaining contractual life (months)		30		24

The fair value of all share option plans is estimated as at the date of grant. For LTIP awards during the current and previous year with market conditions (i.e. TSR), a binomial model, together with Monte Carlo simulation has been utilised. For all SAYE awards, the Black-Scholes model has been utilised. The following table gives the assumptions made. No subsequent amendments have been made to assumptions estimated at the date of grant.

	Dividend yield %	Expected volatility %	Risk free interest rate %	Expected life of option years	Fair value of option pence
LTIP					
Awards granted 7 August 2014 (Relative TSR)	3.2%	32%	1.38%	3 years	67.7
Awards granted 7 August 2014 (EPS)	3.2%	32%	1.38%	3 years	139.3
Additional awards granted 7 August 2014 (Relative TSR)	3.2%	32%	1.38%	3 years	6.3
Additional awards granted 7 August 2014 (EPS)	3.2%	32%	1.38%	3 years	139.3
Awards granted 4 September 2014 (Relative TSR)	3.2%	32%	1.38%	3 years	68.1
Awards granted 4 September 2014 (EPS)	3.2%	32%	1.38%	3 years	140.2
Awards granted 10 November 2014 (Relative TSR)	3.2%	28%	1.05%	3 years	71.0
Awards granted 10 November 2014 (EPS)	3.2%	28%	1.05%	3 years	146.0
Awards granted 24 June 2015 (Relative TSR)	2.2%	21%	0.98%	3 years	134.0
Awards granted 24 June 2015 (EPS)	2.2%	21%	0.98%	3 years	236.8
Additional awards granted 24 June 2015 (Relative TSR)	2.2%	21%	0.98%	3 years	50.0
Additional awards granted 24 June 2015 (EPS)	2.2%	21%	0.98%	3 years	236.8
Awards granted 9 February 2016 (Relative TSR)	2.4%	25%	0.99%	3 years	86.2
Awards granted 9 February 2016 (EPS)	2.4%	25%	0.99%	3 years	198.6
SAYE					
Awards granted 10 December 2014	2.8%	28%	0.90%	3.25 years	29.3
Awards granted 9 December 2015	2.4%	25%	0.86%	3.25 years	49.4

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

29. Pensions, other post-employment and other employment benefits

Defined contribution plans

The Group has defined contribution plans in the UK and North America, covering substantially all of its employees, which require contributions to be made to a separately administered fund. The Group contributes to state schemes for Continental European activities. Such schemes are defined contribution schemes and there is no Group exposure to any scheme liabilities. The defined contribution expense charged to the income statement during the period was £2,287,000 (2015: £2,227,000). Contributions of £316,000 (2015: £292,000) were outstanding at the end of the financial year and have been included in other creditors.

Other post-employment and other employment benefits

In addition to the state pension scheme, e2v semiconductors SAS and e2v SAS have arrangements where there are obligations to provide termination allowances and 'Medailles du Travail' (long service awards). These are unfunded arrangements and the actuarial liability has been calculated at 31 March 2016 by a qualified actuary using the unit credit method. The cost of providing these benefits is charged to the income statement in the period in which those benefits have been earned by the employees. Remeasurement gains and losses are recognised in full in the period in which they arise. For the termination allowance the remeasurement gains and losses are recorded in other comprehensive income whereas for the long service award the remeasurement gains and losses are recorded in the income statement.

The main assumptions used in determining the liabilities of the arrangements include the discount rate for discounting scheme liabilities, the expected rate of salary inflation, staff turnover rates, retirement age and future mortality in service assumptions. For each of these assumptions, there is a range of possible values. Relatively small changes in some of these variables can have a significant effect on the level of the total obligation.

As at 31 March 2016, a non-current liability of £5,298,000 (2015: £4,893,000) has been recognised with respect to the termination allowance and long service award arrangements.

The table below details the combined present value of the termination allowance and long service awards plan obligations and experience adjustments recognised.

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Present value of plan's obligations	5,298	4,893	4,744	4,514	3,629
Experience gains/(losses) recognised in the year	16	(30)	(81)	(113)	(25)

£222,000 (2015: £288,000) of administrative costs and £52,000 (2015: £117,000) of finance cost have been recognised in the income statement.

	Long service award		Termination allowance		Total	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Current service cost	71	67	218	191	289	258
Interest on defined benefit liability	9	23	43	94	52	117
Remeasurement of defined benefit liability	(67)	118	—	—	(67)	118
Past service cost	—	28	—	—	—	28
Curtailment	—	(14)	—	(102)	—	(116)
Total expense	13	222	261	183	274	405

The remeasurement gains and losses on the defined benefit liability relating to the long service award are recorded in the income statement whilst those relating to the termination allowance are recorded in other comprehensive income. The remeasurement gains and losses recognised for the current and prior year can be analysed as follows:

	Long service award		Termination allowance		Total	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Changes to demographic assumptions	14	(51)	(36)	(128)	(22)	(179)
Change to discount rate	(21)	152	(222)	817	(243)	969
Experience adjustments	(60)	17	76	(47)	16	(30)
Remeasurement of defined benefit liability	(67)	118	(182)	642	(249)	760

The cumulative remeasurements recognised since 1 August 2006 (date of acquisition of the liabilities) directly in the consolidated statement of comprehensive income and expense is £1,088,000 (2015: £1,270,000).

29. Pensions, other post-employment and other employment benefits (continued)

Changes in the present value of the defined benefit obligation are given below

	Long service award		Termination allowance		Total	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Opening defined benefit obligation	1,134	1,159	3,759	3,585	4,893	4,744
Current service cost	71	67	218	191	289	258
Interest expense	9	23	43	94	52	117
Benefits paid	(5)	(96)	(109)	(123)	(114)	(219)
Remeasurement of defined benefit liability	(67)	118	(182)	642	(249)	760
Past service cost	–	28	–	–	–	28
Curtailment	–	(14)	–	(102)	–	(116)
Exchange rate movement	100	(151)	327	(528)	427	(679)
Closing defined benefit obligation	1,242	1,134	4,056	3,759	5,298	4,893

The valuation assumptions used to estimate the defined benefit obligation are

	2016	2015
Retirement age	62 years	62 years
Discount rate (Termination allowance/Long service award)	1.59%/0.99%	1.15%/0.80%
Salary increases – administration	2.78%	3.63%
Salary increases – operators	3.13%	3.13%
Salary increases – engineers	2.72%	2.72%
Staff turnover rates – administration	3.00%	3.00%
Staff turnover rates – operators	1.60%	1.60%
Staff turnover rates – engineers	1.85%	1.85%

The actuarial valuation takes account of estimated mortality rates up to the date of retirement. The mortality rates are based on the French mortality tables TGFH 2005 (2015 TGFH 2005). No account is taken of post-retirement mortality rates as there is no liability after the date of retirement.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below

	Decrease/ (increase) in liability 2016 £000
0.25% increase in discount rate	160
0.25% increase in salary increases	(162)

30. Related party disclosures

Compensation of key management personnel of the Group

Key management comprises the Board of Directors. Further details of their remuneration can be found in the Directors' Remuneration Report.

	2016 £000	2015 £000
Short term employee benefits (including social security)	1,099	1,669
Defined contribution pension costs	40	39
Share based payments	397	253
Total compensation paid to key management personnel	1,536	1,961

No Director had any material interest in any contract connected with the Group's business during the year or at the end of the year.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

31. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank and other loans, finance leases and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Group also enters into derivative transactions, principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the year is discussed in note 32. The Group's accounting policies in relation to derivatives are set out in note 2.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

Where term debt exists, it is the Group's policy to manage its interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost efficient manner, the Group will enter into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed upon notional principal amount and will draw down portions of its revolving credit facility for periods of up to six months. At 31 March 2016 and 31 March 2015, the Group did not have any term debt and therefore there were no interest rate swaps in place.

