OXFORD INSTRUMENTS

Insight Innovation Impact

Oxford Instruments plc
Report and Financial Statements 2023

Company number:
00775598

OXFORD INSTRUMENTS

Insight and Innovation creating an Impact for a sustainable future

We design and supply high-technology products and systems which enable the world's leading companies and scientific research communities to image, analyse and manipulate materials down to the atomic and molecular level.

We help our customers to accelerate R&D, increase productivity and make ground-breaking discoveries.

Innovation is the driving force behind our growth and success, supporting our core purpose to enable a greener, healthier, more connected advanced society.

Front cover: Sample of adult drosophila (fruit fly) taken with a Dragonfly 600. Image courtesy of Alina Kolpakova, Eli Arama group, Weizmann Institute of Science.

Visit our investor centre on our website to view the rest of our reporting suite:
www.oxinst.com/investors

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2023 HIGHLIGHTS

Strong performance over the year provides the foundation for sustainable growth and continued medium-term margin expansion

Adjusted financial highlights[1]

Revenue

£444.7m

(2022: £367.3m)

+21.1%

% change constant currency[4]

+14.0%

Adjusted operating profit

£80.5m

(2022: £66.3m)

+21.4%

% change constant currency[4]

+ 13.4%

Cash conversion[2]

88%

(2022: 84%)

Adjusted profit before taxation

£82.0m

(2022: £65.9m)

+24.4%

Adjusted basic earnings per share

112.7p

(2022: 94.3p)

+19.5%

Adjusted operating profit margin

18.1%

(2022: 18.1%)

+0bps

Net cash[3]

£100.2m

(2022: £85.9m)

Statutory financial highlights

Revenue

£444.7m

(2022: £367.3m)

+21.1%

Operating profit

£72.4m

(2022: £48.3m)

+49.9%

Operating profit margin

16.3%

(2022: 13.2%)

+310bps

Profit before taxation

£73.5m

(2022: £47.6m)

+54.4%

Basic earnings per share

101.6p

(2022: 67.1p)

+51.4%

Dividend per share for the year (proposed)

19.5p

(2022: 18.1p)

+7.7%

1. Adjusted items exclude the amortisation and impairment of acquired intangible assets, acquisition items, other significant non-recurring items, and the mark-to-market movement of financial derivatives. A full definition of adjusted numbers can be found in the Finance Review and Note 1.
2. Cash conversion measures the percentage of adjusted cash from operations to adjusted operating profit, as set out in the Finance Review.
3. Net cash includes total borrowings, cash at bank and bank overdrafts but excludes IFRS 16 lease liabilities.
4. Constant currency numbers are prepared on a month-by-month basis using the translational and transactional exchange rates which prevailed in the previous year rather than the actual exchange rates which prevailed in the year. Transactional exchange rates include the effect of our hedging programme.

2023 HIGHLIGHTS continued

Committed to driving positive outcomes for all our stakeholders

Financial highlights

Strong growth in orders of

20.9%

to £511.6m, 14.2% at constant currency

Reported order book of

£319.6m

growth of 19.2% at constant currency

Revenue growth of

21.1%

14.0% at constant currency. 70% driven by volume, partially constrained by supply chain disruption and export licence refusals

Adjusted operating profit of

£80.5m

growth of 21.4% (13.4% at constant currency) with currency tailwind supporting strong growth.

Margin in line with the prior year at

18.1%

despite the inflationary environment, supply chain challenges and continued investment across the Group to support growth

Growth in total dividend of

7.7%

to

19.5p

Net cash increased to

£100.2m

with normalised cash conversion of 88%
strong ROCE of 35%

Sustainability highlights

23%

reduction in tonnes of CO_2 equivalent (tCO_2e) emissions per £million of revenue vs 2021/22

100%

renewable electricity maintained across our UK manufacturing activities, with the applicable business units representing approximately 83% of Group revenue

Zero

waste to landfill from key production sites

6.7%

reduction in absolute Scope 1 and 2 emissions to 1,285 tCO_2e vs 2022 figure of 1,378 tCO_2e

78%

positive employee engagement score

Pages 52–81

Operational highlights

Business model and strategy continues to drive strong order, revenue and profit growth, with positive momentum in the second half

See Chief Executive Review / **Pages 20–25**

Strong growth in our end markets – life science, semiconductor, advanced materials, energy & environment, and quantum – each with long-term sustainable structural growth drivers

See Market context / **Pages 28–29**

Accelerated growth driven by our market intimacy, product leadership and successful product launches

See Reasons to invest / **Pages 26–27**

Strong uplift to performance in Materials & Characterisation and Service & Healthcare in the second half with easing of supply chain; Research & Discovery performance impacted by phasing of high-value product installations and investment for growth

See Operations review / **Pages 38–51**

Increased focus on attractive North American and European markets driving enhanced growth in these regions; China saw strong order growth, with revenue in line with last year reflecting disruptions in the first half which eased as demand rose post Covid-19 lockdowns

See Operations review / **Pages 38–51**

New 2045 net zero commitment announced, building on 23% in-year reduction in Scope 1 and 2 emissions reductions per £m revenue

See Environment / **Pages 54–59**

AT A GLANCE

We are a global provider of high-technology products and services to the world's leading companies and scientific research communities

What we do

Our business is structured around three sectors to support our customer-centric approach and focus on applications.

Materials & Characterisation

Provides products and solutions that enable the fabrication and characterisation of materials and devices down to the atomic scale.

For more information / Page 40

Research & Discovery

Provides advanced solutions that create unique environments and enable imaging and analytical measurements down to the molecular and atomic level.

For more information / Page 46

Service & Healthcare

Provides customer service and support for our own products and for third-party MRI scanners in Japan.

For more information / Page 50

Total revenue

£444.7m

Revenue split by sector

Materials & Characterisation	£234.5m
Research & Discovery	£139.4m
Service & Healthcare	£70.8m

Where we operate

We sell products and services all over the world, employing more than 2,000 people across 30 bases in 17 countries.

Who we work with

We work with thousands of companies and academic institutions in six key structural growth markets.

8

regions

6

end markets

Revenue by region

USA	£121.2m
China	£107.4m
Japan	£46.7m
Germany	£32.1m
UK	£29.4m
Rest of Asia	£47.1m
Rest of Europe	£43.4m
Rest of the world	£17.4m

Revenue by market

Healthcare & Life Science	£85.2m
Semiconductor & Communications	£122.0m
Advanced Materials	£140.2m
Energy & Environment	£43.0m
Quantum Technology	£35.3m
Research & Fundamental Science	£19.0m

OUR PURPOSE-LED APPROACH

Insight and Innovation

Our purpose-led approach enables us to contribute to a greener, healthier, more connected advanced society. Using our market insight we innovate to provide high-tech solutions for a better world today and in the future.

In-depth insight into our end markets

Healthcare & Life Science

Semiconductor & Communications

Advanced Materials

Energy & Environment

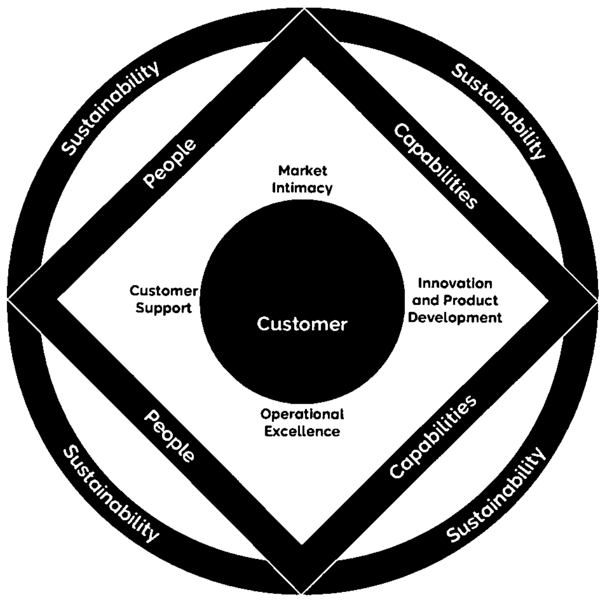
Quantum Technology

Research & Fundamental Science

For more information / **Page 28**

Our Horizon strategy

As a customer-focused, market-driven business, we put our customers at the heart of all we do. Our Horizon strategy is underpinned by our operating framework, which drives sustainable growth and margin enhancement, while generating value for our customers.



Delivery against our purpose and the Horizon strategy is underpinned by our values and culture.

For more information on our strategic goals / **Page 34**

creating an Impact for all our stakeholders

Shaping a **sustainable** future and delivering on our **purpose**

Our purpose

To enable a greener, healthier, more connected advanced society.

Inclusive **Innovative**

Trusted **Purposeful**

See how our purpose shapes the future / **Pages 10–17**

Read more about the benefits to our **stakeholders**

Customers	**Employees**
Shareholders	**Suppliers**
Local communities	**Society**

For more information / **Pages 112–117**

Driving green transition in the battery market

For more information / **Page 10**

Supporting the development of new drugs

For more information / **Page 12**

Powering an ever-more connected society

For more information / **Page 14**

Enabling the quantum revolution

For more information / **Page 16**

PURPOSE IN ACTION
To enable a greener, healthier, more connected advanced society

Driving green transition in the battery market

With batteries playing a critical part in the green transition, in everything from cars to phones and electronic devices, our products and solutions are supporting customers at every stage of the battery life cycle.

Across a broad range of our microscopy portfolio and at every point of the life of a battery, from the extraction of raw materials through the research and development phase to manufacture and failure analysis, customers in sectors ranging from automotive to high-end consumer technology are using our instruments and techniques to produce and develop safer, more sustainable batteries.

Insight

To deliver the transformational shift to more sustainable power, academics and companies the world over are racing to develop and manufacture higher-performing, faster-charging batteries, at a lower cost and with a longer life, all while seeking to use more environmentally friendly, more abundant materials.

Innovation

Across our portfolio, from compositional analysis to Raman and atomic force microscopy, we've developed characterisation techniques and solutions to help our customers understand the fundamental chemistry and properties that affect battery capacity, charging rate and lifetime, as well as quality control and failure analysis.

Impact

As well as supporting today's manufacturing, our products are playing a critical part in the creation of the next generation of batteries. With our help, customers are making advances in both safety and sustainability: helping to reduce the risk of catastrophic fires and failures, while accelerating the race to power our future without harming our planet.

Helping to deliver our SDG goals

For more information on our approach to sustainability / **Pages 52–81**

PURPOSE IN ACTION
To enable a greener, healthier, more connected advanced society

Supporting fundamental understanding of disease mechanisms to accelerate drug delivery

Our optical microscopy portfolio is ideally positioned to support users, from advanced super-resolution research systems to easy-to-use accessible solutions and world-class data analysis.

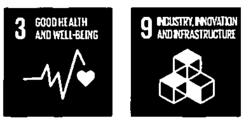
Using our equipment, scientists can analyse cells, organs and tissues down to the nanoscale, helping them understand the defects within molecular and cellular processes which cause disease, and test the impact of new treatments.

Insight
As life science becomes ever-more sophisticated and more ambitious, our customers increasingly need flexible equipment to accelerate their progress, from simple, straightforward benchtop microscopy that can process a multitude of samples at pace, to super high-end microscopes that can zoom in to a single cell and watch its behaviour in real time.

Innovation
We've created products which enable customers to zoom in, Google Earth-style, to large-scale samples such as whole organs, to see single molecules within cells. Our award-winning BC43 benchtop microscope (pictured) delivers unprecedented speed, ease of use and throughput, while our Dragonfly suite of super-resolution research systems provides flexibility for the most advanced user.

Impact
Our ability to image and analyse cells, organs and tissues down to the nanoscale, and to interpret the outputs with our bespoke software for cancer, cell and neuroscience applications, is speeding up the development of new treatments for cancer and malaria, as well as neurological diseases such as dementia and Parkinson's.

Helping to deliver our SDG goals



For more information on our approach to sustainability / **Pages 52–81**

PURPOSE IN ACTION
To enable a greener, healthier, more connected advanced society

Compound semiconductors powering an ever-more connected society

Our developments in gallium nitride and indium phosphide processing are supporting a wealth of applications, from truly wireless device charging, where devices can charge over the air, to hyper-scale data centres and augmented reality, where real-world environments are enhanced by holographic technology.

Our solutions have a crucial role to play in facilitating the next generation of data centres to enable the world's transition from an estimated total data processing requirement of 40 zettabytes – that's 40 trillion gigabytes – to an anticipated 300 zettabytes a year demand over the next five years.

Insight

Surging global demand for increased connectivity, with the associated vast acceleration in data usage, is powering a revolution in semiconductors. The market is seeking faster, higher-performing, lower-energy chips and microprocessors in its quest to accelerate progress in technology while at the same time building in greater sustainability.

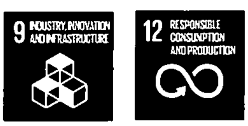
Innovation

We create proprietary semiconductor processes to support the manufacturing of the high-technology devices used today, as well as the development of next-generation technology. This includes the critical transistor components needed to operate devices more safely, at higher voltage, while using less energy – facilitating increased 5G connectivity, truly wireless charging, new forms of LIDAR remote sensing, and energy-efficient data centres.

Impact

The positive impacts of our innovation range from connecting the world through 5G and enabling the next generation of LED devices for augmented reality with gallium nitride semiconductors, to supporting wearable sensors, faster data flows to data centres, and optoelectronics with indium phosphide conductors – and all while reducing the environmental footprint of key applications.

Helping to deliver our SDG goals



For more information on our approach to sustainability / **Pages 52–81**

PURPOSE IN ACTION
To enable a greener, healthier, more connected advanced society

Enabling the quantum revolution

One of the most disruptive technologies emerging today, quantum computing is at a pivotal point between the research lab and migration into practical applications.

Innovating across a multitude of fundamental quantum-enabling technologies, from cryogenics to advanced fabrication, scientific cameras and characterisation, at Oxford Instruments we have a key role to play in supporting qubit scale up, quantum uptime and the commercialisation of quantum as it transitions to the mainstream.

Insight

As governments and companies the world over seek to unleash the potential of quantum, we are uniquely positioned to accelerate the shift from pure science to practical applications as we collaborate with partners to enable reliable high performance and uptime in quantum computers.

Innovation

In 2021 we became home to the UK's first commercial quantum computer at our headquarters in Oxford, in partnership with Rigetti. Our latest partnership, with Oxford Quantum Circuits (OQC) and Equinix, is accelerating quantum's commercial viability still further, as we provide the cryogenics and 24/7 service capability which have enabled the first commercial quantum computer in a Japanese data centre.

Impact

With their ability to solve complex problems beyond the capabilities of classical computers, quantum computers are already used in applications from chemistry to logistics and finance – but the future impact of quantum is expected to be even more significant, with the potential to help tackle climate change and transform our ability to develop revolutionary medicines.

Helping to deliver our SDG goals

For more information on our approach to sustainability / **Pages 52–81**

CHAIR'S STATEMENT

Purpose at the heart of ongoing success

As we report on another year of strong results, I am delighted that we have demonstrated once again that leading with purpose – in our case the push for a greener, healthier, more connected advanced society – is an active enabler of business growth.

The strongest and most innovative businesses operating today – and I count Oxford Instruments among these – are focusing on making a positive impact on people and the planet. Together with our Horizon strategy, now fully embedded in the way we operate, our commitment to a better world shapes the markets we choose to serve and helps us better understand our customers' priorities.

In fields as diverse as Healthcare & Life Science, Energy & Environment, Semiconductor & Communications, and Quantum Technology, we are at the heart of exciting developments, united by our ability across our portfolio to help customers to characterise materials and living samples at the molecular and atomic level. These are growing markets, as our results demonstrate, with significant potential for further growth.

The breadth of our markets, and our ability to support such a wide range of customers at every stage from academic research through to high-volume manufacturing, have also been a source of real strength in the challenging times all businesses have faced in the past few years. A further, crucial, source of strength is our people, without whose drive and creativity we would not be able to make the remarkable progress we continue to make year on year.

We have faced macro-level challenges from inflationary pressures, supply chain shortages and the ongoing impacts of Covid-19 lockdowns in China, an important market for us. However, the resilience we have built into our business model, combined with the commitment and focus of everyone at Oxford Instruments, for which the Board and I are immensely grateful, have enabled us to end the year as we began it, in a position of strength.

Investing for the future

Our confidence in our people, our strategy and our purpose to foster future growth has underpinned continuing investment in the business throughout the year, as Ian details in his review of the year (pages 20 to 25). A successful business is not built solely on the here-and-now, but on a clear-eyed vision for the future. That is why, by growing our talent base, developing new manufacturing facilities at Belfast and Bristol, and investing in IT and systems Group-wide, we are building on our existing strong foundations to ensure we are in the best possible position to capitalise on global demand for our products and services. We also continue to invest in innovation, the corporate DNA on which we were founded more than 60 years ago, to ensure a strong pipeline of new developments, capitalising on our longstanding ability to stay one step ahead of the markets in which we operate.

Setting an ambitious sustainability agenda

That forward vision also drives us to be ambitious in the way we operate our business, striving to be ahead of the curve in being an environmentally responsible, socially progressive and well-governed organisation. I am proud of the progress we have made this year on our sustainability agenda, most notably through developing and setting a new and more ambitious 2045 net zero target, and continuing to reduce our carbon footprint, delivering a 55% reduction in emissions since 2018/19 (see pages 52 to 71).

We continue to challenge ourselves to be an inclusive, diverse and representative organisation, and I am proud that our recent engagement survey bears this out, with over three quarters of colleagues agreeing that we strive to create diversity (see pages 73 to 74). We are making progress at Board level, and throughout the organisation, as I have been able to observe through the positive engagements I and fellow Board members have had with employees across the Group this year. We are on track to reach our target of 40% of senior leadership roles being held by women by 2025, and this year employees have instigated new impact groups focusing on underrepresented groups. However, there is no room for complacency, and we will continue to further this agenda in the coming years.

Welcome and farewell: Board changes during the year

We were delighted in September 2022 to welcome Reshma Ramachandran to the Board as a Non-Executive Director (see Q&A, page 123). With her strong engineering credentials and strategic business acumen, Reshma is already adding significant value both in Board discussions and through her engagement with the wider workforce.

Following the close of the year, Chief Executive Ian Barkshire informed the Board of his intention to retire. Ian has led Oxford Instruments through a period of remarkable growth, positioning it in structural growth markets, as set out above, and transforming the organisation into a global leader through the deployment of the Horizon strategy. On behalf of the Board and all his colleagues, I would like to thank Ian for the tremendous contribution he has made and continues to make.

I am delighted that Richard Tyson, currently CEO of TT Electronics plc, will be joining us to lead us through the next phase of our growth. With his record of success and wealth of expertise in high-technology innovation and global manufacturing, Richard is ideally suited to build from our current position of strength and continue our positive trajectory.

In a further forthcoming change, Sir Richard Friend has notified the Board of his intention to step down as a Non-Executive Director in July after serving his full nine-year term. Richard's deep technical expertise has made him an asset to the Board, and we sincerely thank him for the rich contribution he has made to Oxford Instruments.

Dividend

In line with our progressive dividend policy and strong trading performance in the year, the Board is proposing an increased final dividend of 14.9p per share (2022: 13.7p), which is subject to approval at our Annual General Meeting on 19 September 2023.

Looking to the future

As we prepare for new leadership, our focus for the next 12 months remains as it has been this year: on delivering increased value and a positive impact for all our stakeholders. I am in no doubt that we do so with our best foot forward, stronger than ever and confident in the successful business model that has driven our growth to date.

Neil Carson
Chair

14 July 2023

CHIEF EXECUTIVE'S REVIEW

Making a positive impact for customers, shareholders, society and the planet

As I reflect on the past 12 months – my last full year as Chief Executive – I am proud of the Group's performance, with record orders, accelerated organic revenue growth, strong profit growth and margins in line with the previous year despite the inflationary environment during the year, and the investment made to support future growth.

"These results provide a strong foundation for future growth and margin expansion."

Ian Barkshire
Chief Executive

This marks another year of strong progress. Our continued success stems from the commitment, innovation and talent displayed daily by our people globally, combined with the clarity and focus brought by our Horizon strategy, which is thoroughly embedded across the Group, and in the way we work together and place customers at the heart of everything we do. This provides a solid foundation for future growth and margin expansion.

Orders

£511.6m

(2022: £423.1m)

Revenue

£444.7m

(2022: £367.3m)

Adjusted operating profit

£80.5m

(2022: £66.3m)

Operating margin

18.1%

(2022: 18.1%)

From helping academic customers to achieve Nobel prize-winning scientific breakthroughs, to supporting commercial customers' productivity and enabling them to develop and apply the disruptive technologies of tomorrow, we are making a positive impact on an ever-changing world, in line with our overarching purpose to enable a greener, healthier, more connected advanced society.

We provide market-leading differentiated technology and expertise in markets with long-term structural growth drivers – Healthcare & Life Science, Advanced Materials, Semiconductor, Energy & Environment, Quantum Technology, and Research & Fundamental Science – that provide a foundation for growth ahead of the market. As we develop our market and customer intimacy, and invest in the business, we are able to sell an increasing range of products to existing customers, as well as adapting our products and services for new and adjacent markets.

All these factors have contributed to our strong financial performance in the year, with double-digit growth in reported orders, revenue and adjusted operating profit despite inflationary pressures, a lag in price increases taking effect, and supply chain challenges. With strong revenue growth, and price increases beginning to work through the order book, this resulted in a positive second half weighting. Reported adjusted operating profit for the year increased by 21.4%, while reported adjusted operating margin was in line with the previous year at 18.1% (2022: 18.1%) and broadly maintained at constant currency. We ended the year with record order intake of £511.6m, with a book-to-bill ratio of 1.15 resulting in 22.8% growth in the order book to £319.6m at 31 March 2023 (2022: £260.2m). The strong revenue performance was also reflected in adjusted EPS increasing by 19.5% to 112.7p (2022: 94.3p). With net cash of £100.2m at 31 March 2023 we are in a strong position to invest in future organic and inorganic growth.

Our performance reflects increasing demand across our markets, with particularly strong growth from our Advanced Materials, Quantum Technology, Semiconductor and Healthcare & Life Science markets. This has resulted in strong constant currency revenue growth across each of our three sectors – Materials & Characterisation (19.2%), Research & Discovery (8.1%), and Service & Healthcare (9.6%). This was achieved despite significant global supply chain shortages and ongoing Covid-related disruption in China negatively impacting several of our businesses.

Supply chain issues eased through the second half, supporting stronger revenue as anticipated. Revenue into China was broadly in line with the prior year, with double digit order growth supported by increased funding as lockdown disruption eased in the fourth quarter. This growth rate also reflected an increase in UK Government export licence refusals to Chinese customers, particularly for quantum technology and astronomy applications, offset by our continued shift in focus to other growth markets within the country, such as life science and renewable battery technology, in which there are fewer export licence considerations. We also increased our focus on North America, Europe, and Japan, in line with the increased demand in several of our markets, including semiconductors and quantum. This was reflected by strong constant currency revenue growth in these regions (with the US up 35%, Europe up 16% and Japan up 25%).

FURTHER READING

For more on our positive impact for customers, people and planet / **Pages 10–17**

For more details of what we have achieved in the year / **Pages 38–51**

For more on our approach to sustainability / **Pages 52–81**

CHIEF EXECUTIVE'S REVIEW continued

Group	Full year to 31 March 2023	Reported growth	Constant currency growth
Orders	**£511.6m**	20.9%	14.2%
Revenue	**£444.7m**	21.1%	14.0%
Adjusted operating profit	**£80.5m**	21.4%	13.4%
Adjusted operating margin	**18.1%**	-	(10bps)

Strategic progress

Our Horizon strategy continues to provide an important framework; delivering tangible value and positive outcomes for customers and stakeholders, and offering a blueprint for ongoing growth. Strategic progress in the year is as follows.

Market intimacy is integral to our success as we develop insights into the future of our markets, and how we can support customers in accelerating their roadmaps, which, in turn, ensures our products are well-positioned commercially. An example is the deep insight we have developed across our portfolio of materials analysis techniques to support the renewable battery market. This has resulted in significant growth in orders and revenue. In Healthcare & Life Science, our insight has resulted in the development of new microscopy products and tailored software for specialist markets.

Our focus is on nurturing existing markets, expanding into adjacent markets and landing new key accounts. To drive this, we have invested in the size and capabilities of regional sales and marketing teams, equipping them to develop an in-depth understanding of local markets.

Through the headwinds of the past few years, we have maintained our focus on **innovation and product development** to ensure we remain at the forefront of our markets. Our leading products are designed with customer productivity and ease-of-use at their core, and support our accelerating organic growth and improving gross margins.

The combination of our market intimacy and focused approach to product development has supported a three-year order CAGR of 15% to both commercial and academic customers.

Operational excellence is a key focus as we seek to boost our own productivity and shorten lead times to support the growing demand for our products. We have continued to strengthen relationships with strategic suppliers and further consolidate our supply chain, with a view to long-term resilience and environmental sustainability, and are investing to optimise production capacity.

Our investment in building regional teams is also a key element of our **customer service and support** strategy, enabling us to improve response times by being closer to customers and by training our service teams across a wider range of products. We are developing a broad range of increasingly advanced and tailored services which enhance our customers' capabilities and optimise productivity, strengthening customer demand for recurring service contracts.

We also continue to invest in increasing digital and remote service capabilities. These drive benefits for customers, colleagues and the environment whilst improving our efficiency.

Investing for growth

Aligned with our Horizon strategy, and future growth ambitions, we have invested significantly during the year to bring new products to market, and position ourselves to deliver process and cost efficiencies. This includes reinforcing and extending capabilities across the business, including investments in our teams, infrastructure and IT.

Research and development

Customer-centric, market-led research and development (R&D) is central to our success as it enables us to transform our customers' outcomes. Investment in the year increased 9.8% to £34.8m (2022: £31.7m), representing 7.8% (2022: 8.6%) of revenue. Our Vitality Index (which measures the percentage of revenue from products launched over the last three years) is 30% (2022: 34%). This represents positive uptake from our newly launched products and continued strong value across our portfolio as we expand our reach into adjacent markets.

During the year we have brought a number of exciting new, leading-edge products to market. These include:

- New processes and techniques for both compound and silicon semiconductor fabrication, including patented processes being deployed to manufacture higher-performing power devices used across commercial electronics and industrial applications.

- A battery-specific edition of our Cypher atomic force microscope, advancing battery development through the direct observation of critical chemical processes during operation.
- Our new large-scale cryogenic platforms which are advancing the performance of quantum computers.
- A high-end extension to our optical microscopy portfolio, Dragonfly 600, which provides healthcare and life science customers with unprecedented imaging speed and quality.

People, productivity and infrastructure

We have made additional investment elsewhere to scale the business, to drive enhanced productivity and shorten lead times for our products. We have invested in enhanced IT systems, including a new integrated customer and service relationship management system. In response to our strong positive trajectory, and in anticipation of continuing growth, we have invested in people across the business, focusing on training and development as well as selectively increasing headcount, with a particular focus on production capacity, and regional sales and service.

Our purpose-built, state-of-the-art compound semiconductor facility in Bristol, UK, is set to double our production capacity in this important and growing market once it is fully operational, which is expected to be later in the current financial year. We are also making significant investment in extending our production capacity and footprint at our Belfast, UK facility to address growing demand for our range of advanced scientific cameras and microscopy products.

Inorganic growth

Our strong balance sheet, with net cash of £100.2m at 31 March 2023, positions us well to make further acquisitions to augment our strong organic growth. We maintain a pipeline of opportunities in a number of target areas, aligned with our strategy.

We have been delighted with the performance of our August 2021 acquisition WITec, which is part of Materials & Characterisation. In particular, WITec, which specialises in Raman microscopy, has benefited from increased sales due to our global channels to market and overlapping customer base. The business has continued to perform ahead of our expectations.

Inventory

We continue to maintain elevated inventory levels to mitigate ongoing supply chain issues, and to ensure competitive lead times.

SUPPORTING ENVIRONMENTAL SCIENCE

Helping to tackle microplastic pollution

Advancing understanding

As governments and organisations all over the world seek to understand and tackle the potentially harmful effects on human health and ecosystems caused by microplastic contamination in water, our equipment is playing a vital role in helping to understand the scale of the challenge.

Customers are using our Raman microscopes and advanced analysis software to identify, analyse, and quantify the plastic particles polluting our oceans over large sample areas, establishing not just how many of these infinitesimally small particles are in a particular sample but also the source material: from plastic drinks bottles to polystyrene.

CHIEF EXECUTIVE'S REVIEW continued

A sustainable future

I am pleased to report strong progress in our longstanding work to embed sustainability as an integral part of our values, which influences not only day-to-day decisions within our own operations but also actions in relation to our wider impact and stakeholders, including supply chain partners. This year, our absolute Scope 1 and 2 emissions have reduced by 7%, while our emissions intensity per £million of revenue – a helpful measure for a growing organisation like ours – reduced by 23%. Since 2019 – our baseline year – we have achieved a 66% reduction in emissions intensity. Our absolute Scope 1 and 2 emissions have reduced by 55% over the same period. This figure reflects changes in our portfolio as well as energy saving and carbon reduction measures.

Our work continues, and we are delighted to announce our new, accelerated commitment to reach net zero carbon emissions by 2045. In addition, we have set shorter-term targets to reduce our Scope 1 and 2 emissions by 50% and 70% respectively by 2030. Over the next year we will submit our targets and roadmap to the Science Based Targets initiative for formal validation. We will also continue the work already underway with our supply chain to model a robust reduction plan for Scope 3 emissions.

Supporting our employees also remains central to our values, and in recognition of the impact of global inflationary pressures on employee household budgets, we have taken action to support our people in relation to the cost-of-living crisis. Accordingly, we brought forward our Group-wide annual salary review from July to April 2022, and followed this up with a further one-off cost-of-living payment in October 2022 for employees most impacted.

We are also focused on fostering a strong talent pipeline, as well as investing in supporting and developing the talented people we already employ. This year, we are taking on an increased number of apprentices, across a broader range of disciplines. We have also expanded our internal development programmes, including the development of future leaders, by increasing the number of participants in our Leadership Programme.

More broadly, we continue to build an inclusive and progressive culture, striving to be ahead of the curve in our equality, diversity and inclusion targets, listening to and engaging with our employees as we seek to create a culture where everyone feels able to be their authentic self at work. To this end, we have created a number of new employee impact groups in the year, with more planned for the coming year.

And of course, our contribution to sustainability goes far beyond the way in which we operate our business – indeed it is central to our purpose, to enable a greener, healthier, more connected advanced society. We help our customers to make a tangible positive impact on the world in all these areas. Using our products and services, customers are developing new materials and approaches to enable the critical energy transition which will directly impact everyone on the planet, as the world's governments and businesses pursue the goal of reaching net zero carbon emissions. In healthcare, our products are enabling medical researchers to understand the fundamental mechanisms of disease, accelerating their progress on new medicines and treatments. We are also instrumental in the drive towards a more connected future, where everyone, everywhere can access information whenever they need – with a particularly meaningful impact in the emerging economies where connectivity has been proven to improve lives and increase prosperity.