Based on the borrowings outstanding at the end of the year and assuming constant exchange rates, it is estimated that an increase of 1% in interest rates on the Group's borrowings would increase the annual interest payable by £0.3 million (2015: £0.2 million). A 1% increase in interest rates on bank deposits is estimated to increase finance revenue by less than £0.1 million (2015: less than £0.1 million).

Foreign currency risk

The Group has operations in the United States, Europe and Asia. As a result the Group's balance sheet can be affected significantly by movements in the US dollar and Euro exchange rates. The Group does not currently hedge this exposure, other than by using foreign currency borrowings, in part, to finance overseas investments.

The Group also has transactional currency exposures. Such exposure arises from sales by an operating unit in currencies other than the unit's functional currency. Approximately 85% (2015: 85%) of the Group's sales are outside of the UK and a significant proportion of these sales are not in Sterling and therefore subject to foreign exchange. The Group also incurs operational costs in both US dollars and Euros. The Group manages its transactional currency exposures centrally by using forward currency contracts to minimise the net currency exposures. It is the Group's policy to enter into forward exchange contracts to cover specific foreign currency receipts and payments.

The following table demonstrates the Group's sensitivity to a reasonably possible strengthening or weakening in the US dollar and Euro exchange rates in relation to Sterling with all other variables held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the balance sheet date. The sensitivity excludes external loans as exchange gains and losses on retranslation are not reported within profit before taxation.

	Change in US\$/ Euro rate	Effect on profit before tax £000
2016 – US\$	15% strengthening in US\$	(4,941)
2016 – Euro	15% strengthening in Euro	45
2016 – US\$	15% weakening in US\$	3,652
2016 – Euro	15% weakening in Euro	(33)
2015 – US\$	15% strengthening in US\$	397
2015 – Euro	15% strengthening in Euro	44
2015 – US\$	15% weakening in US\$	(294)
2015 – Euro	15% weakening in Euro	(3)

The effect of translating the net assets of foreign operations into Sterling is excluded from the sensitivity analysis. The Group has no foreign currency exposure with regard to transactions accounted for directly within equity.

31. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

The Group's cash and loans are subject to currency risk due them being held in foreign currencies. The analysis of the net balance by currency is shown in the table below

		Year end exchange rate	2016 £000
Denominated in Euro	€ 4,880,000	1.26	3,863
Denominated in US dollar	\$ (7,583,000)	1.44	(5,272)
Denominated in Sterling	£ (21,383,000)	1.00	(21,383)
Other currencies			1,709
			(21,083)
		Year end exchange rate	2015 £000
Denominated in Euro	€ 1,429,000	1.38	1,039
Denominated in US dollar	\$ 15,060,000	1.48	10,181
Denominated in Sterling	£ (17,286,000)	1.00	(17,286)
Other currencies			845
			(5,221)

Credit risk

The Group trades only with businesses it considers creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

With respect to credit risk arising from financial assets of the Group, which comprise trade and other receivables and cash, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Group.

Credit risk to financial institutions is limited by restricting the range of counterparties to those with high credit ratings.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by monitoring forecast and actual cash flows and ensuring that sufficient committed facilities are in place to cover possible downside scenarios.

The Group currently maintains a balance between continuity of funding and flexibility through the use of the revolving credit facility. The Group's objective is to maintain a positive cash balance at a level adequate for daily operations with any funds in excess of this used to make repayments against the revolving facility agreement.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities at 31 March 2016 and 2015 based on contractual undiscounted payments.

	Carrying Amount £000	Contractual cash flows £000	Within 1 year £000	1 to 2 years £000	2 to 3 years £000	3 to 4 years £000	4 to 5 years £000	Greater than 5 years £000
31 March 2016								
Bank and other loans (note 21)	38,313	38,964	809	432	36,668	240	209	606
Interest payable on loans	266	2,211	918	831	462	–	–	–
Trade and other payables	41,936	41,936	39,879	2,057	–	–	–	–
Onerous project losses	1,008	1,008	663	345	–	–	–	–
	81,523	84,119	42,269	3,665	37,130	240	209	606
31 March 2015								
Bank and other loans (note 21)	24,585	25,553	996	360	371	22,873	194	759
Interest payable on loans	219	2,284	685	621	619	359	–	–
Trade and other payables	44,471	44,471	43,380	1,091	–	–	–	–
Onerous project losses	647	647	647	–	–	–	–	–
	69,922	72,955	45,708	2,072	990	23,232	194	759

Notes to the Consolidated Financial Statements (continued)

Year ended 31 March 2016

31. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The carrying value of interest-bearing loans and borrowings is after a deduction for unamortised debt issue costs of £277,000 (2015: £547,000). Interest payable on loans and borrowings is calculated on an undiscounted basis at borrowing rates applicable at the end of the year.

The maturity analysis for finance leases and derivative financial liabilities are detailed in notes 21 and 22, respectively.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's capital comprises shareholders' funds as detailed in notes 25 and 26 and net borrowings as detailed above and in note 21. The Group manages its capital structure through maintaining close relationships with its bankers who provide the majority of funds used for operational requirements.

As at 31 March 2016, the Company was holding 1,851,091 (2015: 351,037) shares in treasury. During the year the Group purchased 1,500,000 shares (2015: nil) in the Company and no treasury shares (2015: 1,595,054) were released to satisfy LTIP awards that vested. These treasury shares are seen as a hedge against those shares which may be required to be transferred to satisfy options under the LTIP, deferred share scheme and the Chairman's and Group CEO's Share Incentive Plans as they vest.

The Group is required to maintain covenant ratios in respect of leverage (defined as net borrowings to rolling 12 months earnings before interest, tax, depreciation and amortisation (including earnings from acquisitions for a full 12 months on a proforma basis)) and interest cover (defined as net interest costs to earnings before interest, tax and amortisation). Breach of these covenants would constitute events of default under the facilities which might result in these payments becoming immediately repayable. The Group has met its covenant ratios for the year ended 31 March 2016 and forecasts indicate that the current plan can be managed within the existing covenant levels.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Company intends to continue its progressive dividend policy, with an interim dividend of 1.6 pence paid during the current year and a proposed final dividend of 3.8 pence.

32. Financial instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

	Carrying amount		Fair value	
	2016 £000	2015 £000	2016 £000	2015 £000
Financial assets				
Loans and receivables				
Cash	20,497	21,099	20,497	21,099
Held for trading at fair value through profit or loss				
Forward currency contracts	147	—	147	—
Financial liabilities				
Interest-bearing loans				
Floating rate bank loans	(35,957)	(21,953)	(36,234)	(22,500)
Interest free and low interest loans (note 21)	(2,356)	(2,632)	(2,356)	(2,632)
Held for trading at fair value through profit or loss				
Forward currency contracts	(845)	(1,318)	(845)	(1,318)

The carrying value of bank loans is after a deduction for debt issue costs of £277,000 (2015: £547,000).

Fair value hierarchy

In accordance with IFRS 7, 'Financial Instruments: Disclosures', the Group classifies fair value measurement using a fair value hierarchy that reflects the significance of inputs used in making measurements of fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities,
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices), and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

32. Financial instruments (continued)

Fair value hierarchy (continued)

The fair value of forward currency contracts is calculated by management based on external valuations received from the Group's bankers and is based on forward exchange rates, respectively. The fair value measurement basis of the instruments is categorised within Level 2. The carrying amount of the other financial instruments of the Group, i.e. short term trade receivables, payables and provisions that are not included in the above table, is a reasonable approximation of fair value.

Currency – forward exchange contracts

The Group holds several forward exchange contracts designated to reduce the transactional exchange risk of US dollar denominated sales to customers. The terms of these contracts are as follows:

Total currency value of contracts	Currency		Average exchange rate	Maturing within 1 year £000	Maturing after 1 year £000
31 March 2016					
US\$56,000,000	USD	GBP	1.4649	31,178	7,050
 31 March 2015					
US\$34,000,000	USD	GBP	1.5553	21,861	–
US\$3,500,000	USD	EUR	1.2148	2,095	–

Company Balance Sheet

As at 31 March 2016

	Notes	2016 £000	2015 Restated £000
Fixed assets			
Investments	2	163,455	150,027
Current assets			
Debtors			
– due within one year	3	11,812	27,450
– due after one year	3	29,923	27,102
Cash at bank and in hand		21	19
		41,756	54,571
Creditors amounts falling due within one year	4	(11,253)	(5,141)
Net current assets		30,503	49,430
Total assets less current liabilities		193,958	199,457
Creditors amounts falling due after more than one year	5	(57,568)	(47,045)
NET ASSETS		136,390	152,412
CAPITAL AND RESERVES			
Called up share capital	7	11,010	10,963
Share premium		44,534	43,553
Merger reserve		44,557	44,557
Own shares reserve		(4,137)	(483)
Capital redemption reserve		274	274
Retained earnings		40,152	53,548
SHAREHOLDERS' FUNDS		136,390	152,412

These financial statements were approved by the Board of Directors and authorised for issue on 13 May 2016. They were signed on its behalf by

S. Blair
S. Blair
Group CEO

C. Hindson
C. Hindson
Group Finance Director

Company Registration No 4439718

Company Statement of Changes in Equity

As at 31 March 2016

	Called up share capital £000	Share premium £000	Merger reserve £000	Own shares reserve £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
At 1 April 2014	10,939	43,153	44,557	(2,655)	274	37,760	134,028
Effect of change in accounting (note 13)	–	–	–	–	–	294	294
At 1 April 2014 - restated	10,939	43,153	44,557	(2,655)	274	38,054	134,322
Profit for the year (restated)	–	–	–	–	–	26,208	26,208
Issue of shares	24	400	–	–	–	–	424
Transfer on issue of treasury shares	–	–	–	2,172	–	(2,172)	–
Dividends paid	–	–	–	–	–	(9,746)	(9,746)
Share based payment	–	–	–	–	–	403	403
Tax on share based payment	–	–	–	–	–	329	329
Share options issued to employees of subsidiary undertakings	–	–	–	–	–	472	472
At 31 March 2015	10,963	43,553	44,557	(483)	274	53,548	152,412
Profit for the year	–	–	–	–	–	(3,566)	(3,566)
Issue of shares	47	981	–	–	–	–	1,028
Transfer on issue of treasury shares	–	–	–	2	–	(2)	–
Purchases of treasury shares	–	–	–	(3,656)	–	–	(3,656)
Dividends paid	–	–	–	–	–	(11,335)	(11,335)
Share based payment	–	–	–	–	–	327	327
Tax on share based payment	–	–	–	–	–	307	307
Share options issued to employees of subsidiary undertakings	–	–	–	–	–	873	873
At 31 March 2016	11,010	44,534	44,557	(4,137)	274	40,152	136,390

Notes to the Company Financial Statements

Year ended 31 March 2016

1. Accounting policies

Basis of preparation

The parent company financial statements of e2v technologies plc (Company) for the year ended 31 March 2016 were authorised for issue by the Board of Directors on 13 May 2016. e2v technologies plc is a public limited company incorporated and domiciled in the United Kingdom. The Company's shares are publicly traded on the London Stock Exchange.

These financial statements were prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied. The financial statements are prepared under the historic cost convention, except for the revaluation of financial instruments.

In preparing these financial statements, 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 the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. In these financial statements, the Company has adopted FRS 101 for the first time.

As permitted under section 408 of the Act the Company has elected not to present its own profit and loss account for the year. The profit dealt with in the financial statements of the Company are disclosed in the Statement of Changes in Equity.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 13.

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 share capital, tangible fixed assets and intangible assets,
- disclosures in respect of transactions with wholly owned subsidiaries within the ultimate parent undertaking group,
- disclosures in respect of capital management,
- the effects of new but not yet effective IFRSs,
- an additional balance sheet for the beginning of the earliest comparative period following the retrospective changes in accounting policies and the reclassification of items in the financial statements (see note 13), and
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of e2v technologies 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
- the disclosures required by IFRS 7, 'Financial Instruments: Disclosures' and IFRS 13, 'Fair Value Measurement' regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2016.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report.

Foreign currencies

The presentation and functional currency of the Company is Sterling. Transactions denominated in foreign currencies are recorded at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Currency translation differences are recognised in the profit and loss account.

Investments

Investments in subsidiaries are held at historical cost less provision for impairment. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Where the reasons for such impairment provisions no longer apply, they are written back to the extent that they are no longer necessary.

1. Accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise income tax is recognised in the profit and loss account.

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items of income or expense that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arising from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured on an undiscounted basis and is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Pensions

The Company contributes to personal pension arrangements for its employees. The pension cost is the amount of contributions payable in the year. Differences between contributions payable in the year and contributions paid are shown either as accruals or prepayments in the balance sheet.

Share based payments

Employees (including Directors) of the Company receive remuneration in the form of share based transactions, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial, Monte Carlo or Black-Scholes model, as appropriate. Further details are given in note 28 to the consolidated financial statements. In valuing equity settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each reporting date reflects the extent to which the vesting period has expired and management's best estimate of the number of awards that will ultimately vest.

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the Company in its individual financial statements with the Company recording an increase in its investment in subsidiaries and a credit to equity.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. If a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new shares are treated as if they were a modification of the original award.

Dividend income

Dividend income from subsidiary undertakings is recognised at the point the dividend has been declared. Dividends declared after the balance sheet date are not recognised in the profit and loss account.

Notes to the Company Financial Statements (continued)

Year ended 31 March 2016

1. Accounting policies (continued)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting its liabilities. Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs

A financial liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability

Bank borrowings

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. After initial recognition, interest-bearing bank loans are subsequently measured at amortised cost using the effective interest method

Dividend distribution

Dividends to holders of equity instruments declared after the balance sheet date are not recognised as a liability as at the balance sheet date. Final dividend distributions to the Company's shareholders are recognised in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recognised when paid

Own shares

Shares in e2v technologies plc held by the Company or the Employee Benefit Trust (EBT) are stated at cost and are presented in the balance sheet as a deduction from equity

2. Investments

Equity interests in subsidiary undertakings	£000
Cost	
At 1 April 2015	150,027
Additions – share option awards to employees of subsidiary undertakings	873
Additions – acquisition of subsidiary, SP Devices	12,555
At 31 March 2016	163,455

On 22 January 2016, the Company acquired 100% of the voting shares of Signal Processing Devices Sweden AB (SP Devices), a leader in the design and development of high performance analogue-to-digital processing technology. The Company has acquired SP Devices to support the growth in the Semiconductors division. Further details on the acquisitions can be found in note 13 to the consolidated financial statements

At the year end, the Directors undertook a review of the carrying values of the investments in subsidiaries which identified that, no investments were impaired

2. Investments (continued)

Interests in Group undertakings

As at 31 March 2016, the Company has investments in the following subsidiary undertakings. Shares are held directly by the Company, except where noted below. The Company has control over 100% of the ordinary share capital in respect of each of its subsidiary undertakings.