Our aspiration is that everything we do can contribute to a more advanced society for all.

Supporting a smooth transition

In April 2023, I announced my intention to retire as Chief Executive. As my time in post nears its end, I want to thank all my colleagues, who have made the past 25 years so rewarding and fulfilling. Their warmth, talent, and spirit of relentless innovation have helped Oxford Instruments to become one of the most exciting technology companies operating today, consistently delivering positive impacts through disruptive change to the world. It has been a privilege and an honour to lead such talent over the past seven years, and I am delighted the company is in such a strong position as I prepare to hand the baton on to my successor, Richard Tyson. With a robust strategic foundation underpinning growth in all key areas, I look forward to supporting a smooth transition and I wish Richard and the team every success in the future.

Summary and outlook

The Group's continued positive momentum reflects our purpose-driven focus on structural growth markets that are enabling a greener, healthier, more connected advanced society. Our deep understanding of our customers' needs and the drivers of growth in our markets, combined with our product leadership, our relentless innovation, and our commitment to operational excellence – all key elements of our well-embedded Horizon strategy – have supported a strong set of results and underpinned continuing investment for future growth.

We have delivered growth in orders, revenue and profit, as well as maintaining margin, with performance strengthened in the second half as we converted our order book and realised the benefits of new pricing structures.

While mindful that the wider macroeconomic context remains challenging, our record order book and strong positions in attractive end markets underpin our confidence in the future growth of the Group. Our strong balance sheet positions us well to invest in people, infrastructure and innovation, and to make synergistic acquisitions to augment our organic growth. Full-year outlook is in line with our expectations.

Ian Barkshire
Chief Executive

14 July 2023

Making a positive impact on the world

Enabling a greener...

- Facilitating development of materials for electric vehicles.
- Speeding progress of next generation batteries.
- Enabling analysis of microplastics and pollutants in water.

...healthier...

- Enabling breakthroughs on cancer, dementia and malaria.
- Facilitating the development of personalised medicine.
- Supporting rapid understanding of viruses, including Covid-19.

...more connected...

- Helping data centres operate effectively and sustainably.
- Supporting the growth of 5G networks.
- Enabling increased bandwidth and greater connectivity.

...advanced society.

- Helping turn today's science into tomorrow's technology.
- Accelerating the commercialisation of quantum computing.
- Helping optimise advanced materials for a sustainable economy.

REASONS TO INVEST

Our investment case is centred around the following key characteristics

Our purpose, and our customer-centric, market-focused strategy are driving increasing demand from structural growth markets for our world-class solutions.

1. Strong positions in sustainability-focused markets with long-term growth characteristics

We operate across end markets with long-term growth drivers: Healthcare & Life Science, Semiconductor and Communications, Advanced Materials, Energy & Environment, Quantum Technology and Research & Fundamental Science.

Our markets contribute significantly to a greener, healthier, more connected advanced society, in line with our purpose. They are reinforced by global sustainability drivers, including the switch to renewable energy and EVs, the development of more effective medicines and healthcare, better food safety and increased connectivity via 5G and IoT applications.

Six
end markets with long-term growth characteristics

See Market context / **Pages 28–29**

2. Provision of differentiated technology, offering customers value-adding capabilities and performance

We provide premium technology with high-end capability and functionality, which are critical to the success of our customers.

Our advanced capabilities are designed for ease of use, resulting in reduced training time and wider application.

We also provide additional software products enabling efficient, in-depth analysis of high-volume raw data for faster results.

8%
of revenue invested in R&D

See Operations review / **Pages 38–51**

3. Strategic diversification across markets, geographies and customers provides resilience

Our resilience is derived from our positions across six primary growth markets, and multiple sub-segments. We have a proven ability to apply our technologies to attractive new end markets, providing further diversification and additional growth.

As a result of our premium capabilities, our customer list spans both academic institutions and blue-chip commercial customers, in roughly equal proportions. Our products are used in fundamental research, applied research and development, and high-tech manufacturing.

We have a global customer base with significant revenue from Asia, North America and Europe.

Our structural diversity means no individual customer accounts for more than a single digit percentage of revenue.

50/50
split between commercial and academic/government customers

See At a glance / **Pages 6–7**

4. Increasing proportion of recurring service and support revenue, with significant opportunity for further growth

We have an increased focus on the provision of tailored, long-term support contracts at product sale with attractive margins that enable customers to optimise their use of our equipment throughout its lifetime.

This end-to end service offering supplements our revenue from each customer, with scope to increase this further. Market-specific software products provide further tailored support to increase customers' capabilities.

We are making the provision of our service offerings more effective and efficient by cross-training employees across product lines, developing regional service centres closer to our customers and increasing the use of remote service options.

16%

of revenue from Service & Healthcare

See Service & Healthcare / **Pages 50–51**

5. Relentless innovation, with continual investment at the leading edge of our high-tech markets

Our investment decisions are aligned to our market intimacy – understanding the evolving trends in our markets – and based on understanding the needs of our customers.

We develop and update long-term technology roadmaps which guide where we invest.

We have a high level of ongoing R&D investment (typically at 8–10% of revenue per annum), to keep our products at the leading edge of technology.

30%

Vitality Index – % revenue derived from products launched in the last three years

See Purpose in action / **Pages 10–17**

6. Focus on driving operational excellence across the business

We are investing in production capabilities and increased capacity, including the creation of state-of-the-art facilities. Together with a focus on enhancing the resilience and sustainability of our supply chain, this will drive our profit margins higher, with significant opportunity remaining to increase our profitability.

We are also investing to enhance our customer service, including digitalisation.

c.£70m

multi-year investment in a state-of-the-art compound semiconductor facility

See Chief Executive's Review / **Pages 20–25**

7. Strong balance sheet and cash-generative characteristics, well positioned to invest for organic and inorganic growth

Over and above our significant organic investments, we seek to supplement our growth strategy, where appropriate, by acquiring highly complementary businesses which provide enhanced opportunities within our target markets.

Our strategy is to buy carefully and prudently in markets and technologies we know well, with strategic fit and leading capability a necessary pre-requisite to acquisition.

Our strong and prudent balance sheet and cash-generative business model ensure we are well positioned to pursue opportunities.

£100.2m

net cash at 31 March 2023

See Finance Review / **Pages 82–93**

MARKET CONTEXT

Meeting the needs of our customers in attractive end markets

Healthcare & Life Science

A growing and ageing population is placing healthcare systems all over the world under great strain due to the increased number of people living with medical conditions that impact their daily lives. Building an understanding of fundamental disease mechanisms at the cellular and molecular level is helping to accelerate the development of new, more effective medicines, at a lower cost than was previously possible.

Market drivers

- The quest to find cures for life-threatening and chronic illnesses is driving further research into the pathology of disease states to support understanding of their origins and progression.
- Growing recognition that individuals respond to treatment in different ways is driving the demand for advanced and personalised treatment plans.

Our response

- Our advanced imaging and analysis solutions, including our scientific cameras and microscopy systems, are helping to reveal sub-cellular detail, while allowing observation of real-time interactions to help understand our immune response to foreign organisms.
- Our cameras are being used in gene sequencing, helping researchers learn more about how genetics influence response to therapies to enhance success rates of treatment.

Semiconductor & Communications

The ever-increasing push for more sophisticated consumer electronics, greater connectivity, and the associated exponential increases in data, are driving the need for increased semiconductor chip production. With this growth in demand comes the need to minimise environmental impact.. Critical applications, including autonomous vehicles, augmented reality, AI, high-speed networks and hyperscale data centres require higher-performing, more energy-efficient, high-quality devices that can be produced at high volume.

Market drivers

- Increased demand for more efficient and faster power devices to support a green economy.
- Increased investment in improved connectivity and the deployment of human-machine interfaces (e.g. facial recognition), resulting in the need for enhanced bandwidth, capacity and speed.
- Governments and businesses seeking to protect against supply chain shortages.

Our response

- Our etch and deposition process solutions are used across a range of semiconductor, device and materials applications to help develop next-generation disruptive technology.
- Our leading expertise in the processing of compound semiconductors is helping deliver speed, capacity and energy efficiencies.
- Our image and analysis solutions are supporting quality control, yield management and next-generation device development.

Advanced Materials

Advanced materials are the building blocks of today's society, with growing demand for lighter, stronger, higher functioning and more sustainable materials across a wide range of markets. The design and manufacture of safer cars, more efficient battery storage, more sustainable materials for construction and new materials for medical implants all rely on the ability to accurately measure their composition and structure down to the nanoscale.

Market drivers

- The need to develop, control and repeatedly manufacture new materials such as super alloys, while continuing with quality control and analysis of existing products.
- Environmental drivers, including the need to decarbonise commodities such as steel and concrete, and reduce raw material usage and wastage in manufacturing.
- The move towards higher-performing materials and super alloys in automotive and aerospace industries.

Our response

- Our solutions enable faster and more accurate assessment of the properties of advanced materials, as well as their performance and reliability, through the design and precise control of the composition, micro-structure and thin films coatings.
- Our ability to measure a range of critical properties helps manufacturers assess process performance and quality; e.g. by detecting nanoscale impurities which can degrade performance, they are able to avoid catastrophic failures.

By building strong relationships with our customers, we can understand more about the changing drivers in our end markets, anticipating customer needs and helping to address them.

As a result, we believe that our strong position in our end markets will continue to create value for our customers and present significant opportunities for economic growth.

Energy & Environment

In energy, the need to transition away from fossil fuels and decarbonise the economy is driving a focus on alternative forms of generation, distribution and storage. In the broader environment sector, there is more focus on sustainable food production to serve a growing population, together with increasing requirements for food safety and the characterisation of food composition.

Water quality testing, microplastic detection and the sustainable sourcing and use of minerals are further environmental drivers shaping the market.

- The drive for improved battery technology with less reliance on finite and expensive components, and more efficient and effective alternative energy sources, such as wind and solar.
- Sustainable supply of goods and foods to enable an advanced society.
- The drive towards a less polluted, more sustainable planet with more responsible use of resources.

- Our imaging and analysis solutions are supporting current manufacturing, while helping improve the performance and storage capability of batteries and solar cells by helping researchers understand their structure at the nanoscale.
- Our benchtop analysers are playing an increasing role in quality control and assurance in the food industry, helping establish oil and fat content and nutritional values.

Quantum Technology

The market continues its rapid evolution from early-stage research into applied research and development and the growing commercial market. Quantum computing remains highly disruptive, with the ability to revolutionise end markets including drug discovery, climate change, logistics and financial services by helping solve complex problems which are beyond the capability of current computers.

- Quantum technology is making progress from fundamental science to applied research, targeting commercial applications with end-market drivers including quantum computing, secure communications, advanced sensors and imaging.
- Significant breakthroughs in the development of quantum technologies are increasing the level of global investment and accelerating practical commercial exploitation of the technology.

- Our cryogenics, advanced fabrication, imaging and characterisation solutions are all critical to the advancement of quantum, and provide the fundamental capabilities and platforms to enable both the research and development of viable commercial applications.
- Our single-photon-sensitive cameras are helping researchers investigate and develop quantum optics, which are required for secure quantum-based communication systems.

Research & Fundamental Science

Fundamental shifts in technology and capability are driving increased research and applied development as we continue to understand the world around us. In the global race for technical leadership, both academic and commercial researchers are investing to help advance societies and support sustainable economic growth. This is driving advances in new materials and devices as well as fundamental research in the physical sciences, including astrophysics.

- Increasing academic interest is driving international funding for research into fundamental material properties.
- Continued interest in astronomy driven by the exploration of the universe, the tracking of space debris and the monitoring of solar activity.

- Our extreme and controlled environments enable researchers to make ground-breaking discoveries of new materials and novel phenomena, furthering our understanding of material structures, properties and performance.
- With our scientific cameras, astronomers can see more detail than ever before, allowing them to discover new exoplanets, safely operate satellites around space debris and predict interruptions caused by solar flares.

OUR BUSINESS MODEL

Helping to create a more sustainable future

Driven by our purpose
To enable a greener, healthier, more connected advanced society.

Impacted by:

Our stakeholders

Engagement with our stakeholders allows us to grow and execute our strategy, so we consider the impact we have on them, as well as what they consider important, when developing our plans for long-term success.

Our markets

The health and resilience of our chosen end markets has played a critical role in our strong performance. We believe our strong position in these end markets, along with their structural growth drivers, will continue to create value for our customers and present significant opportunities for sustainable economic growth.

Our management of risk

The identification and evaluation of emerging risks is derived from the Group's quarterly risk reporting framework. Any new risks reported by the business units are specifically identified and discussed as part of this process, with a formal review of emerging risks at the year end.

How we add value

Our core activities

Fundamental research

Providing solutions to those exploring new frontiers down to the nano and molecular level.

Find out more / **Pages 38–51**

Applied R&D

Our key enabling technologies and solutions facilitate the development of more advanced products.

Find out more / **Pages 38–51**

High-tech manufacturing

Providing products to support today's manufacturing challenges and increase productivity.

Find out more / **Pages 38–51**

Underpinned by strong demand for our products and services:

Technology leadership in six end markets with sustainable, structural growth drivers

Customers across commercial (50%) and academic (50%) markets

Global demand with strong positions across Asia (45% of revenue), North America (29% of revenue) and Europe (24% of revenue)

Driven by our strategic objectives

01. To create competitive advantage through our customer-centric, market-driven approach

Find out more / **Pages 34–35**

02. To deliver outstanding product solutions supported by innovation and technical leadership

Find out more / **Pages 34–35**

03. To offer value-driven customer service and an unrivalled customer experience

Find out more / **Pages 34–35**

04. To support our performance and our customers by being a highly efficient, resilient and sustainable Group

Find out more / **Pages 34–35**

05. To continue investment in building our capabilities and creating a culture for success

Find out more / **Pages 34–35**

Our operations

Supported by our sectors

Materials & Characterisation

Find out more / **Pages 40–45**

Research & Discovery

Find out more / **Pages 46–49**

Service & Healthcare

Find out more / **Pages 50–51**

Outcomes

Revenue

£444.7m

+14.0% at constant currency

Adjusted operating profit

£80.5m

+13.4% at constant currency

Adjusted EPS

112.7p

+19.5%

Return on capital employed

35.2%

+50 basis points

How we invest our capital

Organic cash investment:

- R&D: £34.8m
- Capital expenditure: £32.3m

Shareholder distributions:

- Full-year dividend payments of £10.6m

Balance sheet flexibility for inorganic opportunities:

- Net cash of £100.2m

ENGAGING WITH OUR STAKEHOLDERS

As a customer-focused, market-driven business, our stakeholders are at the heart of everything we do

Encouraging the science leaders of tomorrow

Across the world, a multitude of Oxford Instruments colleagues give their time to mentor developing talent in their local communities and encourage young people to pursue their passion for science and technology. Belfast-based Andor Technology's Engineering Director Claire Greenwood (above left) recently took part in the SistersIN leadership programme for sixth-form girls in Northern Ireland, mentoring a young woman and providing real-world experience of high-tech design and manufacturing.

Promoting the success of the company for the benefit of all stakeholders

Engagement with our stakeholders allows us to grow and execute our strategy, so we consider the impact we have on them as well as what they consider important when developing our plans for long-term success. We use a range of engagement mechanisms in order to understand and consider our stakeholders' views. In some cases, the Board engages directly with stakeholders, but there is also significant engagement by senior management and throughout the company. The Board receives reports and updates on such engagement and the views and feedback gathered from stakeholders is used to inform discussion and decision-making.

See pages 112 to 117 for details of how we engage with our stakeholders and page 117 for our statement in accordance with Section 172(1) of the Companies Act 2006.

Customers

Customer intimacy helps us to identify additional opportunities to deliver increased value to our customers, and for the long-term growth of our business.

Employees

A high-capability, diverse workforce enables us to better understand our customers and markets.

Shareholders

Generating value for shareholders is part of the Board's fundamental role, alongside promoting the long-term sustainable success of the company and contributing to wider society.

Suppliers

Our supply chain plays a vital role in supporting sustainable growth and efficiency across the business.

Local communities

Our core purpose enables us to support the development of stronger communities and have a positive environmental and social impact.

Society

We are committed to making a positive impact on the world through our solutions and services.

Read about how the Board engages with our stakeholders in the Governance section / **Pages 112-117**

OUR STRATEGY

We made continued progress in the execution of our Horizon strategy in the year, further strengthening our capabilities across the four pillars of our operating model

Many compelling opportunities lie ahead to deliver further value for all our stakeholders as we continue with our strategy, driving sustainable growth and margin enhancement while providing important benefits to society and the environment.

Both the positive impact we make on society and our financial success are underpinned by our Horizon strategy. Built around our purpose to enable a greener, healthier, more connected advanced society, through Horizon, we have positioned ourselves in attractive, global niche markets with strong, structural growth drivers.

We have deliberately focused on building scale and capability in specific end markets, offering sustainable differentiation within advanced materials, life science and semiconductor markets. Horizon has driven engagement with customers across the full technology cycle, from research to applied R&D to high-volume manufacturing, to maximise the impact of and returns from our core enabling technologies, whilst positioning us to benefit from rapid growth and each wave of technology disruption. This embeds resilience into the heart of our business model.

As a customer-centric, market-driven Group, we put our customers at the heart of all we do. Building such close relationships brings us unique insight into the technical and commercial challenges faced by our customers. We then use this insight to inform our product roadmaps to ensure we can offer real solutions both today and in the future.

Market intimacy

To create competitive advantage through our customer-centric, market-driven approach

Our in-depth knowledge and competitive insights about our customers' world allow us to better meet their needs, delivering products and support that will delight our customers, providing added value throughout the relationship.

In the year

Through our commitment to market intimacy, we have strengthened our customer relationships and deepened our understanding of our core markets and the opportunities they present. We have grown our business by anticipating our customers' challenges and responding with a portfolio that helps them achieve their goals. We have also used our enhanced insight to help us grow in adjacent markets and to strengthen our commercial offering.

Year ahead

We will continue to grow our presence in adjacent markets and build our share of commercial customers, while maintaining our position in the academic market. By strengthening our market intimacy capabilities with new talent with specific domain knowledge, we can continue to build more targeted and relevant communications and solutions for our different end markets.

Innovation and product development

To deliver outstanding product solutions supported by innovation and technical leadership

We focus our R&D investment on creating differentiated products and key enabling technologies for higher-growth markets, prioritising and aligning product roadmaps with market developments and customer needs.

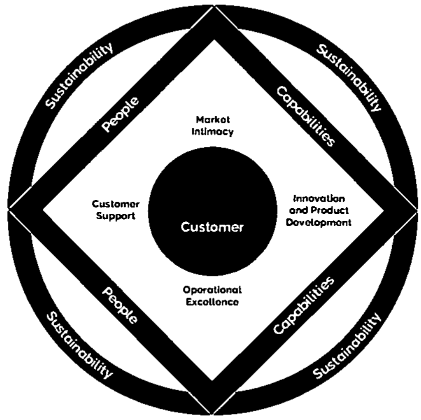
In the year

We have continued to integrate our market insight into our product development roadmaps. We have increased our R&D investment to develop new products that will create maximum value for our customers and enable our expansion into adjacent markets. We have maintained our focus on protecting and expanding our intellectual property portfolio to strengthen our barriers to entry.

Year ahead

We will use our understanding of the challenges and opportunities our customers and markets face to steer our investment into the development of solutions that will deliver greater value and returns on our investment. We remain committed to enabling our customers to achieve long-term success and will support them with their environmental agenda by ensuring our products have sustainability designed into them.

See page 8 for Horizon and read more about our progress in our Chief Executive's Review/Pages 20-25



Customer support

To offer value-driven customer service and an unrivalled customer experience

We provide high-quality and high-value customer services, with a compelling portfolio of tailored service products that improve our customers' productivity and the delivery of their outcomes throughout the lifetime use of our products.

We have delivered more service offerings tailored to the specific needs of our customers, applications and regions. Through recruitment and training, we have enhanced our regional services to help us deliver our global expertise locally, and improve lead times for in-person visits. Meanwhile, we have further strengthened our digital offerings, including our remote support capabilities, to ensure maximum uptime for our customers.

We will continue to build our service portfolio to offer solutions for our customers throughout the lifetime use of our products. In parallel with the strengthening of our regional teams for in-person service, we will further enhance our digital offering to provide our customers with an increasing level of real-time insights to enhance their capabilities and productivity.

Operational excellence

To support our performance and our customers by being a highly efficient, resilient and sustainable Group

We invest in operational excellence to drive the continuous improvements across the organisation in procurement, operational efficiency and logistics that will support our performance now and in the future.

The work we have undertaken in previous years to strengthen our supply chain and develop long-term partnerships with fewer suppliers has helped us mitigate the industry-wide supply chain challenges of recent years. We have also embedded and improved manufacturing processes and created centres of excellence to help us achieve the delivery of operational excellence across the Group.

We will continue to make significant investments to facilitate our continued growth. These include Group-wide investments in people, IT and infrastructure to enhance manufacturing productivity, and a focus on building further resilience into our supply chains to minimise potential for disruption. We are also focusing our efforts on embedding environmentally and socially sustainable procurement principles across our operations.

Sustainable culture

To continue investment in building our capabilities and creating a culture for success

We identify and develop the skills and experience that will help us continue to grow and be successful, whilst also offering staff opportunities to help them reach their full potential and feel empowered to own challenges and find solutions for them.

We have continued to provide opportunities for our people to build new skills and broaden their experience, deepening our technical, market and commercial expertise. In the year we have launched Career Pathways, a set of tools and resources to help colleagues develop their careers with Oxford Instruments. We have also extended the number and range of recruits to our apprenticeship schemes and Leadership Programme.

We will continue to enrich our employees' experience of working for Oxford Instruments, creating a safe and vibrant environment. This will include further opportunities to build a successful career here, making a personal, positive impact on the world around us.

KEY PERFORMANCE INDICATORS

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

Financial KPIs

Revenue growth (%)

Link to strategy

21.1%

22/23 21.1%
21/22 15.3%
20/21 0.3%

Why we measure: To drive profitable, sustainable growth through the implementation of our strategy against its strategic plans. The key performance indicators are presented here.

Cash flow conversion (%)*

Link to strategy

88%

22/23 88%
21/22 84%
20/21 102%

Why we measure: To maintain a strong operating cash conversion ratio and high level of free cash flow.

* normalised

Adjusted earnings per share (EPS) growth (%)

Link to strategy

19.5%

22/23 19.5%
21/22 20.0%
20/21 12.0%

Why we measure: To achieve long-term growth in EPS.

Adjusted operating profit margin (%)

Link to strategy

18.1%

22/23 18.1%
21/22 18.1%
20/21 17.8%

Why we measure: To consistently maintain underlying operating margins.

Return on capital employed (ROCE) (%)

Link to strategy

35.2%

22/23 35.2%
21/22 34.7%
20/21 33.9%

Why we measure: To deliver ROCE in excess of our cost of capital.

Strategic goals

- Market intimacy
- Customer support
- Operational excellence
- Innovation and product development
- Sustainable culture

Measuring our performance

Our goal through our financial KPIs is to deliver shareholder returns through profitable, sustainable growth and strong cash conversion and efficient use of capital. The Group uses a range of measures to monitor progress against its strategic plans. The key performance indicators are presented here.

Strategic KPIs

Inventing the future (%)

Link to strategy

30%

22/23	30%
21/22	34%
20/21	38%

What we measure: Proportion of revenue coming from products launched in the previous three years.

Why we measure: To measure the effectiveness of our R&D programmes.

Adding personal value (#)

Link to strategy

1.55

22/23	1.55
21/22	1.57
20/21	1.52

What we measure: 'Value Add' = (adjusted operating profit + employment costs)/employment costs.

Why we measure: To measure efficiency.

Absolute carbon emissions (Scope 1 and 2) tCO_2e

Link to strategy

1,284.9

22/23	1,284.9
21/22	1,377.6
20/21	520.6

Carbon emissions intensity (tCO_2e per £m revenue)

Link to strategy

2.89

22/23	2.89
21/22	3.75
20/21	1.63

Non-financial KPIs

Employee engagement (%)

Link to strategy

78%

22/23	78%
20/21	77%*
18/19	77%

What we measure: Engagement across a number of areas for feelings of inclusion, value and respect.

Why we measure: Regular surveys to measure employee engagement and identify areas of focus. This measure began in 2019.

* Last full survey: surveys have been carried out every two years.

Minor accident rates (#)

Link to strategy

21

22/23	21
21/22	20
20/21	21

What we measure: Rate of minor accidents/1,000 employees for ongoing businesses.

Why we measure: To measure the impact of our safety drive, Push for Zero, to reduce accidents.

OPERATIONS REVIEW

Strong progress in the year

Group performance – sectors

£511.6m

Materials & Characterisation	+19%*
Research & Discovery	+8%*
Service & Healthcare	+10%*

Materials & Characterisation

£444.7m

Healthcare & Life Science	+13%*
Semiconductor & Communications	+10%*
Quantum Technology	+147%*
Energy & Environment	+18%*
Advanced Materials	+24%*
Research & Fundamental Science	+143%*

Research & Discovery

£80.5m

Healthcare & Life Science	+13%*
Semiconductor & Communications	(6)%*
Quantum Technology	+10%*
Energy & Environment	(5)%*
Advanced Materials	+27%*
Research & Fundamental Science	(29)%*

* Revenue growth over prior year at constant currency

Orders

Orders intake increased 20.9% to £511.6m (2022: £423.1m), representing 14.2% growth on a constant currency basis.

Growing demand supported double-digit order growth from both academic institutions and commercial customers in the year, with strong growth across all three sectors.

There was double-digit order growth in Healthcare & Life Science, Advanced Materials, Semiconductor, Quantum Technology and Energy & Environment markets. Within Semiconductor, orders continued to be robust, with strong growth supported by our focus on compound semiconductor process equipment. Our portfolio also addresses every stage of the semiconductor cycle from research and applied R&D to manufacturing support, providing us with greater resilience, relative to traditional silicon production cycles. There was particularly strong growth in Quantum Technology supported by long-term government funding programmes and our increasing reach into leading commercial companies.

In Research & Fundamental Science, orders were broadly in line with the previous year, as we continued to move away from delivering large, one-off bespoke systems. This market now represents just 3% of orders, due to our managed migration to higher-value markets.

Healthy demand across our regional markets resulted in strong double-digit order growth in Europe and North America, with high single-digit growth in Asia. Within Asia, China had double-digit order growth, after the adverse impact of orders which received export licence refusals, with positive momentum in the fourth quarter as the country moved away from its lockdown strategy.

Revenue

Reported revenue grew by 21.1% to £444.7m (2022: £367.3m), representing growth of 14.0% at constant currency. At constant currency, there was growth of 19.2% in Materials & Characterisation, 8.1% in Research & Discovery and 9.6% in Service & Healthcare, with supply chain issues tempering performance through the year.

The strong revenue growth across our end markets supported 10.0% constant currency revenue growth in Healthcare & Life Science, 24.1% in Quantum Technology, 15.6% in Energy & Environment and 25.2% in Advanced Materials.

Within Semiconductor, supply chain challenges limited the number of compound semiconductor processing systems shipped, resulting in 8.9% constant currency growth – with a book to bill of 1.21 in the year. Research & Fundamental Science was 16.3% lower, as we focus away from this market, with it now representing only 4% of Group revenue.

Profitability

The strong revenue performance in the second half of the year, with supply chains easing, and price rises beginning to flow through, supported an increase in full-year adjusted operating profits to £80.5m, representing 13.4% growth on a constant currency basis. Reported adjusted operating margin of 18.1% was in line with the previous year, despite the inflationary environment, supply chain challenges, and our continued investment across the Group for future growth.

Revenue by end market

End market	Full year revenue to 31 March 2023	% constant currency[1] growth	% of Group revenue
Advanced Materials	£140.2m	25.2%	32%
Semiconductor & Communications	£122.0m	8.9%	27%
Healthcare & Life Science	£85.2m	10.0%	19%
Energy & Environment	£43.0m	15.6%	10%
Quantum Technology	£35.3m	24.1%	8%
Research & Fundamental Science	£19.0m	(16.3%)	4%

1. For definition refer to Note on page 3.

OPERATIONS REVIEW

Materials & Characterisation

The Materials & Characterisation sector has a broad customer base across a wide range of applications for:

- The imaging and analysis of materials down to the atomic level (across our Asylum Research, NanoAnalysis, Magnetic Resonance and WITec businesses), where our leading product performance, ease of use and advanced analytics enhance our customers' capabilities, provide actionable insights and increase their productivity. Our portfolio of materials analysis solutions (including X-ray, electron and magnetic resonance analysis systems and atomic force and Raman microscopes) enable the measurement of the structures, composition and critical properties that define the modern world.
- The fabrication of semiconductor devices and structures, where our Plasma Technology business' portfolio of advanced etch and deposition process systems enables our customers to create and manipulate materials with atomic scale accuracy to manufacture advanced compound semiconductor devices.

With a strong focus on accelerating our customers' applied R&D, our products and services in this sector enable the development of new devices and next-generation higher-performing materials, as well as enhancing productivity in advanced manufacturing, quality assurance (QA) and quality control (QC).

Key highlights

	Full year to 31 March 2023	Full year to 31 March 2022	% reported growth	% constant currency[1] growth
Orders	**£272.8m**	£219.2m	+24.5%	+18.3%
Revenue	**£234.5m**	£185.5m	+26.4%	+19.2%
Adjusted[2] operating profit	**£40.5m**	£26.1m	+55.2%	+45.2%
Adjusted[2] operating margin	**17.3%**	14.1%		
Statutory operating profit	**£35.7m**	£20.8m		
Statutory operating margin	**15.2%**	11.2%		

1. For definition refer to Note on page 3.
2. Details of adjusting items can be found in Note 2 to the full-year financial statements.

Advancing customers' progress across a wide range of applications in fundamental research, applied R&D and manufacturing

The Materials & Characterisation sector delivered strong constant currency order growth of 18.3% to £272.8m (2022: £219.2m), with constant currency revenue increasing 19.2% to £234.5m (2022: £185.5m). This was underpinned by strong customer demand across our markets, aligned with the leading-edge technology and ease-of-use features within our portfolio. There was particularly strong growth into our largest markets – advanced materials, semiconductor and energy & environment – which together accounted for 90% of the sector's revenue.

"We increasingly see customers deploying a wide range of our products and techniques to accelerate their progress."

Ian Wilcock
Managing Director
Oxford Instruments Materials Analysis Group

We also saw growth into our healthcare and quantum markets within Materials & Characterisation, albeit the majority of our activity in these markets stems from our Research & Discovery sector (see pages 46 to 49). As a result of the strong order intake, our Materials & Characterisation order book increased by 34.5% to £156.0m at the year-end (2022: £116.0m), representing growth on a constant currency basis of 29.6%.