Name of undertaking	Country of incorporation	Principal activity
e2v technologies (UK) Limited	England & Wales	Electronic component manufacturer
e2v technologies GmbH ⁽¹⁾	Germany	Sales & distribution
EEV Limited ⁽¹⁾	England & Wales	Dormant
e2v Limited	England & Wales	Sales & distribution
e2v technologies SAS	France	Holding company
e2v semiconductors SAS ⁽²⁾	France	Electronic component manufacturer
e2v SAS ⁽²⁾	France	Sales & distribution
e2v Holdings Inc	USA	Holding company
e2v technologies Inc ⁽³⁾	USA	Sales & distribution
e2v Inc ⁽³⁾	USA	Electronic component manufacturer
Innovaciones Microelectronicas SL (AnaFocus)	Spain	Electronic component manufacturer
e2v technologies (overseas) holdings Limited	England & Wales	Holding company, sales & distribution
e2v Asia Pacific Limited ⁽⁴⁾	Hong Kong	Holding company, sales & distribution
e2v technologies Korea Limited ⁽⁴⁾	Korea	Sales & distribution
e2v technologies (Beijing) Limited ⁽⁵⁾	China	Electronic component manufacturer
Signal Processing Devices Sweden AB	Sweden	Electronic component manufacturer
Signal Processing Devices Sweden Finans AB ⁽⁶⁾	Sweden	Holding company
Signal Processing Devices Inc ⁽⁶⁾	USA	Sales & distribution

(1) held through e2v technologies (UK) Limited,

(3) held through e2v Holdings Inc ,

(5) held through e2v Asia Pacific Limited, and

(2) held through e2v technologies SAS,

(4) held through e2v technologies overseas (holdings) Limited,

(6) held through Signal Processing Devices Sweden AB

3. Debtors

	2016 £000	2015 Restated £000
Amounts due within one year		
Amounts receivable from subsidiary undertakings	11,711	27,407
Other debtors	8	13
Prepayments and accrued income	93	30
	11,812	27,450
Amounts due after more than one year		
Amounts receivable from subsidiary undertakings	29,051	26,565
Deferred tax asset (note 6)	872	537
	29,923	27,102
	41,735	54,552

4. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	52	146
Amounts payable to subsidiary undertakings	7,821	324
Other taxation and social security costs	702	439
Other creditors – pension contributions	8	9
Accruals and deferred income	2,670	4,223
	11,253	5,141

Included in accruals and deferred income is consideration payable, relating to the acquisitions of SP Devices and AnaFocus, of £4,124,000 (2015 £3,636,000), of which £2,057,000 (2015 £1,091,000) is payable after more than one year (see note 5)

Notes to the Company Financial Statements (continued)

Year ended 31 March 2016

5. Creditors: amounts falling due after more than one year

	2016 £000	2015 £000
Amounts payable to subsidiary undertakings	29,288	24,001
Bank loans (net of unamortised debt issue costs of £277,000 (2015: £547,000))	26,223	21,953
Accruals and deferred income (note 4)	2,057	1,091
	57,568	47,045

Details of banking facilities available and the maturity of the debt are provided in note 21 to the consolidated financial statements. As at 31 March 2016 and at 31 March 2015, the bank loans were unsecured.

6. Deferred tax asset

	£000
At 1 April 2015 (restated)	537
Credit to profit and loss account	83
Credited directly to equity	252
At 31 March 2016	872

Deferred tax is comprised as follows

	2016 £000	2015 Restated £000
Other timing differences	872	537

The Company is part of a UK tax group and management has determined that based on the current forecast prepared the deferred tax assets are recoverable against future taxable profits of that group and a valuation allowance is not required.

The UK government, with effect from 1 April 2015, reduced the main rate of UK corporation tax from 21% to 20%. In addition, the Finance Bill 2015, which was substantively enacted on 26 October 2015, will reduce the UK corporation tax rate to 19% with effect from 1 April 2017 and to 18% from 1 April 2020. UK deferred tax balances as at 31 March 2016 have been calculated based on the reduced corporation tax rates of 20%, 19% and 18%, being the relevant tax rate that is expected to apply to the period when the asset is realised or the liability is settled.

7. Called up share capital

Ordinary shares issued and fully paid	No	£000
At 1 April 2015	219,249,569	10,963
Employee share option schemes – options exercised	937,489	47
At 31 March 2016	220,187,058	11,010

Details of movements in shares held by the Company and by the EBT are also given in note 25 to the consolidated financial statements.

Details of the Company's equity settled share based payment arrangements are disclosed in note 28 of the Group's consolidated financial statements.

8. Reserves

The Directors believe that the merger reserve is distributable. The reserve for own shares arises in connection with the e2v technologies plc shares held by the Company and by the Company's EBT, a discretionary trust established to facilitate the operation of the Company's share option arrangements for senior management. See note 26 to the consolidated financial statements for further details.

9. Financial commitments

The Company has no contracts for future expenditure which have not been provided for (2015: £nil).

10. Contingent liabilities

The Company acts as a guarantor on the Group's borrowing facilities. Loans of £9,734,000 (2015: £nil) were drawn by subsidiary undertakings at the balance sheet date.

11. Directors' remuneration

Details of Directors' remuneration, pension benefits and share option awards are included in the Directors' Remuneration Report.

12. Auditor's remuneration

The auditor's remuneration for the audit of the Company is disclosed in note 7 to the consolidated financial statements. Fees paid to the auditor for non-audit services to the Company are not required to be disclosed in the Company's financial statements because consolidated financial statements are prepared which disclose such fees on a consolidated basis.

13. Transition to FRS 101

For all periods up to and including the year ended 31 March 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 March 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 April 2015 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 April 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption for FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 April 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 March 2015.

Reconciliation of equity as at 1 April 2014	Notes	UK GAAP £000	Adjustments £000	FRS 101 £000
Fixed assets				
Investments		116,429	–	116,429
Current assets				
Debtors				
– due within one year		19,062	–	19,062
– due after one year	a	22,005	294	22,299
Cash at bank and in hand		739	–	739
		41,806	294	42,100
Creditors – amounts falling due within one year		(1,456)	–	(1,456)
Net current assets		40,350	294	40,644
Total assets less current liabilities		156,779	294	157,073
Creditors – amounts falling due after more than one year		(22,751)	–	(22,751)
NET ASSETS		134,028	294	134,322
CAPITAL AND RESERVES		134,028	294	134,322
Reconciliation of equity as at 31 March 2015	Notes	UK GAAP £000	Adjustments £000	FRS 101 £000
Fixed assets				
Investments		150,027	–	150,027
Current assets				
Debtors				
– due within one year		27,450	–	27,450
– due after one year	a	26,696	406	27,102
Cash at bank and in hand		19	–	19
		54,165	406	54,571
Creditors – amounts falling due within one year		(5,141)	–	(5,141)
Net current assets		49,024	406	49,430
Total assets less current liabilities		199,051	406	199,457
Creditors – amounts falling due after more than one year		(47,045)	–	(47,045)
NET ASSETS		152,006	406	152,412
CAPITAL AND RESERVES		152,006	406	152,412

Notes to the Company Financial Statements (continued)

Year ended 31 March 2016

13. Transition to FRS 101 (continued)

Notes

- a In accordance with IAS 12, 'Income taxes', the charge for deferred tax has been adjusted for the deferred tax effect arising from the share based payment charges made direct to reserves in accordance with IFRS 2, 'Share Based Payments'
- b The effect of the above adjustment on the reported profit of the Company for the year ended 31 March 2015 is as follows

	£000
Profit for the year ended 31 March 2015 under UK GAAP	26,425
Deferred tax on share based payments	(217)
Profit for the year ended 31 March 2015 under FRS 101	26,208

Independent Auditor's report to the members of e2v technologies plc only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of e2v technologies plc for the year ended 31 March 2016 set out on pages 67 to 114. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2016 and of the Group's and the parent company's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101, 'Reduced Disclosure Framework', and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, are outlined below. These risks are consistent with the prior year except for business combinations where SP devices was acquired in the current year and AnaFocus in the prior year. Our assessment of the change in the audit significance of the risks below compared with the equivalent risks in the prior year has not significantly changed and is indicated by the use of arrows (◀ ▶)

Recognition of revenues, profits and losses on long term contracts (£56.1 million of revenue (2015: £53.8 million of revenue)) Risk vs 2015 ◀ ▶

Refer to pages 41 and 42 (Audit Committee Report), pages 76 and 77 (Summary of significant accounting policies), page 78 (Critical accounting judgements and key sources of estimation uncertainty) and page 79 (note 3 to the consolidated financial statements)

The risk – Approximately a quarter of the Group's revenues are derived from long-term contracts, which typically involve design, development or production activities, or a combination of these. These contracts usually involve technical and commercial risks and often specify physical performance measures to be achieved throughout the contract period. Estimates and assumptions are required to (i) assess the proportion of revenue to recognise based on completion of the physical proportion of total contract work and (ii) forecast the margin on each contract and in particular to make allowance for technical and commercial risks related to physical performance measures yet to be achieved. There are a number of contracts which are onerous and in these cases the assessment of forecast margin is more critical as the expected loss is recognised in full.

Our response – Our audit procedures included, critical assessment, challenge and testing of the processes used to manage the financial aspects of the Group's long-term contracts. For significant contracts, determined on the basis of technical and commercial complexity and profitability, we:

- obtained an understanding of the status of the contract through discussions with project teams, senior management and the Directors, attendance at contract review meetings and examination of contractual and management documentation related to the contract, and
- challenged the key estimates and assumptions applied by considering (i) how the key risks and uncertainties are reflected in the assessment of forecast margin and whether the estimates and assumptions are consistent with past experience and (ii) how the setting and achievement of performance measures reflects the contract terms and the revenue recognised

Carrying value of goodwill (£88.2 million (2015: £73.2 million)) Risk vs 2015 ◀ ▶

Refer to pages 41 and 42 (Audit Committee Report), page 73 (Summary of significant accounting policies), page 78 (Critical accounting judgements and key sources of estimation uncertainty) and page 90 (note 16 to the consolidated financial statements)

The risk – There is a risk of irrecoverability of intangible assets recognised as a result of acquisitions, in particular goodwill. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgemental areas that our audit is concentrated on.

Independent Auditor's report to the members of e2v technologies plc only (continued)

Our response – Our audit procedures included testing of the Group's forecasting procedures upon which the cash flow forecasts are based and the principles and integrity of the Group's discounted cash flow model. We compared the Group's assumptions to externally derived data as well as our own assessments in relation to key inputs such as projected sales growth, operating costs and discount rates and challenged management where there were material differences. We also critically assessed the Group's sensitivity analysis and considered whether it reflects a reasonably possible change in key assumptions by comparing the inputs and outputs to our own sensitivity analysis. We compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows. We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions reflected the risks inherent in the valuation of goodwill.

Carrying value of inventory (£54.7 million (2015: £44.0 million)), including a write-down of £2.3 million in the year (2015: £2.9 million) Risk vs 2015 ◀ ▶

Refer to pages 41 and 42 (Audit Committee Report), page 74 (Summary of significant accounting policies), page 78 (Critical accounting judgements and key sources of estimation uncertainty) and page 91 (note 17 to the consolidated financial statements)

The risk – The Group's activities include its obsolescence management business which purchases inventory at the end of its production life. In addition the closure of the fabrication plant in Grenoble in 2011 resulted in significant inventory build-up to fulfil future requirements ("last time build" programmes). The inventory associated with these activities, which represents up to quarter of the recognised write-downs, is intended to be sold over a period of several years. The utilisation and carrying value of this inventory therefore depends upon future sales forecasts which are inherently uncertain.

Our response – Our audit procedures included critically assessing the Group's method for determining net realisable value and whether this appropriately reflected future sales forecasts, the past experience of the Group and other specific circumstances associated with the inventory.

Business combinations (goodwill additions of £10.2 million, other intangible additions of £2.1 million) Risk related to business combination accounting for SP devices acquisition replaces AnaFocus acquisition

Refer to pages 41 and 42 (Audit Committee Report), page 73 (Summary of significant accounting policies), page 78 (Critical accounting judgements and key sources of estimation uncertainty) and pages 86 and 87 (note 13 to the consolidated financial statements)

The risk – The Group acquired SP Devices during the current financial year. The acquired intangible assets of technology and customer relationships are valued using discounted cash flows methods. In applying these methodologies, the Group makes a number of key assumptions and estimates relating to each class of intangible asset, including, growth and attrition rates, discount rates and product life cycles. The identification and valuation of acquired intangibles requires judgement and is sensitive to the assumptions used. Amounts not allocated to acquired assets which includes acquired intangible assets recorded as goodwill. Goodwill is not amortised and affects the income statement only on a future impairment. The determination of the fair value of the consideration is dependent on contractual clauses which may be based on the outcome of future events.

Our response – Our audit procedures included an assessment of the competency of the external experts used by the Group to value significant acquired intangibles. We challenged and corroborated, using our experience, market data and information from similar transactions, the process for identifying intangible assets. We considered the methodology and assumptions used to determine the present value of cashflow projections. We inspected the documentation surrounding the acquisition to ensure the consideration paid and contingent consideration payable has been recognised in accordance with relevant accounting standards. We also assess whether the Group's disclosures about the business combinations are appropriate and in accordance with relevant accounting standards.

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

The materiality for the Group financial statements as a whole was set at £1,600,000. This has been determined with reference to a benchmark of Group profit before taxation, normalised to exclude the volatility in reported profit due to gains and losses on revaluation of foreign currency derivative financial instruments in the year resulting in a benchmark of £37,227,000 (2015: £36,091,000 which also excluded the impact of net expenses of business improvement programme included as specific items). This materiality represents 43% (2015: 55%) of this benchmark and 3.9% (2015: 6.7%) of total reported profit before tax.

We report to the Audit Committee any corrected and uncorrected misstatements exceeding £80,000 (2015: £100,000) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 18 (2015: 17) reporting components, consistent with 2015 we subjected 9 to audits for group reporting purposes (being in the United Kingdom (4 key reporting components), France (3) and Spain (1)). In addition, specific risk-focussed audit procedures were performed by the Group audit team on a separate entities in the US (consistent with 2015) and Hong Kong (specific risk-focussed audit procedures performed for the first time in 2016). The latter were not individually financially significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed. For the remaining components we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The components within the scope of our work accounted for the following percentages of the Group's results:

	Number of components	Group Revenue (%)	Group profit before tax (%)	Group Total Assets (%)
Audits for Group reporting purposes	8	52	92	87
Specific risk-focused audit procedures	3	48	6	12
Total	11	100%	98%	99%
Total 2015	10	100%	98%	100%

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materiality levels set, which ranged from £1,583,000 (2015: £1,690,000) to £19,145 (2015: £12,000) having regard to the mix of size and risk profile of the Group across the components.

The work on 8 of the 11 components was performed by component auditors and the rest by the Group audit team including the specific risk-focussed procedures performed for the first time in 2016. The Group audit team performed procedures on the items excluded from normalised Group profit before tax. The Group audit team visited the United Kingdom and Spain. Telephone meetings were also held with the auditors in the United Kingdom, France, the United States and Spain. At these visits and meetings, the findings reported to the Group team were discussed in more detail and any further work required by the Group team was then performed by the component auditor.

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

In our opinion:

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

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' viability statement on page 30 concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the 3 years to 31 March 2019, or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

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

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

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

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

Independent Auditor's report to the members of e2v technologies plc only (continued)

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

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

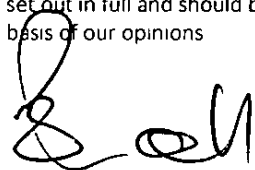
Under the Listing Rules we are required to review

- the Directors' statements, set out on pages 30 and 35, in relation to going concern and longer-term viability, and
- the part of the Corporate Governance Statement on pages 37 to 40 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review

We have nothing to report in respect of the above responsibilities

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.



Mike Barradell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL
13 May 2016

Notice of Annual General Meeting (AGM)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in e2v technologies plc, please forward this document and the accompanying form of proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice of an Annual General Meeting of e2v technologies plc to be held at 9.00 a.m. on Wednesday 13 July 2016 at Investec Investment Banking, 2 Gresham Street, London, EC2V 7QP is set out in this document.