Our strong revenue growth, combined with leveraging efficiencies across our teams and portfolio, resulted in significant growth in adjusted operating profit, which increased by 45.2% at constant currency to £40.5m (2022: £26.1m). This was supported by price rises flowing through into second half deliveries, better compensating for the inflationary pressures in the year. There was a 320bps increase in the adjusted operating margin to 17.3% (2022: 14.1%) despite continued investment for future growth.

Operational, strategic and regional progress

During the year, we have continued to maximise synergies across our portfolio of materials analysis solutions by leveraging our market insights and in-depth knowledge of customers' workflows. This enables us to offer an ever-broader range of tailored solutions to existing customers, as well as expanding into larger, faster-growing markets. We increasingly see both existing and new customers deploying a range of our products and techniques to accelerate their progress and manage the quality of their output at every stage from R&D to manufacturing. This approach has enabled us to support the growth of WITec, extending its reach into new geographies and markets, while in turn, WITec's ability to measure the structural chemistry of materials has complemented our existing portfolio, enabling us to provide solutions that fully characterise the critical parameters of materials, systems and devices at the nanoscale.

FURTHER READING

For a snapshot of our progress, see At a glance / **Pages 6–7**

For more on our strategic and operational progress, see Chief Executive's Review / **Pages 20–25**

For more on our financial performance, see Finance Review / **Pages 82–93**

OPERATIONS REVIEW: MATERIALS & CHARACTERISATION continued

We continue to maximise synergies across our portfolio by leveraging our market insights and in-depth knowledge of customers' portfolios

Our investment in regional sales teams and heightened application focus through our nurture, expand and land strategy has driven particularly strong growth in North America and Europe, as well as growth in Asia.

Within China, we had strong order growth, and revenue growth of 6% in the year was supported by the easing of Covid-related lockdowns in the second half of the year, despite ongoing delays in receiving export licences and an increased number of refusals.

We have delivered continued growth to both academic and commercial customers, with commercial customers representing 58% of revenue in the year (2022: 57%). Strong growth into academia was supported by increased government funding into our markets as they prioritise the development of semiconductor infrastructure, invest in greener technologies, and advance their national quantum programmes.

Our own production capacity to support the growing compound semiconductor market will significantly increase with the move of our Plasma Technology business, based in Bristol, UK, into purpose-built, larger premises later in the current financial year. Comprising a state-of-the-art manufacturing area, with increased clean-room space and advanced laboratories, it will support further development of our leading-edge technologies in the surging compound semiconductor market.

With good positions in a number of our end markets, the most notable developments for Materials & Characterisation in year are in the following:

Semiconductor & Communications
(42% of revenue)

Semiconductor & Communications has delivered strong growth in both orders and revenue. We have a broad reach across both the emerging compound semiconductor market (representing c. 65% of semiconductor revenue in the year) with its strong environmental and critical communication growth drivers, and the more established silicon chip and electronic device market. Within these markets, we provide solutions to support fundamental developments, applied R&D and, increasingly, solutions for manufacturing-related applications. This breadth of application provides us with a level of protection from the cyclicality of the semiconductor market, as, for example, R&D investment typically increases during periods of lower production.

With governments including the US, Europe and Japan committing tens of billions of pounds across the semiconductor market over a five- to ten-year period, and significant investment by companies, we have seen increased growth into research facilities and specialist clean rooms, as they seek to enhance their regional capabilities and safeguard security of supply. This has led to growth across our portfolio in these regions.

In the compound semiconductor market, we are seeing increasing demand driven by a number of factors, including the rise in digital data flow, increasing requirements from hyperscale data centres, surging demand for connectivity, the requirement for more energy-efficient devices and the increased deployment of human-machine interfaces such as facial recognition.

Supported by targeted new developments and product launches across our portfolio, our systems are enabling the significant increases in performance and yield, and the reductions in production cost, needed to make the transition to compound semiconductors economically viable. For example, in gallium nitride devices for improved power efficiency, our solution enables etch control to a uniformity of half a nanometre – just a few atoms thick. This results in a four-fold improvement in manufacturing volumes, together with enhanced performance.

With proprietary expertise across a wide range of compound semiconductors, including indium phosphide and silicon carbide as well as gallium nitride, our systems are being used in a broad range of important applications:

- supporting the delivery of 5G connectivity to everyone, everywhere in the world, via communication networks and data communications centres – for example, scaling up to support the processing needs of autonomous cars, which are expected to require up to 20 terabytes of data an hour;

- augmented reality applications, including micro LEDs and 3D sensors, which are increasingly being deployed across phones, cameras and cars;
- proximity sensors in smartphones, in applications such as facial recognition and contactless payment, where their premium performance is key; and
- critical yield and performance in power semiconductors for consumer electronics, such as USB-C fast chargers and truly wireless charging.

"It's rewarding to be at the heart of the semiconductor developments powering the higher-performing, greener technologies of today and tomorrow."

Matt Kelly
Managing Director
Oxford Instruments Plasma Technology

Alongside growth in our compound semiconductor portfolio, we saw growth in our imaging and analysis products. These are being used extensively across the silicon semiconductor chip industry, supporting production and development of next generation devices which deliver unparalleled performance and productivity. Through the year we have seen a reduction in orders and revenue for our equipment and techniques used directly in manufacturing defect review for consumer electronics. However, due to our leading analytical performance, combined with manufacturers ramping up to develop the next generation of chips - including 1- to 3-nanometre nodes - we have seen a significant increase in orders and revenue for applied R&D applications, demonstrating the resilience afforded by our positioning across the technology lifecycle. This has been supported by product launches of dedicated solutions for our semiconductor customers for advanced characterisation at the nanoscale for increasingly complex architecture - which is ever more important as chips and devices continue to shrink in size.

In addition, our imaging and analysis products are deployed across the broader electronics market, including the development and production of printed circuit boards and standard electronic components such as resistors and capacitors.

Advanced Materials
(34% of revenue)

Advanced materials play an increasingly important role in our daily lives, enabling everything from the screens we watch and the cars we drive to the structural materials that build our cities. We have delivered very strong double-digit order and revenue growth in this market, as both academic and commercial customers use our equipment and techniques to develop and deploy higher-performing and more sustainable materials, products and modes of transport, in pursuit of a greener future. We have seen particularly strong growth into service laboratories and core facilities, where the capabilities, versatility, and ease of use of our equipment and software lend themselves to a wide range of applications.

With nearly all materials and products undergoing some form of analysis, this continues to drive increasing demand across our imaging and analysis systems.

OPERATIONS REVIEW: MATERIALS & CHARACTERISATION continued

Our systems allow our customers to measure and characterise down to the nanoscale, optimising performance and production

Our systems allow our customers to measure down to the nanoscale, optimising the performance and production of lighter, stronger, higher-functioning materials from early-stage research through to design and production.

In the year, we have seen strong growth in the analysis of structural materials such as steel and concrete, which together account for around 15% of global CO_2 emissions. Here, we are accelerating our customers' progress as they address the vital challenge of making greener alternatives without compromising the performance of the material. Examples include the development of low-emission concrete recipes and self-healing concretes which can repair cracking automatically. In metals, our products support the development of new, low-carbon steels, and the recycling of valuable materials such as aluminium for use in high-end applications including aerospace, as part of the global push towards a circular economy.

In addition, we have seen related growth into automotive and aerospace applications, as structures evolve to facilitate renewable power sources such as the large, heavy battery packs currently needed in EVs.

The precision of our equipment also enables our products to support the development and characterisation of so-called 2D materials such as graphene, which are just one atom thick and have unprecedented performance properties. Graphene is starting to make its way into mainstream products including smartphones and wearable devices as scientists and researchers learn how to harness its capabilities. Other 2D materials are being used in areas such as battery research, displays and next-generation semiconductors, where their electrical properties are being explored for their potential to enhance performance.

Our products – particularly our atomic force microscopes – also play a crucial role in helping scientists understand the properties of polymers, including viscosity, adhesion, strength and hardness. The integral role polymers play in a multitude of products used in daily life, from tyres to fabrics and medical implants, underpins our growth in this area.

Energy & Environment
(14% of revenue)

From battery research to water quality, our systems play a critical part in the development of a greener future as governments, universities and commercial customers all over the world seek to reduce negative environmental impacts and drive positive change.

A particular area of strength for us is the battery market, which has a key role to play in the transition from fossil fuels, enabling sustainable travel and providing efficient and affordable storage to complement renewable energy generation. With our increasingly tailored solutions, which extend across our materials and analysis portfolio, we enable our customers to address challenges in every stage of the battery life cycle, from raw materials and R&D through to quality control and failure analysis, and end-of-life recycling. An example of this is our recently launched Cypher Battery Edition atomic force microscope, configured to enable the safe direct observation of battery chemistry during operation.

We enable our customers to address challenges in every stage of the battery life cycle

With the active elements of a battery operating at the nanoscale, our products help researchers better understand the fundamental chemistry and mechanisms that affect battery capacity, charging rate and lifetime. Our solutions are also adopted to ensure quality control, including particle analysis to detect potentially harmful contamination within raw materials.

Our analysis solutions are also playing an increasing role in the quest for a cleaner, less polluted environment. Customers, including a major European marine science institute, are using our systems to map the type and volume of microplastics across the oceans – crucial in helping our understanding of the impact of these pollutants on the wider ecosystem. Here, our leading Raman microscopy system, combined with our Particle Scout software, enables the categorisation and counting of microplastics and industrial waste.

Elsewhere in our portfolio, our benchtop Magnetic Resonance analysers provide a user-friendly interface to assess the levels of fats, oils and grease in wastewater, helping to prevent the fatbergs and pollution incidents which can occur when these build up in sewer networks.

Healthcare & Life Science
(6% revenue)

Healthcare & Life Science has delivered good growth through the year. Customers are using our atomic force and Raman microscopy equipment to explore biological systems, with applications in cancer and heart disease, among many others. This includes the imaging of living cells to measure their elasticity, structure and the dynamics of DNA, which are used to discriminate between healthy and diseased tissue.

Quantum Technology
(3% of revenue)

With strong customer relationships across the quantum market, and expertise in semiconductor processing and characterisation, we are seeing increasing demand to support fabrication of the qubits which form the basis of quantum computers. Our systems are supporting the roadmap to develop quantum computers with higher numbers of qubits, and greatly reduced defects. This will be critical for the advancement of these transformational devices.

OPERATIONS REVIEW

Research & Discovery

The sector comprises our Andor Technology, NanoScience and X-Ray Technology businesses.

It provides advanced solutions and unique environments that enable imaging and analytical measurements down to the atomic and molecular level, as well as ultra-low temperature and high magnetic field environments.

These are used across scientific research and applied R&D, and commercial applications. Our leading-edge technologies have a key role to play across a range of fields, from accelerating developments in medicine and material science to facilitating the growing commercialisation of quantum technology.

Key highlights

	Full year to 31 March 2023	Full year to 31 March 2022	% reported growth	% constant currency[1] growth vs full year to 31 March 2022
Orders	**£160.4m**	£133.9m	+19.8%	11.6%
Revenue	**£139.4m**	£120.3m	+15.9%	8.1%
Adjusted[2] operating profit	**£18.0m**	£21.3m	(15.5%)	(21.1%)
Adjusted[2] operating margin	**12.9%**	17.7%		
Statutory operating profit	**£11.3m**	£15.0m		
Statutory operating margin	**8.1%**	12.5%		

1. For definition refer to Note on page 3.
2. Details of adjusting items can be found in Note 2 to the full-year financial statements.

Our advanced solutions and unique environments enable imaging and analytical measurements down to the atomic and molecular scale

Increasing demand for our key enabling technologies, particularly across our Quantum Technology and Healthcare & Life Science markets, drove strong order growth of 19.8% to £160.4m (2022: £133.9m), with momentum building through the second half of the year. In addition, there was strong revenue growth of 15.9% to £139.4m (2022: £120.3m). In scientific camera and microscopy products, this was aided by the easing of supply chain pressures and relaxation of China's lockdown restrictions in the second half. However, for our high-value cryogenic and magnet systems, unfavourable phasing of installations (the point at which revenue is recognised for these products) resulted in lower revenue in the year, despite higher production volumes and strong order growth.

"We are delivering transformational performance to accelerate the development of new treatments and therapies."

Kristian Laskey
Managing Director
Oxford Instruments Andor Technology

Adjusted operating profit at £18.0m (2022: £21.3m) was lower than last year. This was due to increased investment in people and processes in our scientific camera and microscopy business as we increase production capacity and operational effectiveness. In addition, profit was impacted by the lower revenue in the cryogenics and magnets business as well as an unfavourable mix in this business from the installation of the last of the legacy complex bespoke systems. The lower adjusted operating margin of 12.9% (2022: 17.7%) reflected these factors.

Solid progress in the year

In the period we continued to focus on the key markets for the sector, namely Healthcare & Life Science, Advanced Materials and the evolving Quantum Technology market. The sector has a high profile within the research-intensive academic market, with a high proportion of sales made to academic customers. However, sales to commercial customers represent a growing proportion of revenue, at 33% (2022: 26%), as we develop application-specific, easy-to-use solutions based on our high-end, research-oriented platforms. In addition to selling directly to end customers, where we have a strong brand presence, we also access a broad range of other end markets by providing key technologies to a growing portfolio of strategic original equipment manufacturer (OEM) partners.

Supply chain challenges, lockdowns in China and extended delays in obtaining UK export licences had a disproportionate impact on the sector in the first half. However, the easing of supply chain constraints and the lifting of Covid restrictions in China supported a strong second half, resulting in double-digit order and revenue growth. This included significant order growth across our cryogenic platforms for quantum computing and our optical microscopy Healthcare & Life Science portfolio, underpinned by increased demand and new product launches in the year. This resulted in an increased orderbook of £119.2m (2022: £108.7m), up 9.7%, and a book-to-bill ratio of 1.15.

FURTHER READING

For a snapshot of our progress, see At a glance / **Pages 6–7**

For more on our operational and strategic progress, see Chief Executive Review / **Pages 20–25**

For more on our financial performance, see Finance Review / **Pages 82–93**

OPERATIONS REVIEW: RESEARCH & DISCOVERY continued

We have seen continued strong momentum for our advanced microscopy solutions and dedicated analytical software

Investment from government and commercial customers in Europe and the US has more than offset a significant reduction in academic orders from China related to the quantum and astronomy markets, as we move our focus towards markets with fewer export licence restrictions. China now represents a smaller proportion of revenue for the sector at 18% (2022: 25%), with significant growth into North America, which now represents 37% (2022: 33%) of revenue.

The sector has good positions in a number of end markets, and developments are as follows:

Healthcare & Life Science *(39% of revenue)*

We have seen continued strong momentum throughout the year for our advanced microscopy solutions and dedicated analytical software. We have enabled academic researchers, scientists and pharmaceutical companies to accelerate progress towards a healthier society, delivering improved treatments for neurological diseases and cancers, and towards the eradication of diseases such as malaria and polio. The significant progress in these fields is being enabled by our advanced microscopy solutions which support the improved understanding of fundamental disease mechanisms. With our enhanced product range of advanced microscopy products, we now enable fast, repeatable imaging of large molecular and cellular samples with the highest possible resolution for the ultimate research capability, whilst expanding the addressable market by bringing research-grade capability to broader and much larger markets through our disruptive, easy-to-use benchtop platform. This has supported double-digit order growth, with enthusiastic market acceptance of our new BC43 benchtop microscope, frequently bought by core imaging facilities as a user-friendly, space-saving workhorse to increase productivity at an attractive price point. It has shown strong growth in cancer research and neuroscience applications, such as studies into Alzheimer's disease and other forms of dementia, enabling researchers and pharmaceutical companies to look at the impact of new medicines and treatments. We also received our first OEM order for multiple BC43 systems for incorporation into a high-throughput gene sequencing instrument.

We have also seen significant order growth for our high-end Dragonfly microscopy system, supported by the launch of a new model with super spatial resolution capability. Dragonfly is being used in areas including spatial genomics, a method for mapping cancer markers rapidly to accelerate therapeutic breakthroughs, with its high speed a particular benefit to researchers.

Our proprietary AI-powered analytical software packages can be used across our portfolio, and with other manufacturers' equipment. These enable the automated analysis and interpretation of increasingly rich data sets, with sales of tailored packages for neuroscience, cancer research and cell biology applications growing strongly in the year. In addition to our microscopy portfolio, we continued to see increasing demand and strong revenue growth for our scientific cameras and laser modules through OEM partners in fields including drug discovery and gene sequencing.

Advanced Materials *(28% of revenue)*

Demand for our material characterisation technologies – such as our advanced measurement systems which integrate our superconducting magnets and cryogenic systems, as well as our portfolio of scientific cameras and optical spectrometers – continues to be driven by interest in new material discoveries aligned to global mega trends. Despite supply chain issues which eased in the second half, we continue to see significant growth in sales for technologies which enable fundamental material characterisation.

Research & Fundamental Science *(10% of revenue)*

We continue to see long-term customer interest in our high-end scientific cameras and specialised cryogenic and superconducting magnet systems across a broad range of research themes including astronomy, chemistry and physics research. In fluids and plasma dynamics, our scientific cameras and spectrometers, with their highly

We are at the heart of global research and development in the dynamic and growing field of quantum technology

sensitive and ultrafast detectors, enable customers to analyse phenomena on timescales as low as a billionth of a second. These are being used to study the efficiency of combustion processes in jet engines as new environmental fuels are developed, as well as exploring the critical behaviour of plasmas used to generate nuclear fusion, the ultimate solution to clean and sustainable energy. Our products continue to support the leading edge of science, with customers of our Andor camera and microscopy equipment named as winners of the 2022 Nobel prizes for chemistry and physics.

"As quantum applications develop, we are seeing increased academic and commercial opportunities for our technologies."

Matt Martin
Managing Director
Oxford Instruments NanoScience

We are increasingly focusing on larger and more profitable markets, with reduced focus on bespoke, one-off complex systems, particularly to academia. As a result of a controlled move away from these systems, orders and revenue in Research & Fundamental Science were down in the year.

Quantum Technology
(18% of revenue)

Oxford Instruments is at the heart of global research and development in this dynamic and growing market, which is receiving increased funding as both governments and commercial players seek to deliver the vast potential of quantum technology.

During the year, all major governments announced quantum technology funding programmes - with the UK government, for example, committing to a £2.5 billion investment over the next 10 years. In addition, global technology and communication companies, and a range of innovative smaller players, are breaking new boundaries as they create ever-more powerful quantum computers which are starting to move out of the laboratory and into mainstream applications.

We are collaborating with many of the sector's key academic and, increasingly, commercial institutions to accelerate progress towards the adoption of quantum computers as a mainstream tool. Quantum has the potential to transform our ability to solve incredibly complex problems which are beyond today's capabilities, disrupting existing markets such as finance, logistics, drug discovery and chemistry. Our technology and service capabilities are supporting these customers as they transition from the research laboratory into commercial data centres, enabling the transformation of established end markets as datacentres start to provide quantum computing services direct to customers, undertaking application trials on real-world data.

With multiple quantum computing technologies still in trial, the superconducting techniques which require cryogenic technologies still dominate the use cases. Over the course of the year, we have seen significant orders from tier 1 quantum providers, investing in our cryogenic products as they increase their engineering programmes to build 1,000 qubit-plus systems. However, our unique position, supporting both cryogenic quantum environments and optics-based quantum communication, through our scientific cameras, puts us at the heart of multiple strands of this rapidly growing market. Our highly sensitive, photon-counting camera remains the leading imaging solution in quantum optics experiments involving trapped ion and quantum entanglement measurements.

Within our Semiconductor & Communications and Energy & Environment end markets (together representing 6% of revenue), we continued to see strong demand for our key technologies, with revenue broadly in line with the previous year.

OPERATIONS REVIEW

Service & Healthcare

The Service & Healthcare sector comprises the Group's service and support related to Oxford Instruments' own products, and the support and service of third-party MRI scanners in Japan. We offer tailored support packages for all our products, delivered by a global network of product experts, application experts and service engineers, both in person and via digital channels, including online training, webinars and remote service support.

Key highlights

	Full year to 31 March 2023	Full year to 31 March 2022	% reported growth	% constant currency[1] growth
Orders	**£78.4m**	£70.0m	+12.0%	+6.4%
Revenue	**£70.8m**	£61.5m	+15.1%	+9.6%
Adjusted[2] operating profit	**£22.0m**	£18.9m	+16.4%	+8.5%
Adjusted[2] operating margin	**31.1%**	30.7%		
Statutory operating profit	**£22.4m**	£18.9m		
Statutory operating margin	**31.6%**	30.7%		

1. For definition refer to Note on page 3.
2. Details of adjusting items can be found in Note 2 to the full-year financial statements.

There was good growth in orders which increased 6.4% at constant currency to £78.4m (2022: £70.0m). Revenue growth was strong, increasing by 9.6% at constant currency to £70.8m (2022: £61.5m). Growth in orders and revenue in North America and Europe was strong but slightly lower than the prior year in Asia, which was adversely impacted by first half Covid-related restrictions in the region. There was strong growth momentum in the second half, as restrictions eased.

Adjusted operating profit increased 8.5% at constant currency to £22.0m (2022: £18.9m) reflecting the increased revenue, but partially offset by the investment in expanding our global service teams and lower revenues from Asia. This investment in the Service & Healthcare offering resulted in the adjusted operating margin decreasing by 30bps at constant currency to 31.1% (2022: 30.7%).

FURTHER READING

For a snapshot of our progress, see At a glance / **Pages 6–7**

For more on our operational and strategic progress, see Chief Executive Review / **Pages 20–25**

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We offer tailored support packages for all our products, delivered in person and digitally by expert teams all over the world

Operational and strategic progress

Our service and support strategy, underpinned by Horizon, is focused on three key pillars:

- increased tailoring of our service offerings to specific end applications and customer types;
- the delivery of seamless customer service at every stage of the product life cycle; and
- the development of global processes which can be delivered via a hybrid approach, both in region and digitally.

"Our investment in both digital and in-person services across the world has put us on a strong upward trajectory in Service & Healthcare."

Vicki Potter
Chief Human Resources Officer and Services Director

As we increase our portfolio and the scope of our services, we are offering a range of support packages to match the needs and budgets of our customers. This allows our customers to maximise their capabilities, enhance their productivity and receive immediate help and support when needed throughout the lifetime of our systems. We use our market intimacy to develop products appropriate to each end application and customer type. These include tailored offerings across our life science microscopy portfolio, where we are increasingly securing point of sale service contracts for our benchtop systems. We are also seeing strong growth in our Imaris life science analytical software, with packages focused on cancer research, cell biology, neuroscience and core facilities available on annual licences.

As the quantum market evolves into the commercial arena, we have secured a number of contracts from commercial customers to provide 24/7 service capability and uptime to quantum computers situated in hyperscale datacentres. This requires a dedicated team and approach building on our experience in providing similar service capability to MRI imaging systems and provides a good growth opportunity going forward.

In pursuit of seamless customer service, we have continued to invest in extending our regional teams and spares capacity to ensure short lead times for in-person support and training visits, as well as continuing to develop our digital and remote support offerings. We are increasingly able to diagnose and resolve issues within a few hours, using virtual reality as part of our digital toolkit, and in many cases removing the need for engineers to make site visits. Together, these developments result in greater flexibility and convenience for customers and a more sustainable offering, helping to limit our carbon footprint from business travel.

We have also continued to focus on the third element of our strategy, developing standard techniques and processes globally which are implemented locally through our combined regional teams, with teams increasingly trained to service multiple products. The benefits of this approach include cost efficiencies from best-practice procedures, deeper local customer intimacy and improved response times.

The ongoing transformation of our approach to customer service and support has increased the proportion of revenue from commercial customers, who now represent 58% of our customer base in this sector. Regionally, our increased investment in local teams in North America and Europe has supported strong growth in both orders and revenue to these geographies.

Our servicing of third-party MRI imaging equipment in Japan continues to deliver excellent levels of service and support to our customer base, and revenue was broadly in line with the previous year.

The Service & Healthcare sector remains on a strong upward trajectory, with significant ongoing opportunities to support revenue growth and margin expansion.

SUSTAINABILITY

Sustainability is central to Oxford Instruments, with our purpose, values, strategy and chosen end markets all aligning around the positive impact we seek to make on our planet and our stakeholders

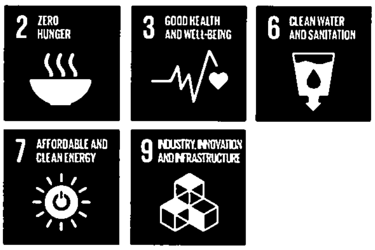
Through our products and services, we are working to enable a greener, healthier, more connected advanced society. And through our commitment to operating responsibly, in line with our values, we strive to be a good citizen of the planet.

We take a holistic approach to sustainability, ensuring that it is embedded throughout the organisation, from our Board-level Sustainability Committee, on which all Board members sit, to our whole workforce around the world. We also seek to embed principles of sustainability in our interactions with all stakeholders, including customers, supply chain partners and our local communities. In order to align with our ambition to be a leading organisation in the area of sustainability, and adhere to our principles, we focus on the following areas: environment, social and governance (ESG).

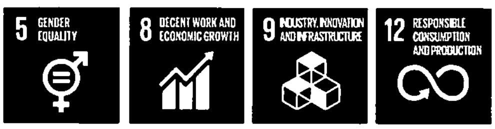
Taking the right actions on sustainability at all levels is critical for us to create the value and positive impact we seek to achieve, and we are committed to building on past progress and continuing to challenge ourselves to go further. We are currently focusing on six strategic initiatives to effect change in our organisation – progress to net zero; environmental impact; operating responsibly; sustainable product stewardship; inclusive culture; and community and connection. These strategic initiatives are underpinned by the ongoing foundations of responsible business which guide our ways of working: environmental progress; ethical business practices; regulatory and financial compliance; health and safety; investing in our people; and culture and engagement. We set out our progress against our ESG strategy throughout this section.

At a global level, the United Nations Sustainable Development Goals provide an ambitious and powerful framework for companies and other organisations to focus their efforts and commitments. We fully support all 17 goals, but have focused our efforts around those goals where we feel most able to have a positive impact.

Our products contribute toward the following goals:



The way we run our business and the actions we take throughout our value chain support the following goals:



In order to align with our ambition to be a leading organisation in the area of sustainability, and to adhere to our principles, we focus on the following areas:

Environment

For more information
/ Pages 54–59

"We will continue to strive to expand both our reporting and the extent and detail of our sustainability targets, in line with our purpose and values."

Sir Nigel Sheinwald
Non-Executive Director and Chair of the Sustainability Committee

Social

For more information
/ Pages 72–77

Introduction

We are committed to continuing and, where we can, accelerating our positive progress on sustainability each year. A particular area of focus has been the development of our new, ambitious and evidence-based net zero target of 2045, together with interim targets to 2030 for the reduction of our Scope 1 and 2 emissions. Our next steps include setting out the detail of our roadmap to net zero, developing interim targets for our Scope 3 emissions, and assessing the progress made towards our goals. For more detail, see pages 54 to 59.

We have also focused on the social and governance elements of our sustainability agenda,. In particular, we continue to strive for equality, diversity and inclusion, and this year have launched new employee impact groups focused on race and ethnicity, and LGBTQ+ issues. For more on our people and governance-centred initiatives, see pages 72 to 81.

Governance

For more information
/ Pages 78–81

Remuneration structures are a key tool to drive sustainability-focused behaviours and positive impacts. This year, the Sustainability Committee and Remuneration Committee have joined forces to devise new sustainability-related performance measures for Executive Directors, which will be implemented in FY23/24. For further information, see the Directors' Remuneration Report on pages 144 to 173.

As Sir Nigel Sheinwald, Chair of our Sustainability Committee, learned when he joined employees to discuss sustainability, there is widespread support across Oxford Instruments to progress our sustainability agenda across a range of initiatives, from reducing our CO_2 emissions to reconsidering energy usage, and achieving greater ethnic diversity in our workforce. You can read about our progress in 2022/23 throughout this Sustainability Report – and we look forward to going even further in 2023/24.

SUSTAINABILITY: ENVIRONMENT

Whilst we are proud of the positive impact our products make in the world, including their key role in supporting a technology pathway to decarbonisation, we are committed to continuing to minimise our own environmental footprint

Strategy and targets

With our intention to enable a greener society enshrined in our purpose, we have proactively reduced our own environmental footprint over many years. We embarked on our environmental journey in the early 2000s, with the creation of our employee-led Go Green teams; since then, we have dramatically reduced our carbon footprint, leaving only a relatively small footprint in our own operations. Today, our carbon intensity metric for Scopes 1 and 2 stands at 2.89 tonnes per £million revenue – a reduction of 66% versus the 8.5 tonnes per £million intensity ratio for 2019, our baseline year.

23%

reduction in tCO_2e per £million revenue versus 2021/22

6.7%

reduction in tCO_2e emissions versus 2021/22

0.62

tCO_2e per full-time employee (FTE) versus 0.76 tCO_2e per FTE in 2021/22

This year, supported by an in-depth analysis of the components of our emissions footprint, we have taken the significant step of setting new, more ambitious but achievable net zero carbon targets for Oxford Instruments. We are now committed to reaching net zero by 2045 in our own operations (Scopes 1 and 2) and across our supply chain and the use of our products (Scope 3). We will continue to review this ambition and the opportunities that arise as technology becomes more advanced, bringing this date forward if we possibly can. This stretching goal puts us five years ahead of the UK Government's commitment.

As part of our journey to net zero, we are setting challenging medium-term targets of a 50% reduction in Scope 1 emissions and a 70% reduction in Scope 2 emissions, both calculated versus our 2018/19 baseline year, and set to be achieved by 2030. We have set these targets in alignment with the Science Based Targets initiative (SBTi)'s 'well below 2°C' framework, pursuing the 'higher' ambition pathway, rather than the less challenging 'required' pathway. We will now formally submit them to SBTi for verification, approval and official publication. We will report on a market basis (reflecting the specific energy sources we use) where we can, and a location basis (reflecting the average emissions intensity of the grid) where this is not feasible.

The approach that we have taken in setting our targets combines ambition with a foundation rooted in an accepted process, and real-world data. As a company founded on scientific endeavour, we believe in the power of innovation to overcome the challenges faced by our supply chain, the source of most of our Scope 3 emissions. We are actively engaging with our suppliers and customers to seek to understand their routes to net zero (see case study below), and to work with our external sustainability advisers to consider the likely 'greening' timetable of key components. We will use what we learn to set an ambitious but achievable medium-term Scope 3 target in the coming year.

Through this process we have also incorporated sustainability considerations into our new product development stage gate process, to ensure the ongoing reduction of the carbon footprint of our products through energy use, packaging and distribution, as well as increased recyclability and upgradability.

CASE STUDY

Engaging with our supply chain

As with most manufacturing businesses, Scope 3 emissions (those derived from the products and services we purchase, and the use of our products by our customers) constitute the majority of our carbon footprint (98% of the total in 2021/22, when our most recent full Scope 3 assessment was undertaken). Working with our suppliers is therefore critical in order to understand, and then make an active plan to reduce, our Scope 3 emissions. In October 2022, our Chief Executive wrote to the suppliers who represent 80% of our Scope 3 footprint, to open a dialogue about our shared paths to net zero. The ongoing dialogue and information being provided is allowing us to better understand the maturity of environmental commitments across our supply base, and to build a detailed impact map of what we buy, as well as to learn from those who are further advanced on their journey than we are. We are also using this as an opportunity to share insights with and support SMEs who may have less experience in measuring and monitoring their emissions.

SUSTAINABILITY: ENVIRONMENT continued

Our roadmap to net zero

We have already made significant strides towards more sustainable operations over several years, leaving us with a relatively small remaining footprint in Scopes 1 and 2. In the coming year, we will further develop and prioritise our roadmap to net zero. The steps we will take between now and 2045 include:

- ensuring that all of our sales, service and manufacturing operations, wherever possible, are powered by REGO-certified or REGO-equivalent certifications of renewable electricity, looking to move from current sites as leases come up for renewal where this is not achievable;
- seeking environmentally friendly sites when we are looking for new sales, services or manufacturing facilities;
- looking for opportunities to reduce energy usage at each of our sites;
- replacing gas and oil boilers as suitable long-term alternative technologies become available; and
- switching fleet vehicles to electric rather than internal combustion engines.

Despite the reduction of our Scope 3 emissions being more challenging, as set out on page 55, we are proactively engaging with our supply chain, and as our approach matures, suppliers' approaches to decarbonisation will form a key part of our future purchasing decisions. We have also engaged an external sustainability adviser to help us build a data-led roadmap of the likely timeline scenarios for the reduction of the main contributing materials and components within our Scope 3 emissions.

Our progress

Our footprint across our operations has reduced by 6.7% year-on-year in absolute terms, and by 23% year-on-year in terms of our carbon intensity metric (tCO_2e per £million revenue). This indicates that our emissions are moving in the right direction – and, crucially, that although our business is growing, our emissions are not. Part of the reduction we have been able to demonstrate this year stems from our growing understanding of our global operations with a wide variety of leases and associated power arrangements. We continue to purchase REGO-certified renewable electricity for our four primary manufacturing sites in Oxford, Belfast, Bristol and High Wycombe, and are committed to doing so on an ongoing basis. This represents the manufacturing for 83% of our annual revenue.

Energy source	Usage 2022/23	Usage 2021/22
Electricity	11.58 GWh	10.01 GWh
Gas	1.62 GWh	2.43 GWh
Oil	0.59 GWh	0.53 GWh
Purchased district heating and steam	0.22 GWh	0.22 GWh
Propane	0.006 GWh	0.007 GWh
Owned vehicles	0.38 GWh	0.35 GWh
Total	**14.41 GWh**	**14.91 GWh**

When selecting new sites for our operations, we are committed to choosing facilities which are powered by renewable energy wherever possible. This year we have made the decision to consolidate our two Tokyo sites and are set to move to a new, highly sustainable building in summer 2023. With solar power, water-conservation and energy-saving measures, as well as having been constructed in part from recycled materials, the new site is a 4-star certified DBJ (Development Bank of Japan) green building. We also have an ongoing programme to improve energy efficiency at existing sites.

Actions taken during the year have included continuing to replace fluorescent lighting with LED lighting, optimising heating, ventilation and air-conditioning systems and rebalancing some electrical systems to improve efficiency.

Building on the continued strong engagement of our employees with environmental issues, we have continued to empower our Go Green teams across our sites to help us further embed sustainability initiatives throughout the Group. The support of our employees, combined with our focused efforts, has enabled us to make excellent progress in continuing to understand and manage our CO_2 emissions, and to educate each other, while continuing to reduce the amount of waste products generated at our manufacturing sites and facilities.

For more information on our progress, please see our TCFD statement progress roadmap on page 60.

Streamlined Energy and Carbon Reporting (SECR)

We have a statutory duty to report greenhouse gas emissions as tonnes of carbon dioxide equivalent (tCO_2e). Our chosen carbon intensity measure of energy use is tCO_2e per £million revenue), since this metric is best suited to a company like ours which is growing both organically and by acquisition. We report in line with the requirements of SECR, as set out in the UK Companies Act 2006 (Strategic Report and Directors Report) Regulations; our full SECR report can be found on our website www.oxinst.com and our abbreviated reporting is on page 58.

CASE STUDY

A new facility for Plasma Technology

Part of our commitment to sustainability includes taking positive action to minimise the environmental footprint of any new facilities and offices we take on.

Our new £70 million purpose-built semiconductor fabrication facility at Severn Beach, near Bristol, UK, which is set to open by the end of the current financial year, is a good example of this approach.

This larger, state-of-the-art manufacturing facility includes increased clean room space, which requires high power density, and would typically be environmentally controlled by gas boilers – and indeed the first plans for the site included gas boilers as standard. We successfully challenged the site's developers to source an all-electric heating solution, which will be powered by renewable energy. The building has been designed to meet the 'Very good' specification through BREEAM, the leading certification system for sustainable buildings. Eight electric vehicle charging points have been installed, with capacity to expand as adoption grows, and a solar array provides part of the site's power requirements. We are also exploring the potential for wind energy on site.

SUSTAINABILITY: ENVIRONMENT continued

Scope 1, Scope 2 and relevant Scope 3 greenhouse gas emissions (GHG)

	2022/23		2021/22		
Type of emissions	tCO_2e	% of total	tCO_2e	% of total	% difference in emissions
Direct (Scope 1)	**603.4**	**47.0%**	560.6	40.7%	+8%
Indirect (Scope 2) (market-based)	**681.5**	**53.0%**	817.0	59.3%	-17%
Indirect (Scope 2) (location-based)	**2,511.9**		2,803.5		-10%
Scope 1 and 2 (market-based) total	**1,285.0**	**100.0%**	1,377.6	100.0%	-6.7%
Total gross emissions (tCO_2e) (market-based)	**1,285.0**		1,377.6		-6.7%
Intensity ratio (market-based): Scope 1 & 2 tCO_2e per GBP £m turnover	**2.89**		3.75		-23%
Energy consumption used to calculate					
Scope 1 and 2 emissions kWh	**14,409,374**		14,317,185		+0.6%

Our total carbon footprint for April 2022 to March 2023 is as follows:

Type of emissions	Activity	Emissions (tCO_2e)	% of total
Direct (Scope 1)	Natural gas	296.6	23.0%
	Gas oil	162.8	12.7%
	Propane	1.3	0.1%
	Owned vehicles Petrol Diesel	 52.1 42.1	 4.1% 3.3%
	Refrigerant	48.5	3.8%
	Subtotal	**603.4**	**47.0%**
Indirect energy (Scope 2)	Purchased non-renewable electricity	673.6	52.4%
	Purchased renewable electricity	0.0	0.0%
	Purchased district heating and steam	8.0	0.6%
	Subtotal	**681.6**	**53.0%**
Total emissions (tCO_2e)			1,285.0
Energy consumption used to calculate emissions (kWh)			14,409,374
Intensity ratio: Tonnes of gross CO_2e per million GBP turnover			2.89

Business travel

As part of our commitment to reduce our environmental footprint, we are continuing to map and better understand our Scope 3 indirect emissions across the Group. These include business travel, where we are increasingly able to source granular data on distances travelled. Our strategy is to minimise the amount of travel undertaken, in particular by finding new ways to connect with customers (with customer service and sales currently our biggest sources of travel emissions), including increasing digital and remote service and expanding regional teams to bring them closer to our customers (see pages 50–51). We will continue to progress both the extent of our reporting and, most important, to take the tangible steps needed to reduce our footprint.

We have identified that our teams in the UK, USA, China and Japan undertook around 16.8 million km of air travel in FY2022/23, with the air travel carbon equivalent to 2,704.4 tCO_2e. This significant rise versus the prior year (2022: 6.0 million km), primarily reflects our deepening understanding of the amount of travel undertaken, but has also been impacted by the opening up of international travel routes as Covid-19 lockdown restrictions eased, particularly in Asia (a key market for the Group). When considered against an intensity metric (km travelled per £m of Group revenue), the number of kilometres travelled is trending around 16% below pre-Covid-19 levels (2019/20: 44,934km per £m revenue; 2022/23: 37,756km per £m revenue).

Air travel 2022/23	=	16,790,212 km (2021/22: 5,980,961 km)
Carbon equivalent	=	2,704.4 tCO_2e (2021/22: 947.5 tCO_2e)

Environmental directives

As a Group, we are committed to ensuring compliance with all environmental legislation in the countries where we operate. This includes European directives such as:

- Waste Electronic and Electrical Equipment (WEEE) Directive – compliance achieved in the UK by membership of B2B Compliance – an authorised compliance body. Other compliance bodies are contracted for our European operations;
- Restriction on the use of Hazardous Substances (RoHS) regulations;
- Registration, Evaluation, Authorisation of Chemicals (REACH) Directive;
- European Waste Framework Directive. This requires the company to enter data on parts and products that may contain Substances of Very High Concern (SVHC) into a database being set up by the European Chemical Agency (ECHA). This is known as the SCIP database and businesses are currently engaged in determining what should be entered into the database to ensure compliance.

Water and waste

While we measure our water usage, the level is minimal and not material, so has been excluded from this report. We have also excluded our use of hydrofluorocarbons. Our four primary manufacturing sites in the UK, generating 83% of Group revenue, are sending zero waste to landfill; our waste is recycled either directly or indirectly, for example general waste is used to generate electricity at dedicated incinerator sites.

SUSTAINABILITY: TCFD STATEMENT

Task Force on Climate-Related Financial Disclosures (TCFD) Statement for the year ended 31 March 2023

Introduction

Mitigating, adapting and responding to the impacts of climate change is central to our strategy, both in terms of how we operate our business, and in terms of the positive contribution we make towards a greener world through our products and services.

We have made it a core priority over many years to reduce the environmental impact of our operations. By 2018/19, our baseline year for carbon target measurement, we had already reduced our carbon intensity ratio (the most consistent metric in a growing company like ours) by nearly 70%, from 27.5 tCO_2e per £million revenue in 2013/14, our first year of reporting, to 8.5 tCO_2e per £million revenue. This was achieved through transformations within our business, including energy efficiency programmes and investments such as switching to LED lighting. This year's report shows that our strong progress continues, with our carbon intensity ratio now at 2.89 tCO_2e per £million revenue – a 66% reduction since 2018/19. A further area of focus and action has been the reduction of waste sent to landfill from our manufacturing processes and facilities (see table below), with all four UK manufacturing sites now classified as sending zero waste to landfill.

We are committed to maintaining our progress, and this year have set ambitious decarbonisation targets, as set out below. We have also continued to focus on working with our supply chain to reduce our extended carbon footprint, and on developing our understanding of the climate-related risks we face and the opportunities arising from the changing climate. Crucially, our commitment to sustainability, while led by the Board, is embedded throughout our organisation, and is central to our purpose: to enable a greener, healthier, more connected advanced society.

Progress roadmap

A snapshot of our journey so far, our progress during the latest financial year and our action plan for the year ahead, are summarised in the table below. Our environmental reporting on pages 54 to 59 of this report sets out our progress in further detail.

Prior to FY22/23	Progress during FY22/23	Focus for FY23/24
• Established a 'Go Green' committee at each key manufacturing site to deliver a local environment agenda and promote positive behaviours. • Invested in sustainable infrastructure and renewable technology, including the energy-efficient design of our new Plasma Technology facility. • Converted three manufacturing sites to achieve zero waste to landfill, with the business units on these sites representing approximately 60% of Group revenue in FY22/23. • Confirmed our aspiration to reach net zero carbon emissions ahead of 2050. • Produced our first report aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in June 2022. • Sourced certified renewable electricity for all of our UK manufacturing sites.	• Worked with the Board and Sustainability Committee to develop our abatement strategy and to consider the offsetting options for residual emissions. • Set new, ambitious targets to reach net zero carbon emissions by 2045. • Set interim targets for our remaining Scope 1 and 2 emissions (a 50% reduction in Scope 1 and a 70% reduction in Scope 2 by 2030 versus 2018/19 baseline). • Maintained 100% renewable electricity across our UK manufacturing activities, with the applicable business units representing approximately 83% of Group revenue in FY21/22. • Reduced our CO_2 emissions by 55% from 2,844 tCO_2e to 1,285 tCO_2e, between FY18/19 and FY22/23. • Further reduced the volume of waste to landfill by adopting a zero waste to landfill approach at our Belfast manufacturing site, ensuring that four sites representing 83% of Group revenue in FY22/23 send no waste to landfill. • Reviewed our position with the Science Based Targets initiative (SBTi) and agreed to work through SBTi process. • Completed full Scope 1 and 2 emissions assessment and calculation for the latest financial year and for 2018/19 baseline year; completed baseline assessment for Scope 3 emissions.	• Submit interim and long-term carbon reduction targets for validation through the Science Based Targets initiative (SBTi). • Complete full Scope 3 emissions assessment and continue engagement with key suppliers. • Set out our roadmap to net zero for Scope 1, 2 and 3 emissions. • Progress contracting of renewable electricity across our non-UK sites. • Assess which are the most relevant climate impact reporting frameworks for Oxford Instruments and adopt as appropriate. • Continue to build on our quantitative climate scenario analysis as part of TCFD alignment. • Extend our rollout of Go Green teams to non-manufacturing sites.

Compliance Statement

As we are a premium listed company, we have reported on a 'comply-or-explain' basis against the TCFD framework. This Report and Financial Statements contains our full TCFD disclosures. A copy can also be found in the sustainability section of our website: oxinst.com/sustainability.

In line with the requirements of the Financial Conduct Authority's Listing Rule 9.8.6(8)R, we note that while our disclosures in respect of the financial year ended 31 March 2023 are full and transparent and cover all the areas required by TCFD, there are some areas where we need to make further progress in order to meet its recommendations and recommended disclosures in full. The below table summarises our consistency per the disclosures made in this report, together with cross-references to the various sections of our Report and Financial Statements where additional relevant information can be found.

In determining whether our climate-related financial disclosures were consistent with the TCFD recommendations and recommended disclosures, we undertook a detailed assessment of those disclosures, supported by external advisers, which considered the applicable guidance referenced under Listing Rules 9.8.6B to G.

TCFD pillar	Recommended disclosure	Consistency	Disclosure location
Governance: Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the Board's oversight of climate-related risks and opportunities.	●	Pages 62–63
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	●	Pages 62–63, 70
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	●	Pages 64–69, 101
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.[1]	○	Page 70, 101
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.[2]	○	Page 64
Risk management: Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	●	Pages 70–71
	b. Describe the organisation's processes for managing climate related risks.	●	Pages 70–71
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	●	Pages 70, 94
Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.[3]	○	Pages 70–71
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	●	Page 58
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	●	Pages 70–71

● Indicates internal assessment of full consistency with recommended disclosures.

○ Indicates internal assessment of partial consistency with recommended disclosures. We are fully committed to achieving full consistency with the recommended disclosures and will continue to work towards this over the coming year. The gaps we have identified in our disclosures are set out below.

1. The impacts of climate-related risks and opportunities are not yet fully integrated across the required areas; we will seek to do this as our understanding deepens.
2. We have not yet carried out a complete climate assessment against a full range of scenarios. See page 64 for further details.
3. The metrics we have used do not yet extend to the full range of risks and opportunities arising. Please see pages 70 to 71 for further details.

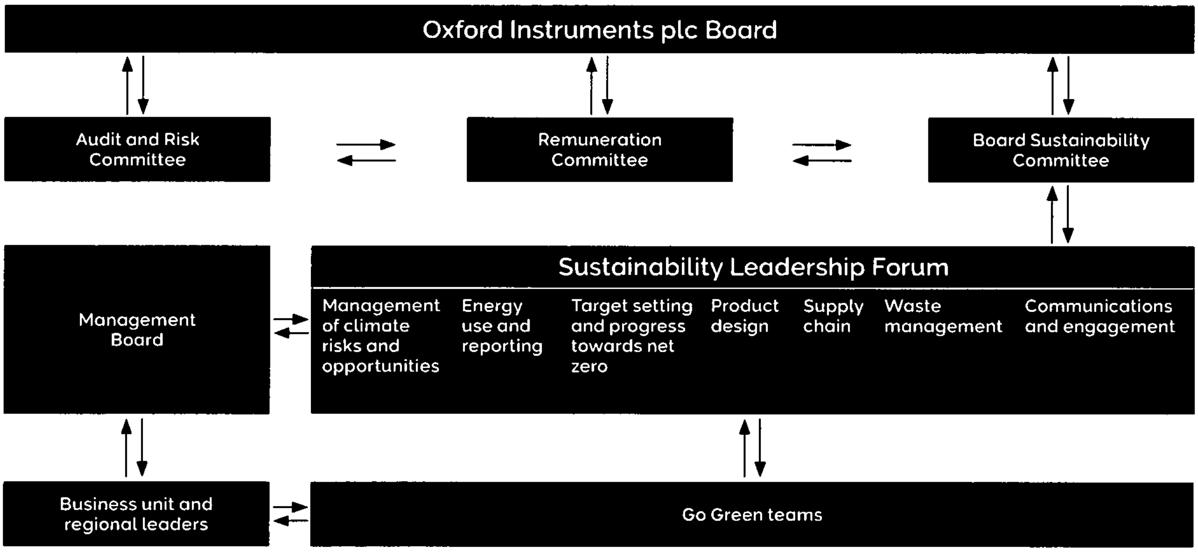
SUSTAINABILITY: TCFD STATEMENT continued

Governance

To successfully evaluate and respond to the challenges and opportunities posed by climate change, we recognise the importance of embedding knowledge of climate change issues across the business, supported by effective governance. Our governance around climate-related risks and opportunities is set out below.

The Board has ultimate responsibility for the oversight of climate change-related issues and is supported by its Committees (primarily the Sustainability Committee, the Audit and Risk Committee and the Remuneration Committee), the Management Board, the Sustainability Leadership Forum, set up in 2022, and the wider senior leadership team. However, climate change-related considerations are embedded throughout our governance structure, and at every level across the organisation, as set out in the graphic and explained in more detail below.

Climate-related governance framework



Note to graphic: Arrows indicate two-way transfers of information and guidance between forums.

The Board provides overall strategy and direction on climate-related risks and opportunities, and environmental strategy, including overseeing progress to net zero targets, and assesses how these are being managed.

The Board's Sustainability Committee, comprising all the Non-Executive Directors (see Committee Report, pages 141 to 143), holds a broad remit including accountability for assessing and reporting to the Board on progress against the environmental strategy, targets and metrics, and meets at least three times a year. The Audit and Risk Committee provides oversight and governance in relation to climate change-related risks and opportunities, which are managed operationally by the Management Board and Sustainability Leadership Forum, while the Remuneration Committee is responsible for setting and overseeing climate change-related remuneration incentives, together with any other sustainability-related incentives.

The Sustainability Committee in turn provides strategic guidance and oversight to the management-level Sustainability Leadership Forum (SLF), which is chaired by the Chief Executive. Representatives of the SLF attend Sustainability Committee, and a positive two-way dialogue between the two bodies fosters exchanges of information and insights. The SLF, set up in 2022, meets at least quarterly, and is primarily responsible for detailed development of strategy, together with the assessment, management and tactical delivery of the environmental remit.

Its membership includes functional heads and subject matter experts, who lead workstreams on:

- the management of climate risks and opportunities;
- energy use and reporting;
- development of target setting and progress towards net zero;
- product design;
- supply chain;
- waste management and recycling; and
- communications and engagement.

Committee members also lead liaison with an external consultant on climate, energy and progress to net zero.

A key part of the SLF's remit, working in collaboration with the Management Board, is to foster two-way engagement with business units, regional leadership and Go Green teams to drive and accelerate Oxford Instruments' progress towards net zero and our management of climate risks and opportunities.

Progress in the year

The Directors have considered climate-related matters throughout the year, with such matters forming part of the discussions in a range of areas including the company's strategy. The primary focus for the Board and Sustainability Committee in relation to climate during the year has been to obtain a detailed understanding of the actions required to decarbonise our operations and mitigate the impact of climate risk. The Committee has used this information to set ambitious but achievable decarbonisation targets, while developing its understanding of the Science Based Targets initiative (SBTi) and exploring our potential targets with reference to this framework. This is in line with the duties delegated to the Sustainability Committee by the Board, through its formal terms of reference. It is anticipated that progress against these goals will be considered as appropriate at Sustainability Committee meetings going forward.

During the year, the Sustainability Committee has held dedicated sessions with the Chief Executive, Management Board and external consultants. Outside formal meetings, the Chair of the Sustainability Committee and Chief Executive worked directly with various members of the wider management team and external consultants and reported back to the Board regarding the insights gained into recommended actions and targets.

As set out on pages 54 to 59, this process has culminated in setting our 2045 ambition to reach net zero for Scope 1, 2 and 3 emissions, as well as medium-term targets for Scopes 1 and 2. With the sponsorship and support of the Chief Executive, a working group of the Sustainability Leadership Forum has initiated detailed engagement with supply chain partners representing 80% in value terms of the goods and services we purchase, in order to deepen our understanding of the decarbonisation pathway for Scope 3 category 1 emissions. We have also commissioned external research to support our understanding.

With external support, we are establishing a detailed roadmap towards our net zero carbon emissions targets, and will submit both our targets and our roadmap to SBTi for validation in 2023/24.

To support our progress towards net zero, the Remuneration Committee has considered and intends to implement measures which recognise the importance of our decarbonisation activity, within future long-term incentive structures, as reported on pages 146 to 147.

Through its quarterly Audit and Risk Committee meetings, the Board has also considered the Group's wider climate-related risks and opportunities and liaised with the Head of Internal Audit and Risk to fully understand the methodologies used to determine these. One of its focus areas during the year was the integration of the process for identifying, evaluating, and reporting on climate-related risks and opportunities across the Group into the wider enterprise risk management processes. This included the adoption of a standardised methodology for performing climate risk assessment.

The Board and its Committees will, through continued education and sharing of information, aim to stay abreast of developments concerning climate change and other environmental issues.

SUSTAINABILITY: TCFD STATEMENT continued

Strategy

We recognise that climate-related risks and opportunities could have a significant impact on our business model and strategy, both positive and negative.

Recognition of the risks and opportunities relating to climate change is inherent in our purpose – to enable a greener, healthier, more connected advanced society – and our business strategy, particularly in terms of the end markets and applications we address (see Market context, pages 28 to 29, and Strategy, pages 34 to 35). We are increasingly embedding climate change-related considerations into strategy, including the following areas:

- Services strategy, where we are extending digital service offerings to reduce the amount of travel to customers and building remote connectivity into our products to facilitate remote diagnostics.
- Supply chain, where we are carrying out engagement in order to set and achieve appropriate Scope 3 emissions reduction targets.
- Product development, where we are embedding sustainability criteria into our stage gate processes in order both to limit our Scope 1 and 2 emissions and to support customers in reducing their own emissions.

We also consider financial implications of risks and opportunities using our Group and business risk reporting.

We consider climate-related risks and opportunities across the short, medium and long term, with these timeframes defined, in line with our overall risk framework, as:

Impact time horizon	Year from	Year to	Duration
Short term	2023	2030	<10 years
Medium term	2030	2050	10-30 years
Long term	2050	2100	30+ years

Likelihood

Likelihood	Description
Highly unlikely	< 10% likelihood that the risk/opportunity will occur with 2°C/4°C climate change
Low	10%-20% likelihood that the risk/opportunity will occur with 2°C/4°C climate change
Moderate	20%-50% likelihood that the risk/opportunity will occur with 2°C/4°C climate change
Highly likely	> 50% likelihood that the risk/opportunity will occur with 2°C/4°C climate change

Climate scenario analysis

Qualitative work, to further develop our understanding of the potential impact on our business of climate-related physical and transition risks and opportunities considering a range of climate change scenarios, is ongoing. We have not yet undertaken specific scenario analysis and so are not able to report on the key input assumptions, analytical methods or outcomes. We are working to determine the appropriate methodology and modelling tools to be used to extend this exercise. We note that the approach may comprise stakeholder engagement and the prioritisation of climate-related risks and opportunities which may require deeper analysis via quantitative modelling. This work will ultimately support our understanding of the resilience of our low carbon transition plan under different climate change scenarios.

The outcomes from further climate scenario analysis will be considered as part of our process for the assessment of climate change-related risks and will support our future climate-related financial planning.

The climate-related risks and opportunities we have identified over the short, medium and long term.

Climate-related risks and opportunities are characterised in the terms set out below.

Physical risks	Transition risks
Physical risks stemming from geo-environmental location events, including severe weather events (acute), or long-term changes (chronic) in climatic conditions can cause severe damage and disruption to companies' operations and supply chain and generate increased product prices. **Acute physical risks** – Those that are event-driven, including increased severity of extreme weather events, such as increased heatwaves, droughts, fires, storms, cyclones, hurricanes or floods. **Chronic physical risks** – Longer-term shifts in climate patterns (e.g. sustained higher temperatures or rainfall patterns) that may cause sea level rise or chronic heatwaves.	With increasing scrutiny of company climate change-related strategies, and as global net zero target-setting continues, we are seeing market-related, regulatory and reputational risks develop. **Technology risk** – Technological improvements or innovations that support the transition to a lower-carbon, energy-efficient economic system can have a significant impact on organisations. **Market risk** – Whilst the circumstances in which markets could be affected by climate change are varied and complex, one of the major ways is through shifts in supply and demand for certain commodities, products and services, as climate-related risks and opportunities are increasingly considered. **Policy** – Policies that attempt to curb or constrain actions that contribute to the adverse effects of climate change or that seek to promote adaptation to climate change. **Legal actions** – Recent years have seen an increase in climate-related litigation being brought before the courts by property owners, municipalities, states, insurers, shareholders, and public interest organisations. **Reputational risk** – Arising from stakeholder perceptions of an organisation's environmental credentials, including any contribution to, or detraction from, the transition to a lower-carbon economy.

We have carried out a high-level assessment of the climate-related physical risks relating to our four key manufacturing sites in the UK: our Head Office at Tubney Woods, near Oxford (NanoScience); Andor Technology in Belfast; Oxford Instruments High Wycombe (NanoAnalysis and Magnetic Resonance) and Oxford Instruments Plasma Technology, which currently operates from Yatton in North Somerset and is soon to move to new premises at Severn Beach (see page 57). These sites represent more than 80% of our operations in terms of revenue.

All four sites are at low (1% a year) or very low risk (less than 0.1% a year) from river, sea and surface water flooding, based on published Environment Agency data and internal risk assessments, and therefore we do not currently consider that any flood risk mitigation is required.

All manufacturing sites are required to consider the potential impact of climate-related risks as part of their business continuity plans and implement appropriate mitigating actions when required. Our head office site, including the NanoScience manufacturing facility, is surrounded by woods, and the facilities team works with the adjacent landowner (the Forestry Commission) to manage the risks associated with the physical environment. As part of our ongoing work relating to climate change-related risks, Internal Audit has been instructed to review existing business continuity plans during FY23/24 in order to identify potential opportunities for improvement.

Over the coming financial year, we plan to carry out an assessment to cover our key remaining global sites. We also consider climate risk when identifying new sites, such as our new offices in Tokyo, as described on page 56.

The climate-related risks and opportunities we see as most material for Oxford Instruments are set out on the following pages. Below, we set out our assessment of the financial impact should these arise.

SUSTAINABILITY: TCFD STATEMENT continued

Impact

Rating	Financial impact (risk or opportunity)	Transitional (2°C change)	Physical (4°C change)
Severe	More than £5m	• Complete relocation of manufacturing • Significant change in supplier base • Change in technology due to supply constraints	• Relocation of facilities due to flood, excess heat or wildfires • Potential for product obsolescence plus new markets and opportunities as the paradigm shift required to deal with extremes of climate change drives the emergence of new or disruptive technologies (e.g. the hydrogen economy) that previously might not have been commercially viable
Major	£2m - £5m	• Investment in infrastructure required, for example in relation to additional cooling, water supply or power • Significant change in supplier base	• Increased severe weather causing continued disruption • Multiple changes in supplier • Loss of customers due to global changes
Significant	£1m - £2m	• Relocation of sales offices to another country • Changing of suppliers	• Investment in infrastructure required, for example in relation to additional cooling, water supply or power • Significant change in supplier base
Notable	£250k - £1m	• Additional investment infrastructure to manage global change	• Relocation of sales offices to another country • Changing of suppliers
Insignificant	Less than £250k	• Minor relocation of personnel • Update of company fleet to electric vehicles	• Relocation of sales offices within same country • Changing of minor suppliers

The risks and opportunities which we consider to be most material for us at present are set out below.

Climate-related risks

Acute physical risks

	Context	Risk impact	Time horizon	Likelihood	Magnitude of impact	Impact area	Current risk controls
Severe event disrupts global supply chains	Flooding and/or other natural disasters linked to climate change could lead to shortages in the global availability of key components.	Supply chain disruption leading to higher prices or shortages of raw materials. Impact on increased cost of sales or, in the extreme, disruption to production until normal supply resumes or alternatives can be found.	*Medium term*	Low	*Significant*	*Operations*	Long-term supply agreements with key suppliers can mitigate short-term price volatility. Business interruption insurance provides a degree of cover in the event that supply chain issues cause significant disruption to production.
Severe event causes existing customers to relocate operations	Flooding and/or other natural disasters linked to climate change could cause customers to relocate from areas that are particularly affected by the physical impact of climate change.	Unforeseen relocations may lead to a short-term hiatus in demand. As a Group we may need to adapt and relocate operations ourselves to meet the revised geographical profile of demand.	*Medium term*	Low	*Notable*	*Service operations*	Strategic review of logistics, supply chain, manufacturing, and service operations.
Extreme weather impacts operations	Disruption to manufacturing operations due to loss of infrastructure arising from wildfires or other physical damage related to climate change. Particularly relevant for operations in California.	Potentially ranging from short-term disruption to operations if employees are unable to access facilities (e.g. due to road closures), to major disruption in the event of a total loss of the manufacturing facilities.	*Medium term*	Moderate	*Notable to severe*	*Operations and customers*	Business continuity plans and global business interruption insurance.
Extreme weather impacts global logistics capacity	Logistics disruption due to extreme weather events, or loss of infrastructure due to rising water levels (reduced airport and port capacity).	Increased competition for limited transport options drives up the price of transport, affecting both goods in and goods out.	*Medium term*	Highly likely	*Notable*	*Operations and customers*	Strategic review of logistics, supply chain, manufacturing, and service operations.