A form of proxy for use in connection with the Annual General Meeting is enclosed. To be valid, the form of proxy should be completed and returned to our Registrar being Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Alternatively, if you are a CREST member, you can appoint a proxy through the CREST electronic proxy appointment service in accordance with the procedures set out in the CREST Manual, further details of which are given in the notes to this document.

The form of proxy must be received by 9.00 a.m. on Monday 11 July 2016. Completion and return of the form of proxy or a CREST Proxy Instruction will not prevent you from attending and voting at the Annual General Meeting in person, should you so wish.

Notice of Annual General Meeting

Notice is hereby given that the next Annual General Meeting of e2v technologies plc (the "Company") will be held at Investec Investment Banking, 2 Gresham Street, London, EC2V 7QP at 9.00 a.m. on Wednesday 13 July 2016, for the following purposes:

Ordinary Resolutions:

- 1 To receive, consider and adopt the financial statements and the reports of the Directors and auditor for the year ended 31 March 2016 (resolution 1)
- 2 To declare a final dividend of 3.8 pence per Ordinary Share (as defined below) for the year ended 31 March 2016 (resolution 2)
- 3 To re-elect Neil Johnson as a director of the Company (a "Director") (resolution 3)
- 4 To re-elect Alison Wood as a Director (resolution 4)
- 5 To re-elect Krishnamurthy Rajagopal as a Director (resolution 5)
- 6 To re-elect Kevin Dangerfield as a Director (resolution 6)
- 7 To re-elect Carla Cico as a Director (resolution 7)
- 8 To re-elect Stephen Blair as a Director (resolution 8)
- 9 To re-elect Charles Hindson as a Director (resolution 9)
- 10 To re-appoint KPMG LLP as the Company's auditor (resolution 10)
- 11 To authorise the Directors to determine the remuneration of KPMG LLP, the Company's auditor (resolution 11)
- 12 To approve the Directors' remuneration report (other than those parts containing the Directors' remuneration policy) as set out on pages 43 to 66 in the Annual Report for the year ended 31 March 2016 (resolution 12)
- 13 To generally and unconditionally authorise the Directors pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company
 - 13.1 to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Relevant Securities"), up to a maximum aggregate nominal amount of £3,636,062, and
 - 13.2 to allot Relevant Securities comprising equity securities (within the meaning of section 560 of the Act) up to an aggregate nominal amount of £3,636,062 in connection with an offer by way of a rights issue in favour of holders of ordinary shares of 5 pence each in the capital of the Company ("Ordinary Shares") in proportion (as nearly as may be practicable) to their existing holdings of Ordinary Shares, but subject to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal, regulatory or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange, for a period expiring (unless previously revoked, varied or renewed) on 13 October 2017 or, if sooner, the end of the next Annual General Meeting of the Company, but the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after this authority expires and the Directors may allot Relevant Securities in pursuance of such offer or agreement as if this authority had not expired.

All previous unutilised authorities given to the Directors pursuant to section 551 of the Act shall cease to have effect at the conclusion of this Annual General Meeting, save to the extent that those authorities are exercisable pursuant to section 551(7) of the Act by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date (resolution 13)

Notice of Annual General Meeting (AGM) (continued)

Special Resolutions:

14 That, subject to the passing of resolution 13 above, the Directors be generally empowered pursuant to section 570 and section 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash, pursuant to the authority conferred by resolution 13 as if section 561(1) of the Act did not apply to such allotment, provided that this power shall expire on 13 October 2017 or, if sooner, the end of the next Annual General Meeting of the Company. This power shall be limited to the allotment of equity securities

14.1 in connection with an offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement, save that in the case of an allotment pursuant to the authority conferred by paragraph 13.2 of resolution 13, such offer shall be by way of rights issue only) in favour of holders of Ordinary Shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings of Ordinary Shares, but subject to such exclusions, limit restrictions or other arrangements as the Directors deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal, regulatory or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange, and

14.2 otherwise than pursuant to paragraph 14.1 up to an aggregate nominal amount of £1,091,910 but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after this power expires and the Directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired

The power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by resolution 13" were omitted (resolution 14)

All previous unutilised powers given to the Directors pursuant to section 570 and section 573 of the Act shall cease to have effect at the conclusion of this Annual General Meeting

15 That the Company be generally and unconditionally authorised pursuant to section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares on such terms and in such manner as the Directors shall determine, provided that

15.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 21,838,215 Ordinary Shares,

15.2 the maximum price which may be paid for each Ordinary Share shall be the higher of (i) 5% above the average of the middle market quotations for an Ordinary Share (as derived from The Stock Exchange Daily Official List) for the five business days immediately before the day on which the purchase is made and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out or otherwise as stipulated by Article 3(2) of the Commission Delegated Regulation (EU) of 08.03.2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures (in each case exclusive of all expenses),

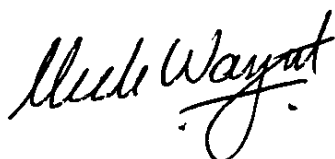
15.3 the minimum price which may be paid for each Ordinary Share shall be 5 pence (exclusive of all expenses), and

15.4 this authority (unless previously revoked, varied or renewed) shall expire on 13 October 2017 or, if sooner, the end of the next Annual General Meeting of the Company, except in relation to the purchase of Ordinary Shares the contract for which was concluded before the expiry of this authority and which will or may be executed, wholly or partly, after such expiry (resolution 15)

16 That general meetings (other than any annual general meeting) of the Company may be called on not less than 14 clear days' notice (resolution 16)

By order of the Board

Nick Wargent
Company Secretary
13 May 2016



Registered office
106 Waterhouse Lane
Chelmsford
Essex CM1 2QU

Registered number
4439718

Notes

- 1 A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and to speak and vote instead of him/her. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
- 2 A proxy form which may be used to make such appointment and give proxy directions accompanies this notice. If you do not receive a proxy form and believe that you should have received one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Equiniti on the telephone number(s) given in note 16 below.
- 3 To be valid, a form of proxy and, if applicable, any power of attorney or other authority under which it is signed, or a notarially certified copy of such power or authority, must be received by Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA by 9.00 a.m. on Monday 11 July 2016.
- 4 Members returning a form of proxy or a CREST Proxy Instruction (as described in paragraph 15 below) will also be able to attend the meeting and vote in person should they wish to do so. If a member has appointed a proxy and attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
- 5 Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.
- 6 The statement of the rights of members in relation to the appointment of proxies in notes 1, 2 and 3 above does not apply to Nominated Persons. The rights described in those notes can only be exercised by members of the Company.
- 7 For the purposes of determining who is entitled to attend and vote (whether on a poll or otherwise) at the meeting, a person must be entered on the register of members by 6.00 p.m. on 11 July 2016 (or, in the event of any adjournment, by 6.00 p.m. on the date which is two days before the date of the adjourned meeting) and shall be able to vote only on those Ordinary Shares registered in that person's name at that time. Any changes to entries made after the relevant deadline shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 8 As at 13 May 2016, the Company's issued share capital comprised 218,382,156 Ordinary Shares (excluding treasury shares). Each Ordinary Share carries the right to vote on a poll at a general meeting of the Company and, therefore, the total voting rights in the Company as at that date were 218,382,156. As at 13 May 2016, the Company held 1,851,091 Ordinary Shares as treasury shares.
- 9 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in relation to the same shares.
- 10 Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting, or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 Companies Act 2006. Where the Company is required to place a statement on a website under section 527 Companies Act 2006, it must forward the statement to the Company's auditor no later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 Companies Act 2006 to publish on a website.
- 11 A copy of this notice, and other information required by section 311A Companies Act 2006, can be found on the Company's website at www.e2v.com.
- 12 Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (ii) the answer has already been given on a website in the form of an answer to a question, or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- 13 There will be available for inspection at the Company's registered office (106 Waterhouse Lane, Chelmsford, Essex, CM1 2QU) during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) and at Investec Investment Banking, 2 Gresham Street, London, EC2V 7QP for at least 15 minutes prior to and during the Annual General Meeting, the letter of appointment and any service contracts as relevant of each non-executive Director.
- 14 You may not use any electronic address provided in this notice of Annual General Meeting for communicating with the Company for any purposes other than those expressly stated.
- 15 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

Notice of Annual General Meeting (AGM) (continued)

In order for a CREST proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in compliance with Euroclear UK & Ireland Limited's specifications and must contain the necessary information, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti (ID RA19) no later than 9.00 a.m. on Monday 11 July 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner required by CREST. After that time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) Uncertificated Securities Regulations 2001.

- 16 If you have any questions relating to this notice of Annual General Meeting or the completion and return of the form of proxy, you can contact Equiniti's helpline on 0371 384 2689. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday. Callers from outside the UK should dial +44 (0)121 415 7047.
- 17 Under section 338 and section 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting and / or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved, or a matter may properly be included in the business, unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person or (c) it is frivolous or vexatious. Such a request may be in hard copy or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 1 June 2016, being the date 6 clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Explanation of AGM Business

Ordinary Resolutions:

Resolution 1 – to receive, consider and adopt the Annual Report and Financial Statements

The Company's financial statements and the reports of its directors (the "Directors") and auditor in respect of the year ended 31 March 2016 (the Annual Report and Financial Statements) are being sent to shareholders with the notice of Annual General Meeting. In accordance with the 2014 UK Corporate Governance Code, the Company proposes, as an ordinary resolution, a resolution on its Annual Report and Financial Statements. The Directors recommend that the Company adopt the Annual Report and Financial Statements.

Resolution 2 – declaration of dividend

For the financial year ended 31 March 2016, the Board intends to pay dividends totalling 5.4 pence per ordinary share. Of this, 1.6 pence per share has been paid as an interim dividend on 17 December 2015 to the Company's shareholders on the register of members as at 20 November 2015 and, subject to approval by shareholders, 3.8 pence per share will be paid on 2 August 2016 to the Company's shareholders on the register of members as at 8 July 2016 as a final dividend. Resolution 2 asks shareholders to approve this final dividend.

Resolution 3 – to re-elect Neil Johnson as a Director

The Company's articles of association state that at each Annual General Meeting all the Directors holding office at the start of business on the day of the notice convening such meeting shall retire from office and, if willing to do so, each such Director may offer to stand for re-election at such meeting. In accordance with these provisions of the Company's articles, Neil Johnson is retiring at this year's Annual General Meeting and will stand for re-election.

Information about Neil Johnson is in the section of the Annual Report and Financial Statements on the Board of Directors. Neil Johnson is the Company's chairman.

Neil Johnson's performance has been formally reviewed by the non-executive Directors, led by the senior independent Director, Alison Wood, as part of the board effectiveness review to ensure that he leads the board effectively and continues to demonstrate commitment to the role. Following this review the Board confirms that Neil Johnson's performance continues to be effective and demonstrates commitment to the role, including time commitments for Board and committee meetings.

The Board is therefore of the opinion that Neil Johnson should be re-elected to the Board.

Resolution 4 – to re-elect Alison Wood as a Director

The Company's articles of association state that at each Annual General Meeting all the Directors holding office at the start of business on the day of the notice convening such meeting shall retire from office and, if willing to do so, each such Director may offer to stand for re-election at such meeting. In accordance with these provisions of the Company's articles, Alison Wood is retiring at this year's Annual General Meeting and will stand for re-election.

Information about Alison Wood is in the section of the Annual Report and Financial Statements on the Board of Directors. The Chairman confirms that, following formal performance evaluation, Alison Wood's performance continues to be effective and demonstrates commitment to the role, including time commitments for Board and committee meetings.

The Board is of the opinion that Alison Wood should be re-elected to the Board.

Resolution 5 – to re-elect Krishnamurthy Rajagopal as a Director

The Company's articles of association state that at each Annual General Meeting all the Directors holding office at the start of business on the day of the notice convening such meeting shall retire from office and, if willing to do so, each such Director may offer to stand for re-election at such meeting. In accordance with these provisions of the Company's articles, Krishnamurthy Rajagopal is retiring at this year's Annual General Meeting and will stand for re-election.

Information about Krishnamurthy Rajagopal is in the section of the Annual Report and Financial Statements on the Board of Directors. The Chairman confirms that, following formal performance evaluation, Krishnamurthy Rajagopal's performance continues to be effective and demonstrates commitment to the role, including time commitments for Board and committee meetings.

The Board is therefore of the opinion that Krishnamurthy Rajagopal should be re-elected to the Board.

Resolution 6 – to re-elect Kevin Dangerfield as a Director

The Company's articles of association state that at each Annual General Meeting all the Directors holding office at the start of business on the day of the notice convening such meeting shall retire from office and, if willing to do so, each such Director may offer to stand for re-election at such meeting. In accordance with these provisions of the Company's articles Kevin Dangerfield is retiring at this year's Annual General Meeting and will stand for re-election.

Information about Kevin Dangerfield is in the section of the Annual Report and Financial Statements on the Board of Directors. The Chairman confirms that, following formal performance evaluation, Kevin Dangerfield's performance continues to be effective and demonstrates commitment to the role, including time commitments for Board and committee meetings.

The Board is therefore of the opinion that Kevin Dangerfield should be re-elected to the Board.

Explanation of AGM Business (continued)

Resolution 7 – to re-elect Carla Cico as a Director

The Company's articles of association state that at each Annual General Meeting all the Directors holding office at the start of business on the day of the notice convening such meeting shall retire from office and, if willing to do so, each such Director may offer to stand for re-election at such meeting. In accordance with these provisions of the Company's articles Carla Cico is retiring at this year's Annual General Meeting and will stand for re-election.

Information about Carla Cico is in the section of the Annual Report and Financial Statements on the Board of Directors. Carla Cico was appointed as a Non Executive Director on 1 April 2016 and her performance has yet to be formally evaluated. The Chairman confirms that Carla Cico's performance continues to be effective and demonstrates commitment to the role, including time commitments for Board and committee meetings.

The Board is therefore of the opinion that Carla Cico should be re-elected to the Board.

Resolution 8 – to re-elect Stephen Blair as a Director

The Company's articles of association state that at each Annual General Meeting all the Directors holding office at the start of business on the day of the notice convening such meeting shall retire from office and, if willing to do so, each such Director may offer to stand for re-election at such meeting. In accordance with these provisions of the Company's articles, Stephen Blair is retiring at this year's Annual General Meeting and will stand for re-election.

Information about Stephen Blair is in the section of the Annual Report and Financial Statements on the Board of Directors. The Chairman confirms that, following formal performance evaluation, Stephen Blair's performance continues to be effective and demonstrates commitment to the role, including time commitments for Board and committee meetings. Stephen Blair is also Group CEO of the Company.

The Board is therefore of the opinion that Stephen Blair should be re-elected to the Board.

Resolution 9 – to re-elect Charles Hindson as a Director

The Company's articles of association state that at each Annual General Meeting all the Directors holding office at the start of business on the day of the notice convening such meeting shall retire from office and, if willing to do so, each such Director may offer to stand for re-election at such meeting. In accordance with these provisions of the Company's articles, Charles Hindson is retiring at this year's Annual General Meeting and will stand for re-election.

Information about Charles Hindson is in the section of the Annual Report and Financial Statements on the Board of Directors. The Chairman confirms that, following formal performance evaluation, Charles Hindson's performance continues to be effective and demonstrates commitment to the role, including time commitments for Board and committee meetings. Charles Hindson is also Group Finance Director of the Company.

The Board is therefore of the opinion that Charles Hindson should be re-elected to the Board.