Likelihood key

- Highly unlikely
- Low
- Moderate
- Highly likely

Time horizon key

Short term

Medium term

Long term

SUSTAINABILITY: TCFD STATEMENT continued

Climate-related risks
Transition risks

	Context	Risk impact	Time horizon	Likelihood	Magnitude of impact	Impact area	Current risk controls
Component obsolescence due to regulatory changes (Policy and legal)	Ban on critical materials or production processes in either our own operations and/or our supply chain as a result of regulatory changes.	Rise in material prices for switching to compliant products or disruption to production if unable to react in sufficient time.	*Short term*		*Significant*	*Operations*	We have product compliance processes in place to manage this type of change in the regulatory environment, with oversight and support from the Group Head of Quality. We use existing processes to meet Restriction of Hazardous Substance (RoHS) and Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) requirements, which remain appropriate to manage future changes in standards.
Regulatory (Policy and legal)	The need to mitigate and adapt to the impacts of climate change is driving rapid regulatory change across the globe.	Failure to keep pace with environmental legislation and reporting requirements.	*Medium term*		*Significant*	*Operations*	We have dedicated internal risk, legal and environmental management resource, as well as investing in external consultancy, to ensure that we are aware of, and remain compliant with, legislation. Our adoption of ISO 14001 accreditation at our four UK manufacturing sites at Belfast, Bristol, High Wycombe and Oxford supports our mitigation of climate risk.
Price inflation from decarbonisation (Market)	Global supply chains implementing more expensive production methods and/or changes in raw materials in order to reduce CO_2 emissions.	Increased material cost of sales leading to reduced margins without increases in selling price.	*Short term*		*Significant*	*Operations*	Product Development and Strategic Sourcing teams identify and evaluate viable alternatives in materials and processes and work closely with key suppliers to deliver supply chain solutions.
Reputation and investability (Market)	Companies' approach to mitigating and adapting to the impacts of climate change is now a key factor in customers' and shareholders' purchasing and investment decisions.	Failure to decarbonise and address climate impacts at sufficient pace, leading to loss of shareholders and customers, and reputational damage.	*Medium term*		*Significant*	*Customers, shareholders, society*	Board-level scrutiny and oversight, and an organisation-wide focus on addressing the risks and opportunities arising from climate change, together with a focus on impact reporting, wider communications and stakeholder engagement.

Climate-related opportunities

	Context	Opportunity impact	Time horizon	Likelihood	Magnitude of impact	Impact area	How we are capitalising
Investment in R&D required for decarbonisation (Transition: Technology)	Product innovation will be required to decarbonise the economy. It will entail significant expenditure on research and development into new materials, technologies, and new ways of working.	Due to the requirement for decarbonisation, demand for Oxford Instruments' products and services may increase. Product innovation as a result of decarbonisation may help reduce operating costs, e.g. through remote delivery services.	*Short term*		*Significant*	*Customers, shareholders, society*	Our products and services play a key role in the technology pathway to enable the transition from fossil fuels to a low-carbon economy. Our enabling technologies, such as materials analysis solutions and semiconductor equipment, help customers address these challenges.
Geopolitical uncertainty and resource competition (Transition: Regulatory)	Geopolitical tensions may arise from climate change, leading to increased requirement for local development and manufacturing capacity in the growing markets of Semiconductor & Communications and Quantum Technology.	Increased demand for enabling technologies resulting in an increased market opportunity for our business.	*Short term*		*Significant*	*Shareholders*	We continue to invest in our product portfolio to assist our customers in delivering their global and regional roadmaps and supporting sufficient manufacturing capacity by location.
Accelerated customer adoption of remote services solutions (Transition: Market)	As the Group and its customers seek to reduce the emissions arising from their activities, the non-financial business case for remote service solutions will become increasingly compelling.	Increased demand for remote service, training, analytics and diagnostic solutions, enabling a faster response, higher-quality customer experience and more efficient deployment of personnel with in-demand skills such as service engineers, applications specialists, etc.	*Short term*		*Significant*	*Customers, service employees, the company*	Designing remote connectivity into our products and building business system infrastructure to enable remotes service capabilities.
Migration from fossil fuels to renewable energy (Transition: Market)	The path to net zero requires migration from fossil fuel energy to renewables (e.g. from internal combustion engine vehicles to electric vehicles). The speed of change is likely to be accelerated by geopolitical supply concerns over fossil fuels.	Increased demand for our products and services that enable the development of more efficient battery technology and highly efficient energy conversion devices.	*Short term*		*Significant*	*Shareholders, customers, society*	Increased investment in key enabling technologies such as analytical instruments and semiconductor equipment that are key in the transition to renewables.

SUSTAINABILITY: TCFD STATEMENT continued

The impact of climate-related risks and opportunities on our businesses, strategy and financial planning.

We consider climate change to be a principal risk for Oxford Instruments, but also a source of material opportunity, given our focus on enabling a greener society and the end markets we serve. Our assessment is based on having evaluated key climate-related risks and opportunities, including understanding the potential impact of each in terms of its time horizon, likelihood and magnitude, and the stakeholders or areas of the business that may be affected.

During FY 22/23, we have worked to prioritise the actions needed to mitigate these risks and capitalise on the opportunities, basing this on their impact and ease of implementation. We are now focusing on integrating these actions into our strategy, product development roadmap and financial planning.

Risk management

Our process for identifying and assessing climate-related risks.

We define risk as uncertain events which could have an adverse impact on the Group's business model, financial performance, liquidity or reputation. Our approach to identifying and assessing risks and opportunities is set out in detail in the Risk Management section on pages 94 to 99 of the Report and Financial Statements 2023.

Throughout the year we maintained a separate process for the identification and assessment of climate change-related risks, distinct from the wider enterprise risk management process, although the results of the assessments are now integrated into the businesses' quarterly risk reporting framework. This process is adapted to ensure that the nuances required by the TCFD reporting framework are captured and that climate change-related opportunities are highlighted.

When assessing climate-related risks, we consider both the impact and likelihood of occurrence across short, medium and long-term impact time horizons, as defined above, and consistent with our wider organisational risk framework. This provides an inherent risk score which is then used to rank our risks.

Climate-related risks and opportunities

Our process for the assessment and management of climate-related risks and opportunities across all business units and regions mirrors the process that the Group uses for wider enterprise risk management (see pages 94 to 96). Risks and opportunities are evaluated against a scoring matrix of likelihood and impact. Likelihood considers the probability of the risk or opportunity occurring, whilst impact evaluates the magnitude of the potential consequences, whether in financial, reputational or other terms.

The guidance used when assessing impact and likelihood are as set out below and the ratings are aligned to those used as part of our wider enterprise risk management process.

Climate risk assessment is carried out on a quarterly basis ahead of being reported to the Board via its Audit and Risk Committee. As with wider enterprise risks, the Board as a whole is responsible for determining how risks are to be managed.

Our processes for identifying climate-related risks include granular assessments from individual businesses and region, combined with a Group-level review, particularly through horizon-scanning for regulatory changes. This is carried out by the legal and regulatory, product management and health and safety functions. Further, internal assessments are complemented by input from external advisors. New regulatory requirements are implemented as they arise and any further actions taken as appropriate.

Metrics and targets

We currently use a range of metrics to help us to track our progress across a number of climate-related and sustainability-related areas. This includes assessment of our electricity consumption, Scope 1 and 2 emissions in line with the Greenhouse Gas Protocol methodology, water and waste, the use of hydro fluorocarbons and the impact of transport. Please see the environment section of our Report and Financial Statements on pages 54 to 59 for further information, and for an abridged version of this year's SECR reporting, the primary means by which we report our impact.

As set out in the environment section (pages 54 to 59), we are committed to reaching net zero carbon emissions (where we add no incremental greenhouse gases to the atmosphere) against Scopes 1, 2 and 3 by 2045, in line with a 'well below 2° scenario'. We are further committed to monitoring and calculating our carbon footprint in line with industry standards. We have set our interim targets at a 50% reduction in Scope 1 emissions by 2030 and a 70% reduction in Scope 2 emissions by the same date, both against a 2018/19 baseline. During the year we have worked with an external consultant to validate our assessment of our Scope 1 and 2 emissions, and the carbon footprint of our baseline year (2018/19). In the coming financial year, we will submit our Scope 1, 2 and 3 targets and roadmap to the Science-Based Targets initiative for validation.

Our footprint for Scope 1 and 2 emissions is calculated and reported in absolute numbers against our baseline year; we also use an intensity metric (tonnes of CO_2 equivalent per £ revenue) in order to help contextualise our performance as our business grows.

We are committed to working with our supply chain to reduce our Scope 3 emissions, the largest element of our environmental footprint. We have begun engagement with our top 80 suppliers (see page 55) and have also commissioned external research into the decarbonisation pathway for key components, to inform our interim target setting for Scope 3 emissions and ensure that, while ambitious, it is evidence based and achievable. We anticipate being in a position to set interim targets in 2023/24. Overall, we consider ourselves partially compliant with the recommended disclosures on cross-industry targets and metrics. To drive behaviours in line with our focus on reducing GHG emissions, a new measure is being incorporated into remuneration objectives for Executive Directors. The measure (see page 174) will require continued reductions in our Scope 1 and Scope 2 emissions. Over the coming year, we will give consideration to further metrics and targets in line with the TCFD recommended disclosures.

We are also developing metrics to measure the positive impact that our portfolio provides in enabling a greener, healthier, more connected advanced society. Assessing our progress towards reaching these targets will then form a crucial part of the future work of the Sustainability Committee.

SUSTAINABILITY: SOCIAL

Social:

We believe that businesses have a valuable contribution to make in the development of societies that enable their members to thrive

Our responsibility to our employees

We are dedicated to being a truly sustainable organisation and are keenly aware of our responsibility to our employees, the communities that we impact and the generations to come. By listening to our stakeholders (see pages 112 to 117) and taking action now, we are resolute in ensuring that we have a positive impact on the world around us.

We work hard to create a progressive business culture, keeping pace with rapid social change, and seeking to stay ahead of the curve on our key sustainability themes, while remaining respectful of the cultures of the countries that we operate in.

Our social sustainability agenda

Our social sustainability agenda comprises six key subject areas, as follows, where we have established strategies to support us in achieving our ambitions and targets:

- **Culture, values and engagement**
- **Equality, diversity and inclusion**
- **Health, safety and wellbeing**
- **Investment in our people**
- **Next-generation talent**
- **Community impact.**

Culture, values and engagement

Our purpose – to enable a greener, healthier, more connected advanced society – and our values, set out below, drive our approach to doing business, and help us build an open and inclusive culture, where colleagues feel able to share their views in a two-way dialogue with senior leaders. The Chair and Non-Executive Directors have regular informal meetings directly with staff at which a wide range of current workforce issues are discussed, and we hold regular Chief Executive town halls to which all employees are invited, and where they are encouraged to ask questions of the Chief Executive and senior leadership. Similar meetings are held by all business units, and by our regional teams based around the world. We also gather our people's views annually through our global engagement survey, monitoring a range of cultural KPIs and taking action on any opportunities for improvement at business unit, regional and Group level. Our overall engagement score was 78% (up 1%), comparing favourably with external benchmarking by Gallup indicating an average engagement rating of 21% globally across a range of sectors.

Our values

Inclusive
By seeking out different perspectives and diverse collaboration, we deliver better solutions and lasting success.

Innovative
Through our knowledge, expertise and focused curiosity, we create new possibilities for ourselves and for our customers.

Trusted
We build successful, long-term relationships based on accountability, integrity and respect.

Purposeful
We care, and our passion and commitment drive positive change in the world.

Equality, diversity and inclusion

We are committed to creating a diverse and inclusive culture right across Oxford Instruments, creating a sense of equality and belonging.

In everything we do, we seek to develop and sustain a supportive and collaborative working environment where difference is recognised, valued and celebrated, and where all our people feel able to be open about their own unique identity.

Equality, diversity and inclusion are important for all our people and society as a whole; however, we also recognise that we operate in 17 countries around the world in which the legislative frameworks and cultural landscapes vary hugely. In each of the countries in which we operate, we aim to be ahead of the curve in our equality, diversity and inclusion targets, and our working practices, but will ensure that we are not in conflict with legislative frameworks. We are pleased that 83% of respondents to our recent engagement survey feel everyone is treated with respect at Oxford Instruments, and that more than three quarters feel we strive for a diverse mix of employees, but cognisant that there is no room for complacency.

We have identified several key areas of focus, including gender, ethnicity, disability, sexual orientation and gender identity, pursuing a range of initiatives to recruit from a diverse pool of talent, and to support our existing workforce. We have joined Business in the Community and the Business Disability Forum as part of our continual drive to improve our awareness and understanding of research and best practice in diversity and inclusion for businesses. We also engage in externally run schemes offering internships and career opportunities in our diversity and inclusion focus areas. During the year, employees have launched impact groups focusing on race and ethnicity and LGBTQ+ issues; these have been enthusiastically adopted by both members and allies of each community. In the coming year, our plans include the launch of a women's group and a neurodiversity group.

We are committed to eliminating our gender pay gap. We are only required to report in the UK, where the gap currently stands at 7.5% (mean) but are monitoring, measuring and taking action globally. We continue to build on the work we have done so far to establish balanced shortlists in our recruitment processes, only engaging executive search firms who have signed up to the Voluntary Code of Conduct on gender diversity. Our inclusive approach to recruitment includes the use of technology to ensure that the language used in job advertisements is free from gender bias. We have introduced e-learning for hiring managers, including a course on unconscious bias, and have also carried out training on interview and selection techniques, reaching some 40 managers in 2021/22.

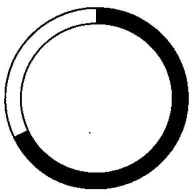
SUSTAINABILITY: SOCIAL continued

Equality, diversity and inclusion continued

We have introduced a permanent hybrid working policy as a result of our learning throughout the pandemic which helps employees to better balance their work and personal commitments.

Following the reconfiguration of our internal employee data portals to include the Office for National Statistics ethnicity categories, some 70% of employees globally have provided data on their ethnicity. We are now beginning to use this data to help to ensure that our processes and pay are fair and equitable with respect to race and ethnicity, as well as the characteristics on which we have had full data for several years.

New employees in FY22/23 by gender



■ Male 68%
□ Female 32%

Gender split

	Male	Female
Global Oxford Instruments	74%	26%
Plc Board	62%	38%
Management Board	86%	14%
Managers	79%	21%
Employees	72%	28%

Gender split by region

	Male	Female
UK	77%	23%
Europe	69%	31%
Asia	70%	30%
America	70%	30%

Targets:

Objective	Target (with date if applicable)	Progress to date
Balanced shortlists for recruitment	100%	End of 2022/23: 83%
Ethnicity representation on the Board	By end of 2022/23: 1 person of colour	Following the appointment of Reshma Ramachandran as Non-Executive Director in September 2022, we have met this target
Women on the Board	By end of 2023/24: 40% women	With three of eight positions now held by women, we have exceeded the 33% target set by the Hampton-Alexander Review, and will meet the FTSE Women Leaders target of 40% of Board members being female when Professor Sir Richard Friend steps down from the Board in July 2023
Women as a proportion of senior leadership	By end 2025: 40% women	Currently 31%
Women as a proportion of total Oxford Instruments population	By end 2029/30, 30% women	Currently 26%

Health, safety and wellbeing

We are committed to achieving a high standard of health and safety for anyone involved in, or affected by, our activities. We strive to provide a safe workplace and working environment for all employees wherever they work.

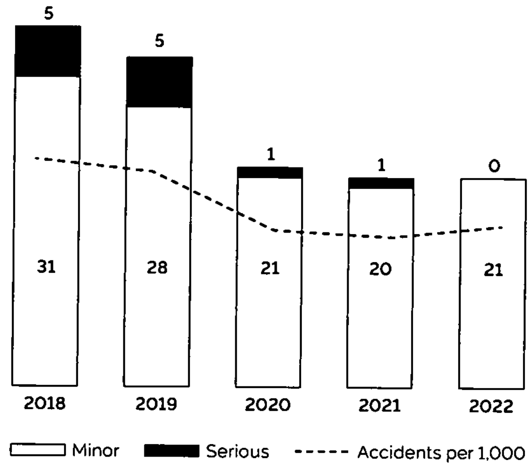
Our approach is based on the ongoing identification and control of risk. We focus on preventative measures to remove hazards before they can escalate into accidents or near misses. We apply safe working practices supported by structured health and safety management systems, that are externally audited where appropriate. We maintain ISO 45001 occupational health and safety certification at our four primary manufacturing sites, representing 83% of revenue. Each area of the business undergoes a health and safety audit at least every three years.

We have broadly maintained our overall accident frequency trend downwards, with no serious accidents in 2022, and a small increase in minor accidents. Our health and safety record compares favourably with industry benchmarks. However, there is no room for complacency, and health and safety is a priority at all our sites worldwide. We continue our Push for Zero programme, with the objective of a sustained reduction in accident levels across the Group. We record accidents and safety observations on our SHIELD health and safety software platform, and take corrective action to prevent recurrence.

Our new six-step strategic framework for health and safety will be rolled out globally in 2023/24

Health and safety five-year performance*

*calendar year measure



We take a holistic approach to wellbeing, and firmly believe employees and their families deserve to have access to the right mental health support to help them feel their best in a supportive culture. We aim to give people the tools to keep themselves, their colleagues and their families healthy; we encourage them to access support when it's needed, and we empower people with long-term mental health issues or a disability to thrive in work.

We continue to support our team of Mental Health First Aiders and provide independent and confidential digital platforms and services that employees can access wherever they are based in the world.

We are also committed to supporting colleagues experiencing tough times in their personal lives, whether through family commitments, illness or bereavement, taking a bespoke approach to each individual's circumstances.

Target:

Objective	Target	Comments
Serious accidents	Zero	No employees should experience a serious accident at work
Accident frequency rate	Continuous improvement	Push 4 Zero aims to reduce the accident rate year-on-year

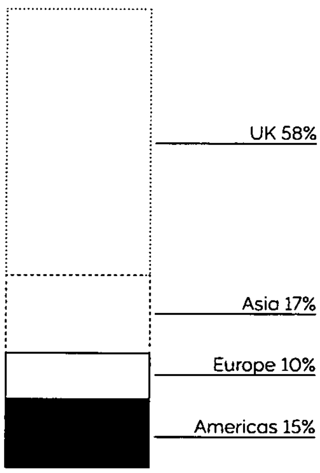
SUSTAINABILITY: SOCIAL continued

Employee turnover rates:

Year	Turnover
2022/23	9%
2021/22	11%
2020/21	6%
2019/20	7%
2018/19	10%
2017/18	12%

Geographical spread of employees

(at the end of FY 22/23)



Investing in our people

Our people and their capabilities are core to what makes us a great company. We want our employees to be successful, to realise their full potential and to be able to make a difference. We are committed to being the company where the best people in our sector want to work, and we offer high-quality, stable employment and flexible careers with favourable conditions and pay. We offer a broad range of career development opportunities across technical, commercial, operational and business support functions.

We provide a range of opportunities for our employees to gain knowledge, skills and experience to achieve individual and organisation goals. This includes challenging assignments, learning from colleagues and targeted training. Our talent management processes attract talented people and develop their capabilities to meet our current and future business needs. We integrate these processes within our business planning cycle.

We continue to strengthen our Oi Academy, which offers development programmes, core skills training courses and extensive e-learning opportunities. We also offer a broad range of secondments, career breaks, apprenticeships and support towards external qualifications. This year, three cohorts have undertaken our bespoke Oi Leadership programme, which brings together high-potential candidates from across the Group and covers a wide range of topics including interviewing skills, self-development, developing others, and managing remote teams.

We have developed indicative Career Pathways to deliver career mapping for all roles across the Group, allowing employees to utilise this information to review potential career pathways of interest to them across technical or functional leadership, business leadership and specialist versus generalist routes. We have a robust system of regular feedback, embedded through our annual performance development review process for all employees, which also encompasses career development with a focus on training opportunities.

We are committed to building the skills that society needs now and in the future by investing, over the long term, in our people.

Next-generation talent

We take our responsibility towards developing the next-generation workforce seriously and are committed to inspiring the next generation of scientists, engineers and business people by showing them the difference they can make in the world, and by providing work experience and employment skills and development opportunities.

For us, this begins in schools, colleges and learning institutions, where we equip and encourage our employees around the world to take any opportunity they can to talk to young people about careers in our industry. We partner with universities and post-graduate schools to help students understand the range of careers available in a technology company, supporting this with work experience and engagement with employees from a broad range of backgrounds (see page 32). A popular benefit we offer all employees is the offer of work experience to family members between the ages of 16 and 25.

We remain committed to providing structured apprenticeships, sponsorships, internships, early career jobs and graduate programmes. We intentionally reach out to attract a diverse range of people and those from untapped talent pools, ensuring we are inclusive and accessible.

Community impact

We actively engage in locally focused activities that make our communities and environments a better place to live and work. All employees are offered up to two paid volunteering days a year to share their professional or practical skills in the community; we also participate in charity outreach programmes and offer sponsorship of local community events.

Our network of Go Green teams help us look at better ways to be more environmentally friendly, both as a business and as individuals. We have taken steps to minimise traffic noise and congestion around our sites and remain committed to minimising emissions from our own activities, as set out on pages 54 to 59. We have appointed a new senior manager to lead our environmental sustainability activity.

When we arrange gifts, celebrations, events and activities for our teams we aim to support the small, independent businesses near our sites.

During the year, across our sites, we organised a number of activities that supported our local businesses. This included bringing a barber on site, running exercise classes, and dog walks. We also participated in a range of charity outreach activities, including raffles, marathon sponsorships, pub quizzes and coffee mornings.

CASE STUDY

Welcoming a record number of apprentices

February 2023 saw us launch our largest ever cohort of apprentices, with roles created at all four of our manufacturing sites in the UK. Our programme spans a wide range of disciplines, from engineering to software development and marketing, and with opportunities from post-school level to graduate level. We are delighted to be supporting a new generation of talented people through well-paid, high-quality training, equipping them with skills and qualifications for life. For more information, visit www.oxinst.com/apprenticeships

Governance:

We are committed to upholding high ethical standards; we all want to work for a company of which we can be proud

Inclusive, innovative, trusted and purposeful

We are wholly committed to conducting our business responsibly and holding ourselves to a high ethical standard. Our brand and reputation are built on our strong values, which underpin everything we do; from how we work with each other and how we support our customers, to how we trade with suppliers. We are inclusive, innovative, trusted and purposeful (see page 73). Every Oxford Instruments employee is expected to behave in a way which is consistent with these values.

Following best practice

In our governance practices, we address the wide range of corporate activities we undertake, the policies we have in place and our management structure. These are summarised in our Code of Business Conduct and Ethics, which is updated regularly, issued to all new joiners and communicated regularly to existing employees. We strive to adapt to the changing landscapes we operate within, with the goal of ensuring that we always operate within the bounds of best practice.

Our governance sustainability agenda comprises eight key areas.

Anti-bribery and anti-corruption

When dealing with business partners, suppliers and customers, or when engaging with public officials, we expect our employees to act in a transparent and fair manner. We choose our business partners and suppliers carefully and avoid working with anyone who does not meet and adhere to the same high standards.

The key principles we expect everyone to follow include not offering or accepting bribes or improper payments; not improperly influencing any individual; and not participating in any kind of corrupt business activity, either directly or through a third party. To help our employees understand what is expected of them we have developed a comprehensive training course which all new joiners must complete to pass their probationary period, and which all those in relevant roles must retake regularly; we also maintain a detailed policy document.

Adherence to our due diligence procedure for the onboarding of third-party agents and distributors continues to be regularly audited, and training is delivered by our Group Legal team to all new Finance Directors and Contract Managers.

Sanctions, export control and customs

We review our Sanctions Policy regularly to confirm compliance with UN, UK, EU and US sanctions; and following Russia's invasion of Ukraine have exceeded the scope of international sanctions by imposing a Group-wide ban on any transactions involving Russia and Belarus.

We have adapted our processes to respond to changes in UK legislation relating to export controls, which became effective in May 2022, and which had the effect of formally extending military end-use controls to China (including Macau and Hong Kong) beyond military organisations to encompass the police, intelligence services and similar organisations and entities that supply them.

During the year the Group Export Compliance team has standardised operating procedures for all UK businesses, including enhanced due diligence around identification of end users in China, and has instigated quarterly compliance audits. To date these audits have indicated 100% compliance with procedure.

Dissemination of inside information to the market, and share dealing

We take steps to ensure our compliance with the obligations arising from the Listing Rules, Disclosure Guidance and Transparency Rules, the Criminal Justice Act 1993 and the UK Market Abuse Regulation ('MAR') in relation to the dissemination of inside information to the market, which includes our share dealing policy and procedures.

We ensure that there are adequate procedures, systems and controls: (i) to identify inside information and ensure that any inside information identified is properly considered by the Directors and, where necessary, disclosed to the market promptly; (ii) to enable the Directors to assess whether the company can delay disclosure to the market; (iii) to restrict access to inside information to those who need to know it; (iv) to monitor compliance with our obligations under MAR, including the detailed record-keeping requirements; and (v) to ensure that the Financial Conduct Authority is notified of any delayed disclosure on announcement of the inside information to the market.

We maintain and update a secure list of anyone who has access to inside information, whether on a regular or occasional basis, and ensure that anyone working on our behalf or on our account does the same. We ensure that those on the list are aware of and acknowledge the legal and regulatory duties required of them while on the list.

The Company Secretariat is responsible for ensuring compliance in this area.

Supply chain responsible sourcing

We operate our business in compliance with applicable laws and regulations and we expect our suppliers to do the same. Our expectations are set out in our Code of Conduct for Representatives and Suppliers, which is available on our website: www.oxinst.com.

In addition, we endeavour to include a provision within our purchase contracts with suppliers, whereby suppliers are asked to warrant that they and their sub-contractors will comply with all applicable laws, statutes, regulations and codes relating to modern slavery, anti-bribery and anti-corruption, and Oxford Instruments' Code of Conduct for Representatives and Suppliers.

We use an approved vendor list for the supply of continuous-use production materials, which is managed by Group Strategic Sourcing. All key suppliers on this list must complete a governance questionnaire via an online supplier portal, to confirm their compliance with our Code of Conduct for Representatives and Suppliers, together with applicable legislation. In the year we have focused on ensuring that we have up-to-date governance questionnaires for all key suppliers.

SUSTAINABILITY: GOVERNANCE continued

We are committed to sourcing our supplies responsibly and supporting global efforts to eliminate the use of so-called 'conflict minerals', sourced from mines which support or fund conflict. We undertake due diligence on our key suppliers and expect them, in turn, to conduct due diligence on their own supply chain to help eliminate the use of conflict minerals.

Our online supplier portal allows us to store and audit our key supplier documents and is being extended to collect information on product environmental compliance, quality and sustainability. During the year our Group Strategic Sourcing team has worked closely with WITec to align their policies and processes with the rest of the Group.

Human rights and modern slavery

We are committed to preventing acts of modern slavery and human trafficking from occurring within our business and supply chain. We take a zero-tolerance approach to all forms of modern slavery, including servitude, forced bonded and compulsory labour, and human trafficking.

Bespoke training is mandatory for relevant employees to help them recognise where there may be risks of modern slavery and human trafficking within our business and our supply chains. The training has recently been updated to specifically reference the International Labour Organisation's 11 indicators of forced labour and explains how they can be used to help identify victims of modern slavery.

We have an established Reporting a Business Malpractice Procedure for employees to report any concerns, and further guidance is also made available in our Global Human Rights Policy. We encourage employees to use both documents in their due diligence of suppliers.

In addition, our global Code of Business Conduct and Ethics, referenced on pages 78 and 81, sends a clear message to our employees, business partners, investors and other stakeholders about our business principles and ethics.

Our Board Sustainability Committee, chaired by Sir Nigel Sheinwald (see pages 141 to 143), provides a direct overview of our Environmental, Social, and Governance ('ESG') agenda. Modern Slavery prevention is one of the eight key areas under the Governance section of the ESG agenda and accordingly has the full focus of the Sustainability Committee.

Our Corporate and Social Responsibility Forum has helped to develop a 'Supplier Portal' which provides an online tool to help us better undertake and audit supplier due diligence.

Our Anti-Slavery and Human Trafficking Statement is updated annually and can be found both on our website and on the Government's Modern Slavery Statement Registry.

Intellectual property and confidentiality

Our intellectual property (IP) is one of our most important assets; it is key to our success in the market and enables us to secure and maintain a competitive advantage. We have comprehensive policies and procedures in place to protect our IP.

We continue to protect our inventions, brand and designs through the use of registered IP rights. In the year we filed a number of new priority patent applications.

As the basis for protecting our trade secrets we have in place a well established process for preparation, review and signing of all confidentiality agreements. All employees are able to download a standard set of templates, along with guidance and training on how to complete these templates on our internal SharePoint pages.

Oxford Instruments often collaborates with third parties on projects which generate new IP, further enhancing our product offerings to our customers. In these situations, we will not use any IP without it first being legitimately acquired or licensed.

Data protection, data privacy and data security

Our global privacy standard sets out the principles that guide our approach to handling personal information, and all employees are required to undertake mandatory training on data protection.

We continue to run training sessions to ensure that marketing lead generation and other marketing activities are compliant with the European General Data Protection Regulation ('GDPR'), UK GDPR and related privacy legislation in other territories. Over the year our legal team has worked closely with our marketing and IT teams, providing data protection support on projects including the rollout of a new global CRM system and service portal, and changes in IT software providers.

From September 2022, a change in the law resulted in the need to use a new UK version of the standard contractual clauses to govern our cross-border transfers of personal data outside the UK. We have commenced a project to update existing contracts between our subsidiaries within the Group and also with third party suppliers and partners before the end of the grace period in March 2024. Similar legislation and guidance regarding cross-border transfer of personal data outside of China has recently been released and we are reviewing our data protection compliance programme in China to ensure we are ready for these changes before the end of the grace period later this year.

We continue to stay on top of developing compliance programmes around the world to ensure we can respond quickly to any changes made in the data protection legislation. During the year, we worked with local lawyers in Japan to update policies and procedures following amendments to the local data protection regime, and have also delivered a compliance programme covering regional data protection changes in the US.

Financial sustainability and tax transparency

The Group continues to maintain a focus on cash generation to ensure we are financially stable and we have published our policy within the Sustainability section of our website.

We manage our tax affairs in accordance with the following objectives:

- ensuring compliance with all relevant tax law in all jurisdictions in which the Group operates whilst managing the associated tax costs in a manner that is consistent with our Code of Business Conduct and Ethics and its attitude to commercial risk;
- seeking to maintain stable effective and cash tax rates which reflect the geographic markets in which we operate, and the Group's tax attributes, such as brought-forward losses and special deductions such as for research and development; and
- ensuring that all communication with tax authorities is conducted in a transparent and professional manner.

CASE STUDY

A strong ethical foundation

At Oxford Instruments we strive to be inclusive, innovative, trusted and purposeful. These values underpin everything we do; from how we work with each other and the way we support our customers to how we interact with our suppliers. To that end, and in order to reflect our ongoing strong progress on environmental, social and governance issues, we significantly updated our global Code of Business Conduct and Ethics in the year. The Code sets out our values and the standards we expect all colleagues to uphold, and plays an important role in reinforcing the positive and responsible culture we seek to build.

FINANCE REVIEW

Strong growth and investment for the future

We delivered a strong financial performance with growth in orders, revenue and underlying cash flow. We continue to invest in resources and infrastructure across the business to support future growth. Our balance sheet has been strengthened further to support organic and non-organic growth opportunities.

"With order, revenue and profit growth we have delivered strong performance in the year and strengthened our balance sheet to support future growth opportunities."

Gavin Hill
Chief Financial Officer

Summary

Oxford Instruments uses certain alternative performance measures to help it effectively monitor the performance of the Group as management believes that these represent a more consistent measure of underlying performance. Adjusted measures exclude the amortisation and impairment of acquired intangible assets; other significant non-recurring items; and the mark-to-market movement of financial derivatives. All of these are included in the statutory figures. Note 1 provides further analysis of the adjusting items in reaching adjusted profit measures. Definitions of the Group's material alternative performance measures along with reconciliation to their equivalent IFRS measure are included within the Finance Review.

The Group trades in many currencies and makes reference to constant currency numbers to remove the impact of currency effects in the year. These are prepared on a month-by-month basis using the translational and transactional exchange rates which prevailed in the previous year rather than the actual exchange rates which prevailed in the year. Transactional exchange rates include the effect of our hedging programme.

Reported orders received increased by 20.9% to £511.6m (2022: £423.1m), an increase of 14.2% at constant currency. 60% of orders growth was volume driven, with the remainder from price increases. At the end of the year, the Group's order book had increased to £319.6m (31 March 2022: £260.2m), up 22.8% on a reported basis and 19.2% at constant currency.

Reported revenue increased by 21.1% to £444.7m (2022: £367.3m). Revenue, excluding currency effects, increased by 14.0%, with the movement in average currency exchange rates over the year increasing reported revenue by £26.1m. This strong growth was primarily volume driven with 70% of the growth from volume and 30% from price.

Adjusted operating profit increased by 21.4% to £80.5m (2022: £66.3m). Adjusted operating profit, excluding currency effects, increased by 13.4%, with a currency tailwind in the year of £5.3m. Adjusted operating margin was held at 18.1% (2022: 18.1%) as the business invested to support growth; excluding currency effects, adjusted operating margin decreased by 10 basis points to 18.0%.

Statutory operating profit of £72.4m (2022: £48.3m) includes the amortisation of acquired intangibles of £9.3m (2022: £9.5m) and a credit of £3.0m (2022: charge of £6.4m) relating to the movement in the mark-to-market valuation of uncrystallised currency hedges for future years. Other adjusting non-recurring items totalled £1.8m (2022: £2.1m).

Adjusted profit before tax grew by 24.4% to £82.0m (2022: £65.9m), representing a margin of 18.4% (2022: 17.9%).

Statutory profit before tax increased by 54.4% to £73.5m (2022: £47.6m), following the growth in operating profit and favourable impact from the non-cash uncrystallised credit on currency hedges. This represents a margin of 16.5% (2022: 13.0%).

Adjusted basic earnings per share grew by 19.5% to 112.7p (2022: 94.3p). Basic earnings per share were 101.6p (2022: 67.1p), an increase of 51.4%.

Cash from operations of £72.9m (2022: £58.4m) represents 58% (2022: 72%) cash conversion. During the year, we incurred expenditure of £24.7m on the construction of our new semiconductor facility near Bristol and a facility expansion in High Wycombe; cash conversion on a normalised basis that excludes this expenditure was 88%. Net cash after borrowings increased from £85.9m on 31 March 2022 to £100.2m on 31 March 2023.

At the end of March, our revolving credit facility remained undrawn, leaving approximately £108m of committed facilities. This represents total headroom of just under £210m.

FINANCE REVIEW continued

Income Statement

The Group's Income Statement is summarised below.

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	Change
Revenue	**444.7**	367.3	+21.1%
Adjusted operating profit	**80.5**	66.3	+21.4%
Amortisation of acquired intangible assets	**(9.3)**	(9.5)	
Non-recurring items	**(1.8)**	(2.1)	
Mark-to-market of currency hedges	**3.0**	(6.4)	
Statutory operating profit	**72.4**	48.3	+49.9%
Net finance income/(cost)[1]	**1.1**	(0.7)	
Adjusted profit before taxation	**82.0**	65.9	+24.4%
Statutory profit before taxation	**73.5**	47.6	+54.4%
Adjusted effective tax rate	**20.7%**	17.8%	
Effective tax rate	**20.3%**	18.9%	
Adjusted earnings per share – basic	**112.7p**	94.3p	+19.5%
Earnings per share – basic	**101.6p**	67.1p	+51.4%
Dividend per share (total)	**19.5p**	18.1p	+7.7%

1. Net finance costs for 2023 include a non-recurring charge of £0.4m (2022: £0.3m) against the unwind of discount on WITec contingent consideration.

Revenue and orders

Total reported orders grew by 20.9% (+14.2% at constant currency) to £511.6m. In Materials & Characterisation, reported orders grew by 24.5% (+18.3% at constant currency), with good growth across the portfolio of electron microscope analysers, semiconductor processing systems, atomic force microscopes and Raman systems. In Research & Discovery, we saw good growth of 19.8% (+11.6% at constant currency) in orders for our optical imaging and microscopy systems, assisted by some large orders for our cryogenic systems. Service & Healthcare increased by 12.0% (+6.4% at constant currency).

Reported revenue of £444.7m (2022: £367.3m) increased by 21.1% (+14.0% at constant currency).

Reported revenue grew by 26.4% for Materials & Characterisation (+19.2% at constant currency), with strong growth for our electron microscope analysers and atomic force microscopes. We saw growth in our semiconductor processing tools, though this was tempered in the year by supply chain challenges and an increase in export licence refusals.

Research & Discovery reported revenue growth of 15.9% (+8.1% at constant currency) was supported by improved second half production of our optical imaging and microscopy products, although there was lower revenue from the unfavourable phasing in installations of our cryogenic and magnet systems, in addition to the impact from UK export licence constraints to China, particularly to the quantum market.

Revenue growth from service of our own products, supported by good growth in maintenance revenue from Life Science software and products, has more than offset an expected small decline in revenue from our MRI service business in Japan, resulting in reported growth of 15.1% (+9.6% at constant currency) for Service & Healthcare.

The book-to-bill ratio (orders received to goods and services billed in the period) for the year was 1:15 (2022: 1:15).

On a geographical basis, revenue grew by 17.9% in Europe (+15.5% at constant currency), supported by additional deliveries of our electron analysers, optical and microscopy products and cryogenic systems.

Revenue for North America increased by 53.5% on a reported basis and by 36.3% at constant currency; with all businesses recording good growth, and especially high demand for our semiconductor processing systems.

Asia remains our largest region by revenue, with China constituting 54% of regional revenue and 24% of total Group revenue. Asia delivered revenue growth of 6.7% (+1.9% at constant currency), with strong demand for our electron microscope analysers and atomic force microscopes, offset by fewer deliveries of our semiconductor processing systems due to supply chain challenges and UK export licence rejections, and a pivot away from quantum-related cryogenic systems caused by export licence constraints. Revenue in China fell 4% on a constant currency basis.

Geographic revenue growth

£m	2022/23 £m	2022/23 % of total	2021/22 £m	2021/22 % of total	Change £m	% growth	% growth at constant currency
Europe	**104.9**	**24%**	89.0	24%	**+15.9**	**17.9%**	**15.5%**
North America	**130.3**	**29%**	84.9	23%	**+45.4**	**53.5%**	**36.3%**
Asia	**201.2**	**45%**	188.6	51%	**+12.6**	**6.7%**	**1.9%**
Rest of World	**8.3**	**2%**	4.8	2%	**+3.5**	**72.9%**	**66.7%**
	444.7		367.3		**+77.4**	**21.1%**	**14.0%**

The total reported order book grew by 22.8% (+19.2% at constant currency). The order book, at constant currency, compared to 31 March 2022, increased by 29.5% for Materials & Characterisation, with strong growth across all constituent businesses. Research & Discovery grew by 7.7% at constant currency, with strong demand for our imaging and microscopy products. We also received a large commercial order for cryogenic systems. However, the removal of previous years' orders due to UK export licence rejections to China within the quantum sector depressed the growth rate. Continued focus on own product service resulted in growth of 25.3% (+21.0% at constant currency) from Service & Healthcare.

£m	Materials & Characterisation	Research & Discovery	Service & Healthcare	Total
Revenue: 2021/22	185.5	120.3	61.5	367.3
Constant currency growth	35.6	9.8	5.9	51.3
Currency	13.4	9.3	3.4	26.1
Revenue: 2022/23	**234.5**	**139.4**	**70.8**	**444.7**
Revenue growth: reported	26.4%	15.9%	15.1%	21.1%
Revenue growth: constant currency	19.2%	8.1%	9.6%	14.0%

FINANCE REVIEW continued

Gross profit

Gross profit grew by 22.6% to £230.2m (2022: £187.8m), representing a gross profit margin of 51.8%, an increase of 70 basis points over last year. The business has been able to offset the effects of cost inflation within costs of sales over the year.

Adjusted operating profit and margin

Adjusted operating profit increased by 21.4% to £80.5m (2022: £66.3m), representing an adjusted operating profit margin of 18.1% (2022: 18.1%). At constant currency, the adjusted operating profit margin was 18.0%, a reduction of 10 basis points. In order to support future growth ambitions and position ourselves to deliver process and cost efficiencies we must invest across the business, including in infrastructure, IT, and engineering and operational capabilities. As a result overhead growth tracks revenue growth and offsets short-term pass through margin enhancement.

Reported Materials & Characterisation adjusted operating profit increased by 55.0% (+45.2% at constant currency) with reported margin increasing by 320 basis points to 17.3% (2022: 14.1%). We have seen a high level of demand for our electron microscope analysers and atomic force microscopes, driving an improvement in profitability. In addition, the WITec business has been fully integrated into the Group, with combined sales teams driving an improvement in demand.

Within Research & Discovery, our imaging and microscopy business has had a strong second half of the year, despite a large increase in UK export licence rejections. The business has seen strong demand, supported by our new benchtop microscope for the Life Science market. Investment in resources, IT systems and infrastructure is being made to support the capture and delivery of growth opportunities. Operational throughput of our standard cryogenic and magnet systems has been constrained by a diversion of resources towards completing the withdrawal from more complex bespoke systems, which now make up a much smaller component of the business. Difficulties in obtaining UK export licences for cryogenic systems for quantum research in China have negatively impacted year-on-year growth. These issues have resulted in a fall in constant currency profit of 21.1% and a 480-basis point reduction in adjusted operating margin to 12.9% for the segment. Good order growth for our cryogenic systems, especially from North America and Europe, is expected to contribute to an improved trading performance for the 2023/24 financial year.

Service & Healthcare margin increased by 40 basis points to 31.1% (2022: 30.7%). At constant currency, the margin was 30.4%, a decrease of 30 basis points.

Transaction and translation currency effects (including the impact of transactional currency hedging) have increased reported adjusted operating profit by £5.3m when compared to blended hedged exchange rates for the prior period.

£m	Materials & Characterisation	Research & Discovery	Service & Healthcare	Total
Adjusted operating profit: 2021/22	26.1	21.3	18.9	66.3
Constant currency growth	11.8	(4.5)	1.6	8.9
Currency	2.6	1.2	1.5	5.3
Adjusted operating profit: 2022/23	**40.5**	**18.0**	**22.0**	**80.5**
Adjusted operating margin[1]: 2021/22	14.1%	17.7%	30.7%	18.1%
Adjusted operating margin[1]: 2022/23	17.3%	12.9%	31.1%	18.1%
Adjusted operating margin[1] (constant currency): 2022/23	17.1%	12.9%	30.4%	18.0%

1. Adjusted margin is calculated as adjusted operating profit divided by revenue. Adjusted margin at constant currency is defined as adjusted operating profit at constant currency divided by revenue at constant currency.

Statutory operating profit and margin

Statutory operating profit grew by 49.9% to £72.4m (2022: £48.3m), representing an operating profit margin of 16.3% (2022: 13.2%). Statutory operating profit is after the amortisation and impairment of acquired intangible assets; other significant non-recurring items; and the mark-to-market of financial derivatives. The growth was driven by a strong trading performance, supported by currency, along with a credit on the fair value movement of forward currency contracts.

Adjusting items

Amortisation of acquired intangibles of £9.3m (2022: £9.5m) relates to intangible assets recognised on acquisitions, being the value of technology, customer relationships and brands.

Non-recurring items within operating profit total £1.8m. This comprises a release of a property dilapidations provision of £0.4m relating to the previously disposed OI Healthcare business, offset by a charge of £0.5m that eliminates the profit arising in the acquired WITec business from revaluing their inventories to fair value, in accordance with accounting standards. We have also incurred legal costs of £0.5m on protection of our intellectual property due to a third-party infringement, and restructuring costs of £0.4m relating to the transfer of a business to a new location. An impairment of capitalised development costs of £0.8m relates to two small projects in our Plasma Technology business where the development has been superseded by a new platform and the market opportunity turned out to be smaller than forecast.

We also recorded in financial expenditure a non-recurring charge of £0.4m against the unwind of discount on WITec contingent consideration.

The Group uses derivative products to hedge its short-term exposure to fluctuations in foreign exchange rates. Our hedging policy allows for forward contracts to be entered into up to 24 months forward from the end of the next reporting period. The Group policy is to have in place at the beginning of the financial year hedging instruments to cover up to 80% of its forecast transactional exposure for the following 12 months and, subject to pricing, up to 20% of exposures for the next six months. The Group has decided that the additional costs of meeting the extensive documentation requirements of IFRS 9 to apply hedge accounting to these foreign exchange hedges cannot be justified. Accordingly, the Group does not use hedge accounting for these derivatives.

Net movements on mark-to-market derivatives in respect of transactional currency exposures of the Group in future periods are disclosed in the Consolidated Statement of Income as foreign exchange and excluded from our calculation of adjusted profit before tax. In the year this amounted to a credit of £3.0m (2022: charge of £6.4m). The movement to a small net asset for derivative financial instruments over the year reflects: (i) the crystallisation of forward contracts that were hedging the 2022/23 financial year, which are recognised in adjusted operating profit; and an uncrystallised increase in the mark-to-market valuation of forward contracts from a rise in the value of sterling at the balance sheet date against a blended rate achieved on US dollar contracts that will mature over the next 12 months.

Net finance costs

The Group recorded adjusted net interest income of £1.5m (2022: net cost of £0.4m) due to an increase in the interest credit on pension scheme net assets and a rise in interest income on our net cash balance. In addition, we recorded in financial expenditure a non-recurring charge of £0.4m against the unwind of discount on WITec contingent consideration.

FINANCE REVIEW continued

Adjusted profit before tax and margin

Adjusted profit before tax increased by 24.4% to £82.0m (2022: £65.9m). The adjusted profit before tax margin of 18.4% (2022: 17.9%) was above last year due to an increase in the net finance income.

Reconciliation of statutory profit before tax to adjusted profit before tax	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Statutory profit before tax	**73.5**	47.6
Add back:		
Amortisation and impairment of acquired intangible assets	**9.3**	9.5
Non-recurring items in operating profit (Note 1)	**2.2**	2.4
Mark-to-market of currency hedges	**(3.0)**	6.4
Adjusted profit before tax	**82.0**	65.9

Statutory profit before tax and margin

Statutory profit before tax increased by 54.4% to £73.5m (2022: £47.6m). Statutory profit before tax is after the amortisation and impairment of acquired intangible assets; other significant non-recurring items; and the mark-to-market of financial derivatives. The statutory profit before tax margin of 16.5% (2022: 13.0%) was above last year principally due to the credit from the mark-to market valuation movement on financial derivatives.

Taxation

The adjusted tax charge of £17.0m (2022: £11.7m) represents an effective tax rate of 20.7% (2022: 17.8%). The tax charge of £14.9m (2022: £9.0m) represents an effective tax rate of 20.3% (2022: 18.9%). The increase reflects prior year tax credits, primarily relating to exercise of share options, as well as a greater mix of profits from jurisdictions with higher tax rates than our average. We expect the effective tax rate to rise in 2023/24 owing to the increase in the UK corporation tax rate.

Earnings per share

Adjusted basic earnings per share increased by 19.5% to 112.7p (2022: 94.3p); adjusted diluted earnings per share grew by 19.7% to 111.3p (2022: 93.0p). Basic earnings per share increased by 51.4% to 101.6p (2022: 67.1p); diluted earnings per share increased by 51.5% to 100.3p (2022: 66.2p).

The number of undiluted weighted average shares increased to 57.7m (2022: 57.5m).

Currency

The Group faces transactional and translational currency exposure, most notably against the US dollar, euro and Japanese yen. For the year, approximately 16% of Group revenue was denominated in sterling, 53% in US dollars, 19% in euros, 10% in Japanese yen and 2% in other currencies. Translational exposures arise on the consolidation of overseas company results into sterling. Transactional exposures arise where the currency of sale or purchase transactions differs from the functional currency in which each company prepares its local accounts.

The Group's translation and transaction foreign currency exposure for the full year is summarised below.

£m (equivalent)	Revenue	Adjusted operating profit
Sterling	72.3	(97.9)
US dollar	233.8	105.8
Euro	85.8	37.4
Japanese yen	43.5	34.4
Chinese renminbi	6.2	(0.2)
Other	3.1	1.1
	444.7	**80.5**

The Group maintains a hedging programme against its net transactional exposure using internal projections of currency trading transactions expected to arise over a period extending from 12 to 24 months. As at 31 March 2023, the Group had currency hedges in place extending up to 12 months forward.

For the full year 2023/24, our assessment of the currency impact is, based on hedges currently in place and forecast currency rates, a headwind of £12.0m to revenue and a broadly neutral impact on profit. Current currency rates on unhedged positions for the year are GBP:USD 1.25; GBP:EUR 1.16; GBP:JPY 175. All currency impacts are prior to mitigating pricing and cost actions. Uncertain volume and timing of shipments and acceptances, currency mix and rate volatility may significantly affect full-year currency forecast effects.

Looking further ahead to the financial year 2024/25, based on current currency rates, we would expect currency effects to have a neutral impact to revenue and a £3.6m headwind to profit, owing to an unwind of hedges crystallising in the previous financial year at more favourable rates.

Acquisition of WITec

On 31 August 2021, the Group completed the purchase of 100% of the share capital in WITec for an initial consideration of €37.0m. Additional consideration of €5m was paid in December 2022 as a consequence of specific conditions on trading performance being met.

Dividend

The Group's policy on the dividend takes into account changes to underlying earnings, dividend cover, movements in currency and demands on our cash. After a good year of trading, supported by favourable currency movements, the Board has proposed a final dividend of 14.9p (2022: 13.7p) per share. This results in a total dividend of 19.5p (2022: 18.1p) per share, growth of 7.7%. An interim dividend of 4.6p per share was paid on 13 January 2023. The final dividend will be paid, subject to shareholder approval, on 12 October 2023 to shareholders on the register as at 4 August 2023.

Cash flow

The Group cash flow is summarised below.

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Adjusted operating profit	**80.5**	66.3
Depreciation and amortisation	**10.8**	9.4
Adjusted[1] EBITDA	**91.3**	75.7
Working capital movement	**(9.1)**	(11.8)
Equity settled share schemes	**2.4**	2.1
Pension scheme payments above charge to operating profit	**(11.7)**	(7.6)
Cash from operations	**72.9**	58.4
Interest	**0.4**	(0.5)
Tax	**(5.7)**	(8.8)
Capitalised development expenditure	**(0.6)**	(0.7)
Net expenditure on tangible and intangible assets	**(32.1)**	(13.9)
Acquisition of subsidiaries, net of cash acquired	**(4.8)**	(30.6)
Acquisition-related costs	**-**	(0.4)
Dividends paid	**(10.6)**	(12.3)
Proceeds from issue of share capital and exercise of share options	**0.1**	0.1
Payments made in respect of lease liabilities	**(5.6)**	(3.4)
Decrease in borrowings	**(0.5)**	(0.1)
Net increase/(decrease) in cash and cash equivalents from continuing operations	**13.5**	(12.2)

1. Adjusted EBITDA is defined as Adjusted operating profit before depreciation and amortisation of capitalised development costs. The Consolidated Statement of Cash Flows provides further analysis of the definition of Adjusted EBITDA.

FINANCE REVIEW continued

Cash from operations

Cash from operations of £72.9m (2022: £58.4m) represents 58% (2022: 72%) cash conversion. Cash conversion on a normalised basis was 88% once we exclude capital expenditure relating to our new semiconductor facility and a small facility expansion in High Wycombe for a Materials & Characterisation business line. Cash conversion is defined as cash from operations before business reorganisation costs and pension scheme payments above charge to operating profit, less capitalised development expenditure, capital expenditure and payments made in respect of lease liabilities, divided by adjusted operating profit.

Reconciliation of cash generated from operations to adjusted operating cash flow	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Cash from operations	**72.9**	58.4
Add back/(deduct):		
Pension scheme payments above charge to operating profit	**11.7**	7.6
Capitalised development expenditure	**(0.6)**	(0.7)
Net expenditure on tangible and intangible assets	**(32.1)**	(13.9)
Payments made in respect of lease liabilities	**(5.6)**	(3.4)
Adjusted cash from operations	**46.3**	48.0
Cash conversion % (adjusted cash from operations/adjusted operating profit)	**58%**	72%
Cash conversion % (normalised[1])	**88%**	84%

1. Cash conversion calculated on a normalised basis excludes expenditure in the year of £24.7m (2022: £7.4m) on the new semiconductor facility and the Materials & Characterisation facility expansion in High Wycombe.

Working capital increased by £9.1m. Inventories increased by £15.6m as we prioritised securing component supplies in the face of continued supply chain disruption and uncertainty. Receivables increased by £21.5m, reflecting the high number of orders, shipments and acceptances in the final month of the year compared to last year, particularly with reference to high-value semiconductor process systems, resulting in an increase in invoicing against customer deposits, installation and acceptances. This was offset by an increase in payables and customer deposits of £28.0m.

Interest

Net interest received was £0.4m (2022: £0.5m paid), the improvement reflecting the higher interest income received on our net cash balance.

Tax

Tax paid was £5.7m (2022: £8.8m). The Group benefitted from accelerated capital allowances on the new semiconductor facility currently under construction, partly contributing to cash tax being lower than the accounting charge.

Investment in Research and Development (R&D)

Total cash spend on R&D in the year was £34.8m, equivalent to 7.8% of sales (2022: £31.7m, 8.6% of sales). A reconciliation between the adjusted amounts charged to the Consolidated Statement of Income and the cash spent is given below:

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
R&D expense charged to the Consolidated Statement of Income	**36.7**	32.8
Depreciation of R&D-related fixed assets	**(0.3)**	(0.2)
Amounts capitalised as fixed assets	**–**	0.3
Amortisation and impairment of R&D costs previously capitalised as intangibles	**(2.2)**	(1.9)
Amounts capitalised as intangible assets	**0.6**	0.7
Total cash spent on R&D during the year	**34.8**	31.7

Net cash and funding

Net cash

Cash from operations in the year was partially offset by an increase in capital expenditure and payment of deferred consideration for the acquired WITec business, resulting in an increase in the Group's net cash position after borrowings at 31 March 2023 to £100.2m (31 March 2022: £85.9m). The Group invested in tangible and intangible assets of £32.3m, of which £23.1m relates to payments associated with the new semiconductor facility under construction.

To 31 March 2023, we had incurred costs of £31.3m on the new semiconductor facility under construction. For the financial year ended 31 March 2024, we expect additional payments of approximately £10m to complete the facility. We are also planning to expand our operations in Belfast over the next 18 months to support the growth of our imaging and microscopy business, particularly into Life Science markets.

Movement in net cash	£m
Net cash after borrowings as at 31 March 2022	85.9
Cash generated from operations	72.9
Interest	0.4
Tax	(5.7)
Capitalised development expenditure	(0.6)
Capital expenditure on tangible and intangible assets	(9.2)
Capital expenditure on new semiconductor facility	(23.1)
Acquisition of subsidiaries	(4.8)
Dividend paid	(10.6)
Payments made in respect of lease liabilities	(5.6)
Other items	0.6
Net cash after borrowings as at 31 March 2023	100.2

Net cash including lease liabilities	**Year ended 31 March 2023 £m**	Year ended 31 March 2022 £m
Net cash after borrowings	**100.2**	85.9
Lease liabilities	**(31.4)**	(18.4)
Net cash and lease liabilities after borrowings	**68.8**	67.5

Return on capital employed (ROCE)

ROCE measures effective management of capital employed relative to the profitability of the business. ROCE is calculated as adjusted operating profit less amortisation of intangible assets divided by average capital employed. Capital employed is defined as assets (excluding cash, pension, tax and derivative assets) less liabilities (excluding tax, debt and derivative liabilities). Average capital employed is defined as the average of the closing balance at the current and prior year end. ROCE has risen to 35.2%, (2022: 34.7%), with the change principally reflecting a higher level of earnings, partially offset by the investment in the new semiconductor facility in Bristol which has increased property, plant and equipment, and right-of-use assets.

FINANCE REVIEW continued

Return on capital employed	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Adjusted operating profit	**80.5**	66.3
Amortisation of acquired intangible assets	**(9.3)**	(9.5)
Adjusted operating profit after amortisation of acquired intangible assets	**71.2**	56.8
Property, plant and equipment	**59.3**	31.7
Right-of-use assets	**31.4**	17.9
Intangible assets	**132.1**	140.7
Long-term receivables	**0.5**	-
Inventories	**81.4**	65.3
Trade and other receivables	**113.2**	94.8
Non-current lease payables	**(26.2)**	(14.9)
Non-current provisions	**-**	(0.1)
Trade and other payables	**(159.4)**	(139.6)
Current lease payables	**(5.2)**	(3.5)
Current provisions	**(7.6)**	(7.7)
Capital employed	**219.5**	184.6
Average capital employed	**202.1**	163.5
Return on capital employed (ROCE)	**35.2%**	34.7%

Return on invested capital (ROIC)

ROIC measures the after-tax return on the total capital invested in the business. It is calculated as adjusted operating profit after tax divided by average invested capital. Invested capital is total equity less net cash, including lease liabilities. Average invested capital is defined as the average of the closing balance at the current and prior year end. Oxford Instruments aims to deliver high returns, measured by a return on capital in excess of our weighted average cost of capital. ROIC fell slightly on the previous year due to an increase in property assets and leases offsetting the positive effect of growth in adjusted operating profit after taxation.

Return on invested capital	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Adjusted operating profit	**80.5**	66.3
Adjusted taxation	**(17.0)**	(11.7)
Adjusted operating profit after taxation	**63.5**	54.6
Total equity	**344.0**	316.4
Net cash after borrowings (including lease liabilities)	**(68.8)**	(67.5)
Invested capital	**275.2**	248.9
Average invested capital	**262.1**	212.5
Return on invested capital (ROIC)	**24.2%**	25.7%

Funding

On 2 July 2018, the Group entered into an unsecured multi-currency revolving facility agreement, which is committed until June 2025. The facility has been entered into with two banks and comprises a euro-denominated multi-currency facility of €50.0m (£44m) and a US dollar-denominated multi-currency facility of $80.0m (£64.0m).

Debt covenants are net debt to EBITDA of less than 3.0 times and EBITDA to interest greater than 4.0 times. As at 31 March 2023 the business had net cash.

Pensions

The Group has a defined benefit pension scheme in the UK. This has been closed to new entrants since 2001 and closed to future accrual from 2010.

On an IAS 19 basis, the surplus arising from our defined benefit pension scheme obligations on 31 March 2023 was £26.4m (2022: £51.7m). The value of scheme assets fell to £251.5m (2021: £351.7m) due to a fall in value of the scheme's gilt holdings and other liability matching assets. Scheme liabilities decreased to £225.1m (£300.0m), principally due to an increase in the discount rate and a decrease in the inflation-linked assumptions.

Pension recovery payments above charge to operating profit total £11.7m (2022: £7.6m). During the year, an advance payment of £4.0m was made to allow the Trustees to meet collateral calls to swap counterparties under the Liability Driven Investment scheme. These funds were not required and while the company has the right to recover this advance through making reduced payments in the future, it is not expected to do so.

The scheme's actuarial valuation review, rather than the accounting basis, determines our cash payments into the scheme. The Liability Driven Investment strategy is working as intended, with the actuarial deficit falling during the year, in line with expectations. The cash contributions into the scheme are expected to continue until 2025/26, at which point we expect, based on current assumptions, for the scheme to achieve self-sufficiency. The scheme rules provide that in the event of a surplus remaining after settling contractual obligations to members, the Group may determine how the surplus is utilised.

Going concern

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

Trading for the Group has been strong during the year. The Group has prepared and reviewed a number of scenarios for the Group based on key risks noted for the business and the potential impact on orders, trading and cash flow performance. In addition, the Group has overlaid the risk of long-term adverse movements in currency rates to our cash flow forecasts. The Board is satisfied, having considered the sensitivity analysis, as well as its funding facilities, that the Group has adequate resources to continue in operational existence for the foreseeable future.

Forward-looking statements

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

Gavin Hill
Chief Financial Officer

14 July 2023

RISK MANAGEMENT

Audit, risk and internal control

Approach to risk management

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group is embedded in all business units. Day-to-day management of this process has been delegated by the Board to the Executive Directors. Details of the process are set out in the Audit and Risk Committee Report on pages 138 and 139. The current risk management and internal control systems have been in place throughout the financial year and up to the date of approval of the Report and Financial Statements, and are subject to annual review by the Board. In respect of the year ended 31 March 2023, the Board considered that these processes remained effective.

Summaries of our risk management framework and process can be found below and on pages 95 to 96.

The Board has carried out a robust assessment of the principal risks facing the Group, including those which threaten its business model, future performance, solvency and liquidity. Details of all major risks identified, and the mitigating actions adopted, are reported to and reviewed by the Board and the Audit and Risk Committee on at least a quarterly basis. The principal risks set out on pages 97 to 101 provide an overview of the major risks and uncertainties faced by the Group. All operating businesses follow a standard process for risk identification and reporting. The process is further described on page 96. On a regular basis, each business reviews and updates its risk register which is then reported to the Chief Executive. If a material risk changes or arises, this is reported to the Chief Executive, at which time there is a discussion on the adequacy of the mitigating actions taken. In addition, the Board and the Audit and Risk Committee consider risks to the Group's strategic objectives which arise at a Group level and develop appropriate actions to manage and mitigate these risks where possible.