Resolutions 10 and 11 – to re-appoint KPMG LLP as auditor and to authorise the Directors to determine their remuneration

It is proposed that KPMG LLP should be re-appointed as the Company's auditor for the year ending 31 March 2017 and that the Directors be authorised to determine their remuneration.

Resolution 12 – to approve the Directors' remuneration report

The Companies Act 2006 requires listed companies to put a resolution to shareholders at each Annual General Meeting to approve the Directors' remuneration report (other than the part which contains the Directors' remuneration policy), which forms part of the Annual Report. The vote is advisory in nature.

Resolution 12 in the notice of Annual General Meeting, which will be proposed as an ordinary resolution, asks shareholders to approve the Directors' remuneration report (other than the part which contains the Directors' remuneration policy), which can be found in the Annual Report and Financial Statements.

Resolution 13 – authority to allot shares

The Companies Act 2006 prevents Directors from allotting unissued shares, other than pursuant to an employee share scheme, without the authority of shareholders in general meeting. In certain circumstances this could be unduly restrictive. The Directors' existing authority to allot shares, which was granted at the Annual General Meeting held on 15 July 2015, will expire at the end of this year's Annual General Meeting.

Resolution 13 in the notice of Annual General Meeting will be proposed, as an ordinary resolution, to authorise the Directors to allot ordinary shares of 5 pence each in the capital of the Company up to a maximum nominal amount of £3,636,062 (representing approximately 33.3% of the nominal value of the ordinary shares in issue on 13 May 2016, excluding treasury shares), and up to a further maximum nominal amount of £3,636,062 (representing approximately a further 33.3% of the nominal value of the ordinary shares in issue on 13 May 2016, excluding treasury shares) where the allotment is in connection with an offer by way of rights.

issue. As at 13 May 2016, the Company held 1,851,091 ordinary shares as treasury shares, representing approximately 0.85% of the ordinary shares in issue on that date (excluding treasury shares). This authority complies with institutional investor guidelines.

The authority conferred by the resolution will expire on 13 October 2017 or, if sooner, at the end of next year's Annual General Meeting (unless previously revoked, varied or renewed).

The Directors have no present plans to allot unissued shares, other than on the exercise of share options under the Company's employee share option schemes. However, the Directors believe it to be in the best interests of the Company that they should continue to have this authority so that such allotments can take place to finance appropriate business opportunities that may arise.

Special Resolutions

Resolution 14 – to disapply pre-emption rights

Unless they are given an appropriate authority by shareholders, if the Directors wish to allot any of the unissued shares for cash or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must first offer them to existing shareholders in proportion to existing holdings. These are known as pre-emption rights.

The existing disapplication of these statutory pre-emption rights, which was granted at the Annual General Meeting held on 15 July 2015, will expire at the end of this year's Annual General Meeting. Accordingly, resolution 14 in the notice of Annual General Meeting will be proposed, as a special resolution, to give the Directors power to allot shares without the application of these statutory pre-emption rights: first, in relation to offers of equity securities by way of rights issue, open offer or similar arrangements (save that in the case of an allotment pursuant to the authority conferred by paragraph 13.2 of resolution 13, such offer shall be by way of rights issue only), and second, in relation to the allotment of equity securities for cash up to a maximum aggregate nominal amount of £1,091,910 (representing approximately 10% of the nominal value of the ordinary shares in issue on 13 May 2016 (excluding treasury shares)). These limits are in accordance with guidelines issued by the Pre-emption Group and the Investment Management Association.

The Directors intend to adhere to the provisions in the Pre-Emption Group's Statement of Principles, as updated in March 2015, and not to allot shares for cash on a non pre-emptive basis pursuant to the authority in resolution 13:

- (i) in excess of an amount equal to 5% of the total issued ordinary share capital of the Company excluding treasury shares, or
- (ii) in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company excluding treasury shares within a rolling three-year period, without prior consultation with shareholders,

in each case other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

The authority sought, and the limits set, by this resolution will also apply to a sale by the Company of any shares it holds as treasury shares. The Companies Act 2006 permits shares purchased by the Company out of distributable profits to be held as treasury shares, which may then be cancelled, sold for cash or used to meet the Company's obligations under its employee share-based incentive schemes.

The powers conferred by this resolution will expire on 13 October 2017 or, if sooner, at the end of next year's Annual General Meeting. However, the Company may make an offer or agreement prior to the expiry of this power which would or might require equity securities to be allocated after the expiry of this power as if statutory pre-emption rights did not apply to such allotments. In this case, Directors will be permitted to allot such securities pursuant to such offer or agreement as if this power had not expired.

Resolution 15 – Company's authority to purchase its own shares

At the Annual General Meeting of the Company held on 15 July 2015, the Company was authorised to make market purchases of up to 21,890,853 of its own ordinary shares. In the period from the Annual General Meeting on 15 July 2015 to 13 May 2016, the Company purchased 1,500,000 ordinary shares under this authority. As at 13 May 2016 such authority remained outstanding in relation to 20,390,853 ordinary shares.

Resolution 15 in the notice of Annual General Meeting, which will be proposed as a special resolution, will authorise the Company to make market purchases of up to 21,838,215 ordinary shares. This equals 10% of the Company's ordinary shares in issue on 13 May 2016 (excluding treasury shares). The maximum price that may be paid shall be the higher of (i) 5% above the average of the middle market quotations for an ordinary share for the five business days immediately before the day on which the purchase is made and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out or otherwise in accordance with Article 3(2) of the Commission Delegated Regulation (EU) of 08.03.2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures. The minimum price which may be paid for each ordinary share shall be 5 pence (excluding of all expenses).

The authority conferred by this resolution will expire on 13 October 2017 or, if sooner, at the end of next year's Annual General Meeting.

Explanation of AGM Business (continued)

Your Directors are committed to managing the Company's capital effectively. The Directors may, amongst other things, make such purchases as required in support of share awards, and buying back the Company's ordinary shares is one of the options they keep under review for this. Purchases would only be made where the Directors consider that such purchases would be in the best interests of the shareholders generally and after having considering the effect on earnings per share.

The Company may hold in treasury any of its own shares that it purchases in accordance with the Companies Act 2006 and the authority conferred by this resolution. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with greater flexibility in the management of its capital base. Shares held in treasury may subsequently be cancelled, sold for cash, or transferred for the purposes of, or pursuant to, employee share schemes. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings, in respect of such shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the shares held in treasury.

As at 13 May 2016, there were options outstanding over 7,020,278 ordinary shares which, if exercised at that date, would have represented 3.2% of the Company's issued ordinary share capital, excluding treasury shares. If the authority given by resolution 15 were to be fully used, these would then represent 3.6% of the Company's issued ordinary share capital.

Resolution 16 – notice of general meetings

The Companies Act 2006 requires a notice period of 21 days for general meetings of the Company unless shareholders approve a shorter notice period, which cannot be less than 14 clear days. Annual General Meetings will continue to be held on at least 21 clear days' notice.

The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

Note that the changes to the Companies Act 2006 mean that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

Voting recommendation

The Directors believe that the resolutions which are to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and recommend all shareholders to vote in favour of them, as each of the Directors intend to do in respect of his or her own beneficial holding.

Shareholder notes

General Information

Directors

N Johnson (Chairman)
S Blair (Group CEO)
C Hindson
A Wood
Dr K Rajagopal
K Dangerfield
C Cico

Company Secretary

N Wargent

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Solicitors

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Bankers

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London E14 5HP

Lloyds Bank plc
10 Gresham Street
London EC2V 7AE

HSBC Bank plc
2 Canada Square
London E14 5HQ

Auditor

KPMG LLP
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London E14 5GL

Registrars

Equiniti
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West Sussex BN99 6DA

Financial calendar

Ex-dividend date for final dividend

7 July 2016

Record date for final dividend

8 July 2016

Payment date for final dividend

2 August 2016

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