Priorities during financial year ended 31 March 2023

During the year ended 31 March 2023 the principal priority was the integration of the processes for identifying, evaluating, and reporting on climate-related risks and opportunities across the Group, as set out in the Task Force on Climate-Related Financial Disclosures (TCFD) Statement on pages 60 to 71. These processes have been successfully integrated into the wider enterprise risk management processes and the detailed assessment of key risks using a standardised methodology, as performed by the business units across the Group.

In compliance with the Financial Conduct Authority's Listing Rule 14.3.27, the climate-related financial disclosures consistent with the TCFD Recommendations and Recommended Disclosures have been included within the TCFD Statement, which also encompasses further information regarding the Group's exposure to climate-related risks and opportunities.

Risk governance framework

The diagram below summarises the key accountabilities and features of our risk governance framework.

Operational management

Responsible for risk management and control within the business and, through the Management Board, implementing Board policies on risk and control.

Guided by the internal audit and assurance function, completes detailed risk reviews on a quarterly basis.

Internal audit and assurance function

Assesses the adequacy and effectiveness of the management of significant risk areas and provides oversight of operational management's front-line and assurance activities.

Further information regarding the scope of internal audit and assurance activities is set out on page 95.

Audit and Risk Committee

Reviews the internal financial controls and systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems.

More information regarding the work of the Committee can be found in its report on pages 133 to 140.

Board

Oversees the internal control framework, and determines the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

Ultimately accountable for approving the adequacy and effectiveness of internal controls operated by the Group.

Internal control

The internal control framework includes central direction, oversight and risk management of the key activities within the Group. This framework includes a financial planning process which comprises a five-year planning model and a detailed annual budget which is subject to Board approval. All Group businesses' results are reported monthly and include variance analysis to budget and the prior year. Management also prepares monthly reforecasts.

Control activities include policies and procedures for appropriate authorisation and approval of transactions, the application of financial reporting standards and reviews of significant judgements and financial performance. Financial, regulatory and operational controls, procedures and risk activities across the Group are reviewed by the Group's internal audit and assurance function or are subject to separate review by subject matter experts where required (e.g. health and safety and product compliance).

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

The key components designed to provide effective internal control within the Group include:

- a formal schedule of matters reserved for the Board for decision and specific terms of reference for each of its Committees; other than these matters, the Board delegates to the Chief Executive, who in turn reviews the delegation of authorities throughout the management structure;
- the Group's internal management beneath the Board is led by the Management Board. Its membership comprises the Executive Directors, senior managers with Group-wide functional responsibilities and the heads of the principal businesses of the Group's activities. Day-to-day responsibility for the management of the Group is delegated to the Management Board, with responsibility aligning to separate business units. There are clearly defined lines of management responsibilities at all levels up to and including the Group Board, and the Group's accounting and reporting functions reflect this organisation;
- whilst financial executives within Group businesses report to their own operational head, there is also a well-established and acknowledged functional reporting relationship through to the Chief Financial Officer;
- the Board reviews strategic issues and options formally once a year during the annual strategic planning process and during the year as appropriate. In addition, the Executive Directors maintain a five-year planning model of the Group and its individual businesses;
- annual budgets are prepared for each of the Group's businesses which include monthly figures for turnover, profit, capital expenditure, cash flow and borrowings. The budgets are reviewed through the Group management structure and result in a Group financial budget which is considered and approved by the Board;
- the businesses prepare monthly management accounts which compare the actual operating result with both the budget and prior year. They also prepare rolling reforecasts for orders, turnover, operating profit and cash. These are reviewed by the Board at each of its scheduled meetings;
- the Board approves all acquisition and divestment proposals and there are established procedures for the planning, approval and monitoring of capital expenditure;
- for all major investments, the performance of at least the first 12 months against the original proposal is reviewed by the Board;
- internal audits are carried out through a system of regular reviews of the financial and non-financial internal controls at individual businesses. This is further explained in the Audit and Risk Committee Report on pages 133 to 140;
- the Board receives regular updates on pensions, sustainability, business ethics, and health and safety, and the Audit and Risk Committee receives regular updates on treasury, tax, insurance and litigation;
- authorisation limits are set at appropriate levels throughout the Group; compliance with these limits is monitored by the Chief Financial Officer and the Group assurance function;
- there is a detailed and risk-based delegation of authority structure in place for sales contracts and managing commercial risks. Contracts with onerous terms and conditions (such as unlimited liability contracts) require approval by either the Chief Executive or Chief Financial Officer;
- the International Trade Committee monitors, considers action and makes recommendations around the management of key risks relating to international trade, including sanctions, export controls and customs; and

RISK MANAGEMENT continued

- as regards the UK pension scheme, the Group nominates half of the Trustee Directors of the Corporate Trustee to the pension scheme; involves as appropriate its own independent actuary to review actuarial assumptions; agrees the investment policy with the Trustee; works with the Trustee on its investment sub-committee to deal with day-to-day investment matters; ensures there is an independent actuarial valuation every three years; and agrees funding levels to provide adequate funding to meet the benefit payments to the members as they fall due.

Risk management process

The diagram below summarises our methodical approach to risk management. The principal risks and uncertainties detailed on pages 97 to 101 of this report are monitored utilising this risk management process.

Alignment with strategy

The broad range of potential factors which could impact the Group are considered and those which have a significant effect on its ability to deliver its strategy are determined to be principal risks and uncertainties.

Evaluation of risk

Careful consideration is given to:

i) the specific scenarios in which the risk could arise; and

ii) the various potential impacts which the risk could present.

Mitigation implementation

Suitable management actions or robust control mechanisms are determined, developed and implemented.

Review risk

An embedded, cyclical process review:

i) determination of principal risks and uncertainties; and

ii) the effectiveness of the implemented mitigation mechanisms.

Emerging risks

The Board is required to complete a robust assessment of the company's emerging and principal risks and confirms that it performed such an evaluation during the financial year.

It is recognised that emerging risks can also be principal risks. A detailed description of the principal risks and the activities to mitigate these is set out on pages 97 to 101.

The identification and evaluation of emerging risks is derived from the Group's quarterly risk reporting framework. The output from the business units' detailed risk registers is reviewed by the Group Head of Risk and Assurance and the Chief Financial Officer every quarter. Any new risks reported by the business units are specifically identified and discussed as part of this process. Further, there is a formal review of emerging risks at the year end, with commentary provided to the Audit and Risk Committee as part of its review of the Group risk register and principal risks and uncertainties.

No emerging risks have been identified for reporting purposes during the latest review.

Principal risks and uncertainties

Principal risks are reported and discussed at every meeting of the Audit and Risk Committee. For Oxford Instruments, principal risks are generally those that could have a significant adverse impact on the Group's business model, financial performance, liquidity or reputation. The Audit and Risk Committee also considers emerging risks within the risk management framework. A formal review of emerging risks is conducted around the year end. For the year ended 31 March 2023, the review of principal risks included a revision to our assessment of supply chain risk. We consider that the likelihood of this risk arising has decreased, although its potential impact has increased. However, we consider that the magnitude of the residual risk has not changed, as set out on page 98.

As set out above, no emerging risks were identified.

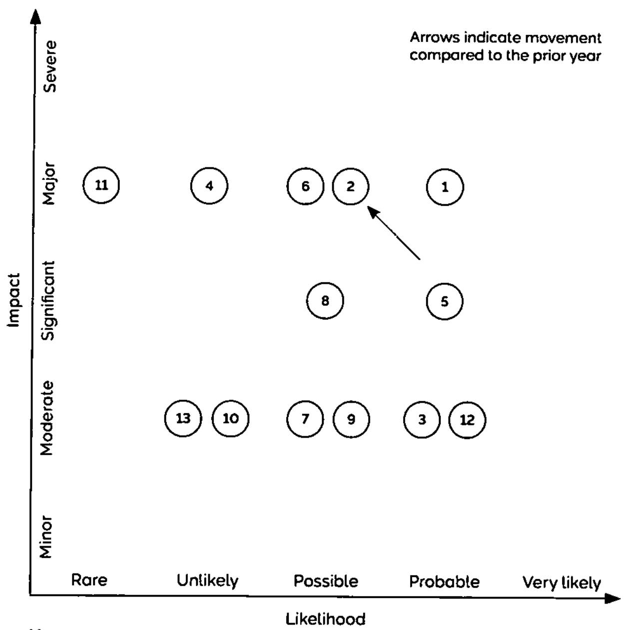
A minor change in the Group's approach to risk management during the year ended 31 March 2023 was the update of the scoring matrix for key risks at Group level and amendment to the bandings for the estimated impact of a risk arising, albeit risks continue to be categorised in a matrix based on the expected likelihood of the risk arising and their estimated impact. Business units continue to perform a detailed assessment of key risks using a standardised methodology. This now includes climate-related risks and opportunities, which were integrated into the wider enterprise risk management processes during the year ended 31 March 2023. The output is reported to the Group and is the basis for the compilation of the quarterly Group risk register by the risk management function, in collaboration with the Executive Directors. The resulting Group risk register is reported to the Audit and Risk Committee every quarter.

Principal risks and uncertainties matrix

To facilitate meaningful comparison of the relative importance of the principal risks and uncertainties at a Group level, these have been mapped onto a probability and impact matrix. This matrix includes arrows which indicate the change in the risk in comparison to the prior year's assessment. The methodology for mapping the risks uses the Group's assessment of the residual risk, being the probability of the risk occurring and the potential impact it may have, taking account of any mitigating actions and controls that have been implemented.

The output of this assessment is shown in the chart below. The most significant risks are located in the top right quadrant of the chart, while those assessed as being the least significant are found in the bottom left. The chart shows that our assessment of the likelihood of supply chain risk has decreased, although our assessment of its potential impact has increased.

The risk management process identified 13 principal risks which are set out below. The narrative provides a summary of the risk, explains why it is relevant to the Group and also sets out the potential consequences should the risk materialise, together with the mechanisms used for risk mitigation. The arrows indicate the direction of travel (up for an increased risk, down for a decreased risk). A static risk is depicted by the equals symbol. Risks are managed by the Board and are not assigned an individual risk owner.



Key:

1. Geopolitical
2. Supply chain
3. Routes to market
4. New Product Introduction (NPI)
5. Market risk: Recession/inflation
6. Information technology
7. Legal and regulatory compliance
8. Adverse movements in long-term foreign currency rates
9. Global pandemic/catastrophe causes major disruption
10. People and capability
11. Business interruption: operational
12. Climate change
13. Pensions

1 Geopolitical

Context: The Group operates in global markets and is required to comply with relevant regulations including, but not limited to, sanctions, tariffs and export controls. Government policy on the export of specific technologies and the approval of particular end users is subject to foreign policy objectives which can change over time.

Risk

Changes in the geopolitical landscape or an escalation in global trade tensions resulting in major obstacles to trade with customers in key markets. This can arise from sanctions, export licence refusals, trade tariffs, trade embargoes, or nations seeking to reduce reliance on imports in strategic technologies through the development of domestic competition and/or protectionist measures. We are seeing tighter UK Government export control policy, particularly in relation to exports to China, resulting in an increase in export licence refusals. Furthermore, the business is exposed to changes in both US and German export licence regulations.

Possible impact

- A contraction in export volumes to key markets and consequential loss of revenue and reputational damage
- Restrictions on the provision of after sales service, leading to lower service contract revenues
- Reduced access to key markets may impact research and development (R&D) investment decisions owing to adverse impacts on business cases
- Lower net pricing to key markets adversely affecting marginal revenue
- Increases to input costs and lower gross margins

Control mechanisms

- Engagement with UK Government and regulatory authorities
- Contract review and protection against breach of contract should export licences be withheld
- Long-term investment planning strategies

Mitigation

- Focus on lower-risk markets and end users
- Broad global customer base; contractual protection
- Market diversification

Change in the year:

Key:

- Unchanged
- Increased
- Decreased

RISK MANAGEMENT continued

2 Supply chain

Context: The Group operates a global supply chain, sourcing from many suppliers across a wide range of categories. For certain technologies, there are limited alternative sources.

Risk
- Operational disruption or price increases, due to supply chain shortages, particularly in electronic components
- Suppliers de-committing orders due to their inability to supply as a result of internal production issues.
- Change of supplier ownership resulting in loss of supply
- Regulatory changes or economic viability causing suppliers to discontinue production, impacting the long-term availability of key components

Possible impact
- Short-term delays or hiatus in our production arising from component shortages
- Poor customer service
- Reputational damage
- Lost revenue
- Downward pressure on margins
- Increased lead times and potential of being unable to fulfil orders
- Increased stock holding adversely impacting cash conversion

Control mechanisms
- Sales and operational planning process
- Group strategic sourcing programme to consolidate demand and manage key supplier risks
- Sourcing of alternative options and/or buffer stocks in relation to high-risk suppliers
- Long-term contracts with key suppliers

Mitigation
- Strategic, selective and diversified supplier base
- Long-term demand planning
- Buffer stock in extended supply chain
- Relationship management with key suppliers
- Responsive and adaptive engineering change process

Change in the year:
=

3 Routes to market

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

Risk
- Vertical integration by OEMs

Possible impact
- Loss of key customers/routes to market
- Reduction in sales volumes and/or pricing and lower profitability

Control mechanisms
- Customer intimacy to match product performance to customer needs
- Positioning of the Oxford Instruments brand and marketing directly to end users

Mitigation
- Strategic relationships with OEMs to promote the benefits of combined systems
- Product differentiation to promote advantages of Oxford Instruments' equipment and solutions
- Direct marketing to end users

Change in the year:
=

4 New Product Introduction (NPI)

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

Risk
- Failure of the advanced technologies applied by the Group to produce commercially viable products

Possible impact
- Loss of market share or negative pricing pressure, resulting in lower turnover and reduced profitability
- Additional NPI expenditure
- Adverse impact on the Group's brand and reputation

Control mechanisms
- 'Voice of the Customer' customer listening approach and market intimacy to direct product development activities
- Formal NPI processes to prioritise investment and to manage R&D expenditure
- Product life cycle management

Mitigation
- Understanding customer needs/expectations and targeted new product development programme to maintain and strengthen product positioning
- Stage gate process in product development to challenge commercial business case and mitigate technical risks
- Operational practices around sales-production matching and inventory management to mitigate stock obsolescence risks

Change in the year:
=

5 Market risk: Recession/inflation

Context: Demand from the Group's customer base may be reduced if there is a global contraction in investment in R&D and commercial investment. Further, global inflation may place upward pressure on key elements of the cost base such as labour and materials.

Risk
- Lower demand for the Group's products and services
- Rises in key cost drivers such as people costs, energy, components, and raw materials
- For sales of long lead-time items, requirement to make inflationary estimates when pricing, which may be inaccurate

Possible impact
- Decrease in sales volumes
- Increased cost of production leading to a reduction in operating profit if not offset by sufficient price increases
- Potential for under-recovery of increases if inflation estimates are too low, or reduction in order volumes if competitors do not react similarly

Control mechanisms
- Strategic focus on growth markets
- Price reviews
- Inflation protection in commercial response to long lead-time tenders and long-term agreements

Mitigation
- Ability to address inflationary pressures through price management reviews
- Reviews of key drivers of financial performance

Change in the year: =

6 Information technology

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

Risk
- Cyber-attack on the Group's IT infrastructure
- Ransomware/spread of viruses or malware

Possible impact
- System failure/data loss and sustained disruption to production operations
- Loss of business-critical data
- Financial and reputational damage

Control mechanisms
- Suite of IT protection mechanisms including penetration testing, regular backups, virtual machines, and cyber reviews
- External IT security consultants
- Internal IT governance to maintain protection systems and our incident response
- Employee awareness training

Mitigation
- Managed service with third-party security specialists providing incident monitoring
- Regular review, monitoring and testing of key security measures to assess adequacy of protection against known threats
- Upgrade of enterprise resource planning (ERP) and other internal systems
- End user education and phishing simulation exercises

Change in the year: =

7 Legal and regulatory compliance

Context: The Group operates in a complex technological and regulatory environment, particularly in areas such as export controls and product compliance. Competitors may seek to protect their position through intellectual property (IP) rights and the Group may at times experience unintentional regulatory or IP compliance issues.

Risk
- Infringement of a third party's intellectual property
- Regulatory breach

Possible impact
- Potential loss of future revenue
- Future royalty payments
- Payment of damages
- Fines and non-financial sanctions such as restrictions on trade, exclusion from public procurement contracts
- Reputational damage

Control mechanisms
- Formal 'Freedom to Operate' assessment to identify potential IP issues during product development
- Internal control framework including policies, procedures and training in risk areas such as bribery and corruption, sanctions and export controls
- Product compliance teams

Mitigation
- Confirmation of 'Freedom to Operate' during new product development stage gate process
- Compliance monitoring programme over key risk areas

Change in the year: =

RISK MANAGEMENT continued

8 Adverse movements in long-term foreign currency rates

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

Risk
- Long-term strengthening of sterling against key currencies such as the US dollar, Japanese yen and the euro

Possible impact
- Reduced revenue and profitability

Control mechanisms
- Treasury management of short-term hedging programme
- Strategic management of currency exposure

Mitigation
- Review of supply chain currency base
- Active review of net exposure in key currencies

Change in the year: =

9 Global pandemic/catastrophe causes major disruption

Context: The Group operates in a global market. Supply and demand can be materially affected in the short term by major global events such as pandemics, conflict or natural disaster.

Risk
- Potential reduction in customer demand, disruption to supply chains and Group operations leading to cancelled orders/reduced order intake, delays in production, and/or installation at customer sites

Possible impact
- Lower delivery volumes and reduced order book leading to lower revenue and downward pressure on pricing
- Delays in both manufacturing and service activity leading to lost or delayed product and service revenue

Control mechanisms
- Sales production matching and contract review process
- Horizon strategy to focus on attractive markets for long-term growth
- Operational reviews
- Strategic review of location of service personnel compared to installed base

Mitigation
- Sales and operational planning processes
- Contractual protection
- Safe ways of working and changes to shift patterns to maximise capacity
- Remote service activities
- Strategic procurement, working with supply chain to mitigate risk

Change in the year: =

10 People and capability

Context: Delivering and protecting core capability and knowledge is a strategic priority for the Group.

Risk
- Challenges in attracting and retaining high-quality talent in a tight labour market
- Shortage of key capabilities required to meet the Group's strategic priorities

Possible impact
- Salary inflation and/or additional recruitment costs
- Adverse impact on NPI
- Operational disruption
- Lower sales and profitability

Control mechanisms
- Strategic focus on the employee experience, including career development, communications and competitive remuneration, to differentiate Oxford Instruments

Mitigation
- Talent management and succession processes
- Leadership and technical development programmes
- Hybrid and remote working policies to facilitate location-agnostic appointments
- Visa sponsorship registration for employee mobility
- Comprehensive internal communications
- Regular updates to benefits packages to maintain competitiveness

Change in the year: =

11 Business interruption: operational

Context: Business units' production facilities are typically located at a single site.

Risk
- Sustained disruption to production arising from a major incident at a site

Possible impact
- Inability to fulfil orders in the short term, resulting in a reduction in sales and profitability
- Additional, non-recurring overhead costs

Control mechanisms
- Contingency plans are in place for all manufacturing sites
- Contractual protection to limit financial consequences of delayed delivery

Mitigation
- Detailed responses in contingency plans can reduce downtime arising from incidents and facilitate the restoration or relocation of production
- Standard sales contracts include clauses for limitation of liability, liquidated damages and the exclusion of consequential losses
- Business interruption insurance

Change in the year:

=

12 Climate change

Context: Climate change generates both risks and opportunities. Our response needs to address risks and optimise opportunities. More detail on our approach is set out in our Task Force on Climate-Related Disclosures Statement on pages 60 to 71.

Risk
- The transition from fossil fuels to a low-carbon/net zero economy may require significant changes in materials used and production methods that may impact our own operations and those of our suppliers
- Chronic changes in weather and extreme weather events may disrupt supply chains, operations, and logistics

Possible impact
- Rises in production costs and product development costs to reduce CO_2 emissions linked to our products Delayed production and/or installation leading to delayed revenue
- Reputational damage or loss of investment arising from failure to anticipate or address climate risk
- More expensive freight and packaging costs

Control mechanisms
- Sustainability Committee
- Climate-related risks and opportunities evaluation and reporting embedded in operating businesses
- Strategic sourcing
- Product compliance groups

Mitigation
- Product compliance teams have an established methodology to deal with changes to environmental regulations
- Investment in product development to capitalise on the opportunities for our key enabling technologies to help customers address climate-related challenges
- Investment in CO_2 reduction solutions

Change in the year:

=

13 Pensions

Context: The funding requirement for the company's legacy defined benefit pension scheme varies, based on investment performance and other external factors.

Risk
- The actuarial pension deficit is sensitive to movements in actuarial assumptions and returns on investments. The factors affecting these assumptions are influenced by wider macro-economic factors that are largely outside the Group's control

Possible impact
- Variations to the current deficit recovery plan
- Increase in the annual levy paid to the Pension Protection Fund

Control mechanisms
- Ongoing review of investment strategy, including active control of risk, by the trustee's investment sub-committee
- Liability hedging programme to mitigate exposure to movements in interest rates and inflation
- Reduced exposure to equity markets

Mitigation
- The Group closed its UK defined benefit pension scheme to future accrual in 2010
- The Group has a funding plan in place to eliminate the actuarial deficit by 2025/26

Change in the year:

=

VIABILITY STATEMENT

The Board has assessed the viability of the Group over a three-year period, taking into consideration its current position and the potential impact of certain of its principal risks and uncertainties. This assessment concerns the three-year period from 1 April 2023 to 31 March 2026 (the 'Viability Assessment Period').

Risk area	Potential impact of risk	Explanation
1. Geopolitical, supply chain, routes to market, technical, global pandemic/ catastrophe and operational risks	Loss of revenue due to lower volumes, leading to lost margin.	The potential impact is estimated by applying the following sensitivities to revenue: • Year 1 – no growth for any business (i.e. revenue in line with FY22/23 actual) • Year 2 – a 10% reduction in revenue for all businesses • Year 3 – no growth for any business (i.e. revenue the same as year 2).
2. Supply chain risk, market risk, climate change	Reduction in gross margin if business units are unable to mitigate cost increases through higher selling prices. Increased overheads.	• Simulates lower gross margins from failing to recover increased input costs via increases in the selling price and the impact of incremental overheads that could arise in key areas such as staff costs, logistics and facilities costs, including energy. • Applied to all business units and, in respect of overheads, also to the Group function. • 5% increase in direct costs in year 1 compared to the baseline (despite the sensitivity applied to revenue in year 1). This has the impact of reducing the average contribution margin by approximately 2 percentage points. • Changes to direct costs in years 2 and 3 vary directly in line with revenue. • Overheads increased by the higher of 5% per annum in year 1 of the Viability Assessment Period or the increase used in the baseline forecast if higher. No increase in overheads in years 2 and 3, despite the reduction in revenue. This reflects the Group's ability to manage any inflationary pressure in the overhead base should the revenue sensitivities materialise.
3. Legal & compliance, IT, New Product Introduction, people and pensions risks	Additional non-recurring overhead costs.	• Additional non-recurring charges of £10m have been applied, reflecting contingency for the potential impact of a significant charge arising in year 1. It has been applied at Group level only.
4. Adverse movement in long-term foreign currency rates	Lower revenue and margin in sterling.	• This assessment considered the potential impact of foreign exchange risk, specifically adverse movements in foreign exchange rates compared to the baseline rate against net currency exposure (i.e. net receivables that are not hedged), and was applied for all three years within the Viability Assessment Period. • As Treasury is managed at Group level, this scenario was quantified at Group, rather than at each individual business unit, level. • The baseline forecasts at business level were prepared using budget rates for key currencies (US dollar, euro and yen) that are unfavourable compared to the current exchange rates. As a consequence, the baseline includes a positive foreign exchange impact reflecting the anticipated benefits of transactions being executed at more favourable rates (reflected in the hedging programme). • No change in year 1 based on current exchange rates and the short-term hedging programme. • Addition of a currency headwind in years 2 and 3 amounting to a decrease in adjusted operating profit of £2.0m in year 2 and £14.0m in year 3.

Whilst the Board has no reason to believe that the Group will not remain viable for a longer period, it is comfortable that three years is an appropriate assessment period because the medium-term strategic financial plan ('SFP') provides appropriate visibility of key areas such as product development and capital expenditure requirements. Further, this approach is consistent with the approach taken since the introduction of this specific requirement in 2016, pursuant to the UK Corporate Governance Code.

Scenario testing

The viability assessment, by way of scenario testing, considered the potential impact of the principal risks and uncertainties and the likelihood of them arising, in order to best categorise them based on the nature of the impact. For further detail regarding the key risks and uncertainties which have been considered in this assessment, see page 102. A key element of the Horizon strategy is to target markets with attractive growth potential. The Group takes action to pivot away from markets with greater risk or that are in decline, in favour of those that provide better opportunities for growth. Notwithstanding this approach, the Group's performance may be impacted if certain key risks were to materialise and have a negative impact on annual sales. The table on page 102 outlines the risk areas, their potential impact and explains the nature of the scenario testing performed.

Note that not all principal risks and uncertainties have been utilised for scenario testing purposes in this context. The potential impact of cyber risk (for example, disruption to business-as-usual operations arising from a cyber attack or malware) has not been estimated through the inclusion of a specific scenario, as the impact is unpredictable (as it would depend on the nature and duration of the issue) and because the downside impact assessed from the impact of the other risks is considered to be sufficient to account for this risk. Further, some of the potential short-term impacts that may arise from climate change such as component obsolescence and price inflation from decarbonisation are reflected in the inflationary cost sensitivities that have been applied to direct costs and overheads, but potential longer-term impacts fall outside the Viability Assessment Period.

Methodology

The Group starts the Viability Assessment Period with a positive net cash position. The criteria used to assess viability were the same as the prior year. The Board believes that either maintaining a positive net cash position during the Viability Assessment Period or, alternatively, operating within agreed debt arrangements (particularly relevant if retained cash is used to fund acquisitions), would demonstrate the Group's liquidity to meet its liabilities as they fall due. Currently, the Group has committed credit facilities of approximately £108m. There are covenants associated with the facilities which principally require the Group to operate within a ratio of three times EBITDA to net debt. These covenants therefore could limit the headroom available from facilities and are factored into the viability assessment calculations where relevant.

The starting point to undertake the viability assessment is the three-year Group forecast ('Forecast') produced as part of the annual budgeting process. The Forecast has several scenarios which include a negative market case, a mid case and an upside case. The mid case Forecast forms the 'Baseline' for the viability assessment calculations. The sensitivities set out above were applied to the Baseline to provide a sensitised operating profit figure for the Group.

The Forecast includes cash flow forecasts for each year of the Viability Assessment Period at Group level only. These start with the operating profit calculations (after sensitivities), and then apply the same assumptions as the baseline model to calculate movements in working capital, investing activities, tax, dividends paid, etc. to forecast the net cash flow in each year. Thus the viability assessment uses the same model as the Forecasts to estimate annual movements in net cash and includes no adjustment for any mitigating actions that the Group might take in the event of adverse financial performance, such as reduced capital expenditure, changes to dividend policy, reduction in bonuses, etc. This reflects a prudent approach to the viability assessment calculations.

The cumulative impact of the scenarios tested is to reduce revenue by £215m (15% of the Baseline total) and operating profit by roughly 57% compared to the Baseline in the three-year period covered by the assessment. However, the only elements of the cash flow forecasts that have been adjusted in the viability assessment relate to the movements in working capital and the tax payment. All other cash flows including, but not limited to, capital expenditure, R&D expenditure and dividends, have not been adjusted in the viability assessment.

VIABILITY STATEMENT continued

Conclusion

In aggregate, over the three years of the Viability Assessment Period and subsequent to scenario testing, the calculations demonstrate that the Group would remain profitable and would continue to generate a positive operating cash flow. The outcomes show positive EBITDA and positive adjusted operating profit in all three years. However, the net cash movement in the Viability Assessment Period would be negative in years one and two but positive in year three, with the cumulative impact being a net inflow of approximately £10m. Consequently, the Group would still retain a healthy net cash balance at the end of the Viability Assessment Period and at each balance sheet date during the period.

The forecast level of net cash, combined with banking facilities of approximately £108m, demonstrate that during the Viability Assessment Period, the Group's forecasts include substantial headroom. Consequently, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years.

The outcome of this assessment supports not only the Viability Statement, but also the going concern statement.

Going concern statement

The Group's business activities and factors that are considered likely to affect its performance and position in the future are set out in the Strategic Report on pages 18 to 104. The Finance Review on pages 82 to 93 discloses information relevant to the Group's financial position, its cash flows, borrowing facilities and liquidity. The Board has considered the Group's current financial position and future prospects and, as set out in the Viability Statement above, has performed an assessment of longer-term viability up to 31 March 2026. On this basis, the Directors conclude that there is a reasonable expectation that the Group will continue in operational existence for the foreseeable future and that there are no material uncertainties which may cast significant doubt over its ability to continue as a going concern. As a result, the Board considers it appropriate to continue to adopt the going concern basis of accounting.

Approval

The Strategic Report was approved by the Board on 14 July 2023.

Ian Barkshire
Chief Executive

14 July 2023

Governance

CHAIR'S OVERVIEW

We recognise that the Board's fundamental role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

Neil Carson
Chair

Governance highlights

- Announced the forthcoming retirement of Chief Executive Ian Barkshire and the appointment of Richard Tyson as his successor
- Reshma Ramachandran joined the Board as a Non-Executive Director, effective 1 September 2022
- Agreed our ultimate net zero target of 2045, with interim targets to 2030 in respect of both Scope 1 and 2 emissions
- Developed a new Directors' Remuneration Policy, which is proposed for shareholder approval at our AGM on 19 September 2023
- Gained meaningful insights though our comprehensive programme of employee engagement activity

Dear Shareholder,

On behalf of the Board, I am pleased to introduce the Governance Report for the year ended 31 March 2023. This report describes our governance structures and procedures, summarises the work of our Board and its Committees during the year and illustrates how our responsibilities have been discharged. We recognise that the Board's fundamental role is to promote the long-term sustainable success of the company and the Group, generating value for shareholders and contributing to wider society. To achieve this, we strive to ensure that we implement and follow good governance practices and that our Board's composition encompasses the necessary skills, knowledge and experience to provide effective leadership.

Board composition and succession planning

One key area of focus for the Board has been composition and succession planning. Our Nomination Committee keeps under continuous review the composition of the Board and its Committees and, as noted in the Report and Financial Statements 2022, we were at that time pursuing the imminent appointment of a further female Non-Executive Director with specific capabilities and experience of value to the Board. As a result, we were delighted to appoint Reshma Ramachandran as a Non-Executive Director on 1 September 2022. Reshma's experience of working in multi-cultural teams and geographies, combined with her strong engineering credentials and business acumen, is an excellent fit, in line with the company's strategy.

On 13 April 2023 we announced the forthcoming retirement, with the agreement of the Board, of Chief Executive Ian Barkshire, who will leave after seven years as Chief Executive and more than 25 years with the company. Richard Tyson, currently Chief Executive Officer at global electronics company TT Electronics plc, has been appointed as Ian's successor. The company is working with Richard and TT Electronics to agree the date he will commence in the role, and will make a further announcement in due course. It is intended that Ian will continue as Chief Executive until Richard joins, and will then ensure a smooth transition of leadership. The Board is thankful for the tremendous contribution Ian has made. He leaves the business stronger than ever, and can look back on his long career with Oxford Instruments with immense pride. We are delighted that Richard Tyson will be joining us to lead us through the next phase of our growth. With his record of success and his wealth of expertise in high-technology innovation and global manufacturing, Richard is ideally suited to undertake this role.

After having served on the Board for almost nine years, Professor Sir Richard Friend will not be standing for re-election and will step down as a Non-Executive Director of the company with effect from 28 July 2023. Sir Richard has made a significant impact, not least due to his depth of technical expertise, and we sincerely thank him for the contribution he has made during his time as a Director.

For further information regarding our approach to Board composition and diversity, please see pages 122 to 127. Further details of the work of the Nomination Committee can be found on pages 128 to 132.

Sustainability

Upon the establishment of our Sustainability Committee last year, we made sure to focus on developing a firm foundation for its future work, including creating the guiding principles to be used when setting targets in relation to the Group's sustainability goals and implementation plans. From this strong foundation, the Committee has made excellent progress across many areas of its remit, with a particular highlight being the development and confirmation of our ultimate net zero target of 2045 and interim targets to 2030 in respect of both our Scope 1 and 2 emissions.

For more information, see our dedicated Sustainability report which is available on pages 52 to 81 and our standalone Sustainability Report which can be found on our website in our sustainability section: www.oxinst.com/sustainability. Further details of the work of the Sustainability Committee can be found on pages 141 to 143.

New Directors' Remuneration policy

During the year our Remuneration Committee reviewed the Directors' Remuneration policy and have considered, amongst other things, the overall competitiveness of the package and the mix of performance measures used, including the use of sustainability-related metrics and targets. We have engaged with our major shareholders and other key stakeholders in developing the new Directors' Remuneration policy which is proposed for shareholder approval at our AGM on 19 September 2023.

For further detail regarding the new Directors' Remuneration policy and the work of the Remuneration Committee, see pages 144 to 173.

Employee engagement

Whilst we give due consideration to the interests of all of our key stakeholders, we were delighted to participate in our comprehensive programme of employee engagement activity this year, as we strongly believe that this strengthens the Board's understanding of employees' perspectives. We aim to meet with employees across a broad range of roles, sites and stages in their career. This year our wide-ranging programme included sessions focused on sustainability, executive remuneration, insights gained from the annual employee survey and site visits by various Non-Executive Directors to Andor Technology in Belfast, Plasma Technology in Yatton, and Imaris in Zurich.

After each of these events, the Board discussed, as a specific agenda item at the next Board meeting, the insights gained and determined any appropriate actions, which has in turn shaped more meaningful consideration of employees as a key stakeholder. We very much look forward to participating in our comprehensive programme of engagement activity for 2023/24.

To find out more about our approach to stakeholder engagement, please see the Engaging with our stakeholders section on pages 32 to 33 and the How we engage with our stakeholders section on pages 112 to 117.

Annual General Meeting

The 2023 Annual General Meeting (AGM) of Oxford Instruments plc will be held at Tubney Woods, Abingdon, Oxfordshire OX13 5QX at 11.00am on Tuesday 19 September 2023.

Further details, including the resolutions to be proposed to our shareholders, can be found in the Notice of Meeting which has been sent to our shareholders and which is also available on our website at: www.oxinst.com/investors-content/annual-general-meeting. The result of the votes on the resolutions put forward at the AGM will be publicly announced to the stock exchange and published on our website as soon as possible following the conclusion of the meeting.

I will be available at the AGM and will be very happy to take any questions you may have regarding the operation of the Board during the year.

Neil Carson
Chair

14 July 2023

BOARD OF DIRECTORS

Neil Carson
Chair

Appointed to the Board: December 2018
Executive/Non-Executive: Non-Executive
Independent: No[1]

Skills and experience:
Neil is a former FTSE 100 chief executive. After completing an engineering degree, Neil joined Johnson Matthey in 1980 where he held several senior management positions in the UK and the USA, before holding the role of Chief Executive Officer from 2004 to 2014. He has a broad industrial outlook and a highly commercial approach with a practical perspective on business. He provides valuable insight based on his former executive position and operational experience and brings a track record of strong operational exposure, familiarity with capital-intensive business and a first-class international perspective on driving value in complex environments and this experience makes him particularly well suited to serving as Chair of the Board. Neil was awarded an OBE for services to the chemical industry in 2016.

Neil's previous non-executive roles include serving as Chairman of TT Electronics plc, Deputy Chairman of TI Fluid Systems plc and as a Non-Executive Director of Paypoint plc and Amec Foster Wheeler plc.

External appointments:
Non-Executive Director, member of the Safety, Environment and Sustainability Committee and Chair of the Remuneration Committee of Shell plc.

Director of The Goldsmiths' Company Charity.

Committee Membership

N R S

1. Neil was independent upon appointment to the Board, in line with provision 10 of the UK Corporate Governance Code 2018.

Ian Barkshire
Chief Executive

Appointed to the Board: November 2015
Appointed Chief Executive: May 2016
Executive/Non-Executive: Executive
Independent: No

Skills and experience:
Ian has worked for Oxford Instruments since 1997 in a number of senior leadership roles, including Managing Director, Divisional Head, Group Technical Director and Chief Operating Officer, before taking up the role of Chief Executive in May 2016. Throughout his career, he has driven growth in high-technology and innovative companies across a broad range of end markets. In his time at Oxford Instruments he has been involved in developing the Group's strategy, acquisition and the direct leadership of a number of the individual operating businesses.

Ian's previous roles include Senior Principal Scientist at GEC Marconi Materials Technology and Research Fellowships at the University of York. He holds a BSc and DPhil in physics from the University of York, is a Chartered Physicist, a Member of the Institute of Physics and a Fellow of the Royal Academy of Engineering.

External appointments:
Member of the National Quantum Technologies Programme Strategic Advisory Board.

Committee Membership

None

Gavin Hill
Chief Financial Officer

Appointed to the Board: May 2016
Executive/Non-Executive: Executive
Independent: No

Skills and experience:
Gavin holds a BA in Economics and Agricultural Economics from the University of Exeter. He is a Chartered Accountant and an Associate Member of the Association of Corporate Treasurers.

Gavin served as Group Finance Director of Synergy Health plc from April 2010 until its successful combination with STERIS Corporation on 3 November 2015. He previously served as Corporate Finance Director of Serco Group plc and has also worked in a variety of regional, corporate and treasury roles with Syngenta AG and AstraZeneca plc. The Board believes that Gavin's ongoing appointment as a Director remains important to the company's success due to the expertise which he brings.

External appointments:
Non-Executive Director and Chair of the Audit Committee of BMT Group Limited.

Committee Membership

None

Ⓐ Audit and Risk Committee Member Ⓡ Remuneration Committee Member
Ⓝ Nomination Committee Member Ⓢ Sustainability Committee Member Ⓒ Chair of Committee

Alison Wood
Senior Independent Director

Appointed to the Board: September 2020
Executive/Non-Executive: Non-Executive
Independent: Yes

Skills and experience:
Alison holds a BA in Engineering, Economics and Management from the University of Oxford and an MBA from Harvard Business School. Her background is in leading business development, M&A and strategic planning across blue-chip UK companies, particularly in the defence sector. She was formerly the Global Director for Corporate Development & Strategy at National Grid plc and before that, Group Strategic Development Director for BAE Systems plc. She is a highly experienced Non-Executive Director and committee chair, with her experience being particularly well suited to her role as Chair of Oxford Instruments' Remuneration Committee.

Alison's previous roles include serving as Senior Independent Director and Remuneration Committee Chair of Costain Group PLC and the British Standards Institute, a Non-Executive Director and Remuneration Committee Chair of Cobham plc and Capricorn Energy PLC (formerly Cairn Energy PLC)., Senior Independent Director of e2v plc and a Non-Executive Director of both BTG plc and THUS plc.

External appointments:
Non-Executive Director and Chair of Galliford Try Holdings plc.

Non-Executive Director and Chair of the Remuneration Committee of TT Electronics plc.

Non-Executive Director and Chair of the Remuneration Committee of the British Standards Institute (non-listed).

Committee Membership
Ⓡ Ⓐ Ⓝ Ⓢ

Sir Nigel Sheinwald
Non-Executive Director

Appointed to the Board: September 2021
Executive/Non-Executive: Non-Executive
Independent: Yes

Skills and experience:
Sir Nigel previously served as a British diplomat and has deep knowledge of international politics, strategy, regulation and communication. He holds an MA from Balliol College, University of Oxford, where he is now an Honorary Fellow. He joined the Diplomatic Service in 1976 and served in Brussels, Moscow, Washington and in a wide range of policy roles in London. He served as British Ambassador to the United States (2007-12) and European Union (2000-03) and as Foreign Policy and Defence Adviser to the Prime Minister (2003-07). Since leaving the Diplomatic Service in 2012 he has served on a wide range of corporate and not-for-profit boards. The extensive range of skills and experience that he brings, along with his commitment to Oxford Instruments' sustainability agenda, is a good fit with the Group's requirements and particularly benefit his role as Chair of the Sustainability Committee.

Sir Nigel was previously a Non-Executive Director and Chair of the Safety, Environment and Sustainability Committee at Royal Dutch Shell plc (now Shell plc).

External appointments:
Non-Executive Director of Invesco Ltd.

Senior Adviser to Tanium, a cyber-security company.

Senior Adviser to the Universal Music Group.

Chair of the Royal Institute of International Affairs (Chatham House).

Visiting Professor at King's College, London.

Committee Membership
Ⓢ Ⓐ Ⓝ Ⓡ

Professor Sir Richard Friend
Non-Executive Director

Appointed to the Board: September 2014
Executive/Non-Executive: Non-Executive
Independent: Yes

Skills and experience:
Professor Sir Richard is in the Department of Physics at the University of Cambridge and has considerable experience both within academia and also the world of business. He has pioneered the physics, materials science and engineering of semiconductor devices made with carbon-based semiconducting polymers. His expertise is reflected in the insights and constructive challenges he brings to the boardroom.

Professor Sir Richard is a Fellow of the Royal Society and of the Royal Academy of Engineering and a Foreign Member of the US National Academy of Engineering and he has previously served as a council member of The Engineering and Physical Sciences Research Council.

External appointments:
Director of Research at the University of Cambridge, and a Fellow of St. John's College.

Non-Executive Director of Cambridge Photon Technology Limited.

Non-Executive Director of Eight19 Limited.

Non-Executive Director of Helio Display Materials Limited.

President and Trustee of the Cambridge Society for the Application of Research.

Committee Membership
Ⓐ Ⓝ Ⓡ Ⓢ

BOARD OF DIRECTORS continued

Mary Waldner
Non-Executive Director

Appointed to the Board: February 2016
Executive/Non-Executive: Non-Executive
Independent: Yes

Skills and experience:
Mary is the Chief Financial Officer of Lloyd's Register, the global professional services company specialising in engineering and technology for the maritime industry. She holds an MA in physics from the University of Oxford and is a Fellow of the Chartered Institute of Management Accountants. She has a broad range of experience in a variety of sectors and an excellent track record of delivery throughout a number of senior financial roles with major public limited companies, which particularly benefits her role as Chair of the Audit and Risk Committee.

Mary was previously the Group Finance Director of Ultra Electronics Holdings plc, the Director, Group Finance at QinetiQ Group plc and Group Financial Controller of 3i Group plc. Prior to this, Mary held a number of senior roles at British Airways, General Motors and Vauxhall Motors.

External appointments:
Chief Financial Officer of Lloyd's Register.

Non-Executive Director of Senior plc.

Committee Membership

A N R S

Reshma Ramachandran
Non-Executive Director

Appointed to the Board: September 2022
Executive/Non-Executive: Non-Executive
Independent: Yes

Skills and experience:
Reshma has most recently worked as the Senior Vice President & Group Head of Transformation at Adecco Group AG, a Swiss listed international talent solutions and advisory company. She has also previously held senior roles at ABB Ltd, Alstom Power (a General Electric company) and Accenture Management Consulting. She holds a bachelors' and master's degree in Technology and is an alumnus of the Indian Institute of Technology Madras, India. Additionally she holds a masters' degree in business administration from the S.P. Jain Institute of Management & Research, India. Reshma has over 20 years of experience. She is an engineer by background and has led large-scale, multi-cultural teams and budgets as well as developing internal collaboration and customer focus.

External appointments:
Non-Executive Director of ISS A/S.

Committee Membership

A N R S

Sarah Harvey
Company Secretary

Sarah became the Company Secretary in August 2021. She is an Associate of the Chartered Governance Institute. Before joining Oxford Instruments, Sarah held company secretarial roles at intu properties plc, HSBC Holdings plc, BP plc and PwC Legal LLP.

A Audit and Risk Committee Member
N Nomination Committee Member
R Remuneration Committee Member
S Sustainability Committee Member
C Chair of Committee

Changes to the Board and its Committees
During the financial year and up to the date of signing of the Report and Financial Statements, the composition of the Board changed as follows:

- Reshma Ramachandran was appointed as a Non-Executive Director on 1 September 2022.

BOARD LEADERSHIP AND COMPANY PURPOSE

Effective Board

The primary function of the Board is to promote the long-term sustainable success of the Group, to generate and preserve value and to contribute to wider society. Our Board equips itself to achieve this by utilising good governance practices and it comprises Directors who possess the necessary skills, knowledge and experience to provide effective leadership.

The Board's approach to governance is explained throughout this Governance Report, on pages 105 to 178, and each Director's biographical information is set out in the Board biographies on pages 108 to 110.

Purpose, strategy and stakeholders

Our core purpose is to support our customers in addressing some of the world's most pressing challenges, enabling a greener, healthier, more connected advanced society.

The Board is responsible for establishing our purpose. It is also responsible for setting the strategy which will deliver in line with the purpose, and which is underpinned by our values, culture and how we do business.

For more information on our purpose, see pages 8 and 9 and for more information on our strategy, see pages 34 and 35.

To ensure that it fulfils its obligations to its shareholders and wider stakeholders, the Board actively engages with these groups in order to understand their needs and how delivery of our strategy impacts and delivers value for them.

For more information on our approach to shareholder and stakeholder engagement, see pages 32 to 33 and 112 to 117.

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 March 2023

This Corporate Governance Statement, along with the Governance Report as a whole, details how the Group has applied the principles and complied with the relevant provisions of the UK Corporate Governance Code 2018 (the Code) and other relevant requirements to which it is subject, such as the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules, during the financial year ended 31 March 2023.

This Corporate Governance Statement, as required by the Disclosure Guidance and Transparency Rules, forms part of the Directors' Report and has been prepared in line with the Code, which can be found on the website of the Financial Reporting Council at www.frc.org.uk. The structure of the Governance Report largely aligns with the structure of the Code in order to most effectively demonstrate how its principles have been applied.

During the financial year ended 31 March 2023, the Board considers that it has complied with the provisions of the Code.

As noted in the Report and Financial Statements 2022, the Board recognised that during the financial year ended 31 March 2022 they had not complied with the Code where they had not completed dedicated workforce engagement regarding executive remuneration. Alison Wood as Chair of the Remuneration Committee, was delighted to host an in-depth session with a group of employees in July 2022, post the publication of the 2022 Directors' Remuneration Report. The session focused on explaining the work of the Remuneration Committee, the context within which it operates, the processes for setting remuneration and the key components of executive remuneration, plus how this aligns with wider company pay policies in place.

Whilst the specific disclosures required by Disclosure Guidance and Transparency Rule 7.2 are covered in more depth throughout the Report and Financial Statements, by way of reference, they can be found as follows:

- A description of the main features of our internal control and risk management systems in relation to the financial reporting process can be found on pages 94 to 96.
- Share capital information can be found in the Directors' Report on page 176.
- Details of the composition of the Board and its Committees can be found on pages 108 to 110.
- Our Board diversity policy is described on pages 131 to 132.

Board approval of the Corporate Governance Statement

This separate Corporate Governance Statement is approved by the Board and signed on behalf of the Board by its Chair and Company Secretary.

Neil Carson
Chair

Sarah Harvey
Company Secretary

14 July 2023

HOW WE ENGAGE WITH OUR STAKEHOLDERS

The Board is committed to developing its understanding of the views of its key stakeholders

Stakeholder and why we value them	What matters to them	How we engage
Customers Our Horizon strategy places our customers at the centre of everything we do. Customer intimacy is key not only to helping us identify additional opportunities to deliver increased value to our customers, but to the long-term growth of our business.	• Excellent customer support and engagement throughout the buying cycle. • High-quality products and technical expertise. • Products which deliver value and help to meet their objectives. • Remote access and continuity of supply during disruption.	• The Executive Directors and senior management frequently host direct meetings with key customers from around the world, both virtually and in person at our sites. These meetings provide meaningful opportunities to understand first hand, at a senior level of the organisation, how we can enhance our offering to customers by shaping our understanding of their current and future needs. • The Board considers feedback from these meetings, together with, for example, outputs from our heightened customer intimacy such as customer trends.
Employees Our employees are the foundation of our business success, and we have a responsibility to support their health, wellbeing and development. A highly capable, diverse workforce also enables us to better understand our customers and markets. Building an organisation with a broad range of perspectives and experiences increases our ability to innovate, to make the right decisions and to exceed our customers' expectations.	• Understanding how they contribute to our strategy and success. • Development and progression opportunities. • Health, safety and wellbeing. • Equality, diversity and inclusion. • Clarity of expectation on how recognition and remuneration structures align with accountabilities.	• The Board was delighted to participate in a comprehensive programme of employee engagement activity this year. The wide-ranging programme included sessions focused on sustainability, executive remuneration, insights gained from the annual employee survey and site visits by various Non-Executive Directors to Andor Technology in Belfast, Plasma Technology in Yatton, and Imaris in Zurich. • We have significantly re-energised and restructured our approach to connecting with our employees, with regular Chief Executive town halls for all employees, and sessions held at business unit and regional level, together with a lively and active intranet and Group-wide email communications on key strategic initiatives. An annual engagement survey tracks employee sentiment. • During the year, we launched Career Pathways, an initiative aiming to better facilitate and promote employee mobility within the organisation and throughout their careers. • We continue to promote our 'Push for Zero' health and safety programme.

Our approach to engagement

On pages 112 to 117 we have described our key stakeholder groups, the value of each group to the company, the issues which matter most to them and how we engage with them, focusing on our activity over the past year. The Board is committed to developing its understanding of the views of its key stakeholders. As noted earlier in this Report and Financial Statements, in some instances the Board engages directly with stakeholders, but there is also significant engagement by senior management and throughout the company. The Board receives reports and updates on such engagement, and the views and feedback gathered from stakeholders are used to inform discussion and decision-making.

For a snapshot of our key stakeholders see / **Pages 32-33**

Outcomes of our engagement	Board decisions where stakeholders were considered
• Continuing to invest in R&D allows us to deliver cutting-edge products and services. Insights gained from customer intimacy are instrumental in helping to determine where investment should be made. • Through deep knowledge of our target market segments and the challenges faced by customers, we have changed the way we communicate with prospective and existing customers, more clearly identifying the value our products can add. • Our portfolio focuses on areas where our key enabling technologies are driving long-term success. This allows us to help customers to accelerate their applied R&D, increase productivity in high-tech manufacturing and make ground-breaking discoveries. • Insights from customers help us to align our innovation and product development initiatives to their strategic roadmaps, so we can create differentiated products and solutions which provide significant value. • We have accelerated the transformation of our service offering with digital connectivity helping to maintain productivity through remote access and service. As highlighted in the operational review on pages 38 to 51, investment in our regional service teams and embedding remote digital support capabilities ensures improved customer response times and reduced travel.	Continued investment in high-quality products and technical expertise is key to the long-term growth of the business and is in firm alignment with the company's strategy, which the Board sets and supports. See our Horizon strategy **on pages 34-35.**
• The Board discusses the insights and actions from all of its employee engagement activity. This continues to foster meaningful consideration of employees as key stakeholders. The Board will be participating in an extensive programme of engagement activity during 2023/24. • The Remuneration Committee reviewed the wider workforce remuneration landscape and related policies, including the decision to award higher than normal pay review percentages, acceleration of the annual pay review from July to April 2022 and a one-off payment to eligible employees with salaries below a certain threshold. It ensured alignment between current practice and the long-term strategic goals of the company and took these into account when setting Executive Director and Management Board remuneration, and when developing the new Directors' Remuneration Policy which is to be brought for shareholder approval at the 2023 AGM. • Wider employee feedback captured through our 2022 Group-wide engagement survey indicates that 78% of respondents are positively engaged, up 1% from our last full survey in 2020, while 72% feel included and valued. Communication from senior management, particularly on how colleagues can contribute to Horizon, was identified as an area for development, which is being addressed through regular town hall briefings and more frequent email and intranet communications. • The number of safety observations reported by employees has increased, in part due to our efforts to promote observation reporting. This means that remedial actions can be taken to prevent accidents from happening. • The Sustainability Committee considered our maturing approach and internal targets and measures relating to equality, diversity and inclusion.	Decisions relating to our social sustainability agenda, from health, safety and wellbeing to investment in our people. See the Sustainability Report **on pages 52-81** and the Sustainability Committee Report **on pages 141-143.** Setting Executive Director and Management Board remuneration, and development of the new Directors' Remuneration Policy. See the Directors' Remuneration Report **on pages 144-173.**

HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

Stakeholder and why we value them	What matters to them	How we engage
Shareholders Generating value for shareholders is part of the Board's fundamental role, alongside promoting the long-term sustainable success of the company and the Group and contributing to society. Our goal is to deliver shareholder returns through profitable, sustainable growth with strong cash conversion and efficient use of capital.	• Current and future financial performance. • Communication and engagement. • Sustainability.	• We actively engage with shareholders throughout the year to ensure they understand the performance of the business. • Our ongoing programme of dialogue includes numerous shareholder meetings and roadshows, which are facilitated alongside the publication of the Report and Financial Statements and full-year and half-year results announcements. • During the year, the Chair, Senior Independent Director, Remuneration Committee Chair and Executive Directors all directly engaged with a range of shareholders, including both virtual and in-person meetings at our sites. Key topics included the company's financial results, strategy and the new Directors' Remuneration Policy. • Appointed an IR specialist to increase the bandwidth available to meet and inform a broader range of new shareholders.
Suppliers Our supply chain plays a vital role in supporting sustainable growth and efficiency across the business. It is imperative that we attain the highest quality products and service for our customers, whilst also striving to enhance the efficiency of the business and to reduce risk. Engaging with our supply chain is also crucial in the development and delivery of our net zero commitment.	• Long-term partnerships. • Visibility of the wider supply chain, so that they can best forecast future requirements. • Strong relationships built on trust and respect.	• Throughout the year the Board received regular updates regarding the industry-wide supply chain challenges and the ongoing work to mitigate the impacts of these challenges. • It is crucial to provide our suppliers accurate forward visibility in order to align our customers' requirements with our total supply capabilities. We share the output from our sales and operations planning process with them, and we have dedicated Category Managers to help reduce risk and improve efficiency. We must ensure our extended supply chain adheres to our strict environmental compliance, whilst challenging them to provide improvements to quality. Our key suppliers are encouraged to become part of our new product introduction process, allowing them to add value to our process.
Local communities Striving to meet our purpose in alignment with our values enables us to support the development of stronger communities and have a positive environmental and social impact.	• The environment. • Local small businesses. • Schools and colleges within their region. • Volunteering opportunities. • Charitable donations. • The appearance and tangible impact of our sites and operations.	• We actively engage in locally focused activities that make our communities and environments a better place to live and work. • We are committed to empowering students with an understanding of the working world and the range of career opportunities that choosing STEM subjects could open up, so we facilitate school visits, work experience programmes and industrial postdoctoral placements. • We aim to support the small, independent businesses near our sites. • We help our employees to support their local communities through charitable donations. • We aim to be considerate neighbours in all aspects of how we operate, but in particular, we recognise the importance of the appearance and tangible impact of our sites and operations.

Outcomes of our engagement	Board decisions where stakeholders were considered
• The Board as a whole receives updates regarding the nature and outcome of meetings and engagement by certain Directors with the company's shareholders. This feedback helps the Board to shape the strategy which enables the company to deliver shareholder returns through profitable, sustainable growth with strong cash conversion and efficient use of capital. • Our Remuneration Committee engaged with and considered the feedback of our major shareholders and other key stakeholders when developing the new Directors' Remuneration policy which is proposed for shareholder approval at the 2023 AGM. Their feedback proved particularly insightful in helping to shape the proposed sustainability-related performance metrics for Executive Director remuneration.	Developing and delivering against our strategy. See our Horizon strategy **on pages 34–35.** Development of the new Directors' Remuneration Policy. See the Directors' Remuneration Report **on pages 144–173.** Decisions relating to our wider sustainability agenda, from diversity and inclusion to setting net zero targets. See the Sustainability Report **on pages 52-81** and the Sustainability Committee Report **on pages 141–143.**
• As part of our operational excellence programme, we have continued to work to strengthen our supply chain through executing a procurement strategy focused on leveraging our scale and building long-term strategic relationships with fewer suppliers, which has enabled us to mitigate the industry-wide supply chain challenges. • It is essential to ensure we attain the highest quality and service for our customers while enhancing the efficiency of our business and reducing risk. As a result, we aim to develop strong working partnerships with our suppliers. • This year, we have begun a comprehensive programme of engagement on suppliers' routes to net zero, led by the Chief Executive, with the suppliers representing 80% of our supply chain spend. • We have continued to develop our supplier due diligence and audit procedures. We have a zero-tolerance approach to all forms of modern slavery, including servitude, forced, bonded and compulsory labour and human trafficking and we expect our suppliers to adopt the same approach.	Developing and delivering against our operational excellence programme. Decisions relating to the environmental and governance strands of our sustainability agenda, from supply-chain responsible sourcing to human rights and modern slavery. See the Sustainability Report **on pages 52–81** and the Sustainability Committee report **on pages 141–143.**
• We operate 'Go Green' committees at many of our sites to deliver a local environment agenda and promote positive behaviours amongst peers. They are focused on finding innovative ways to improve our environmental impact. • Many of our people are keen to share their expertise and to make a difference to the people and organisations that are close by, and we encourage them to get involved through volunteering schemes. We operate a 'Volunteer time-off' programme for eligible employees which offers many benefits, including increasing the positive impact we have in our communities, boosting employee morale and enhancing team bonding. • We have facilitated collections of contributions to local food banks and fundraising activity for local charities. • In response to the devastating earthquakes in Turkey and Syria, the Board agreed to match employee charitable donations made to the International Red Cross or UNICEF, with a total of £11,860 being raised. • We take active steps to minimise traffic noise and congestion and are committed to minimising emissions. Our sites and grounds are well maintained and sensitive to the local environment and wildlife.	Decisions relating to our wider sustainability agenda, from community impact to supporting next-generation talent. See the Sustainability Report **on pages 52–81** and the Sustainability Committee Report **on pages 141–143.**

HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

Stakeholder and why we value them	What matters to them	How we engage
Society Through our stated purpose – to enable a greener, healthier, more connected advanced society – we are committed to making a positive impact on the world through our solutions and services. Our purpose underpins our wholehearted commitment to playing our part in creating a sustainable future throughout our operations, and by behaving as a responsible business.	• Protecting and enhancing the environment. • Addressing the impacts, risks and opportunities arising from climate change. • The development of new and affordable vaccines and treatments for diseases. • Fostering a more connected world. • Enabling advances in technology.	• We use our market intimacy to develop new products and services in pursuit of our purpose. • We engage directly with universities, governments and leading companies to explore and develop new ideas, and to support productivity. • Our Sustainability Committee elevates oversight of the Group's sustainability agenda to Board level, with a specific focus on considering our approach to climate change, amongst other things.

PRINCIPAL DECISION CASE STUDY

Board commitment to reach net zero by 2045

A key decision made during the year was the setting of new, ambitious targets in relation to carbon emissions. Building on the positive work already carried out in previous years to reduce emissions, the Board (through the Sustainability Committee) has set the goal of reaching net zero carbon emissions across the Group, its operations and its supply chain by 2045. The detail underpinning this goal, together with the interim targets set for Scope 1 and 2 emissions, is set out in the Sustainability Report (pages 52 to 81) and the TCFD statement (pages 60 to 71).

In reaching its decision, the Sustainability Committee assessed a wide range of evidence, projections and external benchmarking, as well as hearing from the Group's external sustainability adviser and internal subject matter experts. The Committee's members considered all the views and needs of key stakeholder groups, reflecting employees' and local communities' strong appetite for positive action, and our wider responsibility to society, and balancing this against the challenge of imposing ambitious targets on our supply chain, where decarbonisation pathways are not always clear. The Committee also reflected that customers' expectations on emissions reductions are shifting and accelerating, and that setting a higher level of ambition, while potentially adding cost in the short term, will protect our interests in the future. For their part, shareholders are increasingly setting an expectation on companies such as ours to take robust action to mitigate and address the risks, opportunities and impacts of climate change, up to and including the embedding of related targets in executive remuneration structures, as we are doing.

Weighing up all these groups' priorities, and mindful of both the financial costs of taking action and the potential reputational and financial risks of taking an insufficiently ambitious approach, the Committee settled upon the agreed targets as achieving the optimal balance between ambition and evidence-based assessment of feasibility.

Outcomes of our engagement	Board decisions where stakeholders were considered
• We have developed a number of new products and services through the year, as set out in Purpose in action on pages 10 to 17, and in the operational review on pages 38 to 51, with further innovations set for release over the coming year. • We have developed a tracker to monitor the relative proportions of revenue generated in pursuit of the four key elements of our purpose: greener, healthier, more connected, advanced. • Our Sustainability Committee has made excellent progress across many areas of its remit with a particular highlight being the development and confirmation of our ultimate net zero target of 2045 and interim targets to 2030 in respect of both our Scope 1 and 2 emissions.	See our Sustainability Report **on pages 52–81.** Information on the work of the Sustainability Committee can be found **on pages 141–143.** See the case study **on page 116** on the development of our net zero targets.

SECTION 172(1) STATEMENT

During the year to 31 March 2023, the Board of Directors has acted to promote the long-term success of the company for the benefit of its shareholders, whilst having due regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006, being:

a. The likely consequences of any decision in the long term.
b. The interests of the company's employees.
c. The need to foster the company's business relationships with suppliers, customers and others.
d. The impact of the company's operations on the community and the environment.
e. The desirability of the company maintaining a reputation for high standards of business conduct.
f. The need to act fairly between members of the company.

Further information which demonstrates how the Board has had regard to these matters can be found in the preceding, How we engage with our stakeholders section on pages 112 to 117.

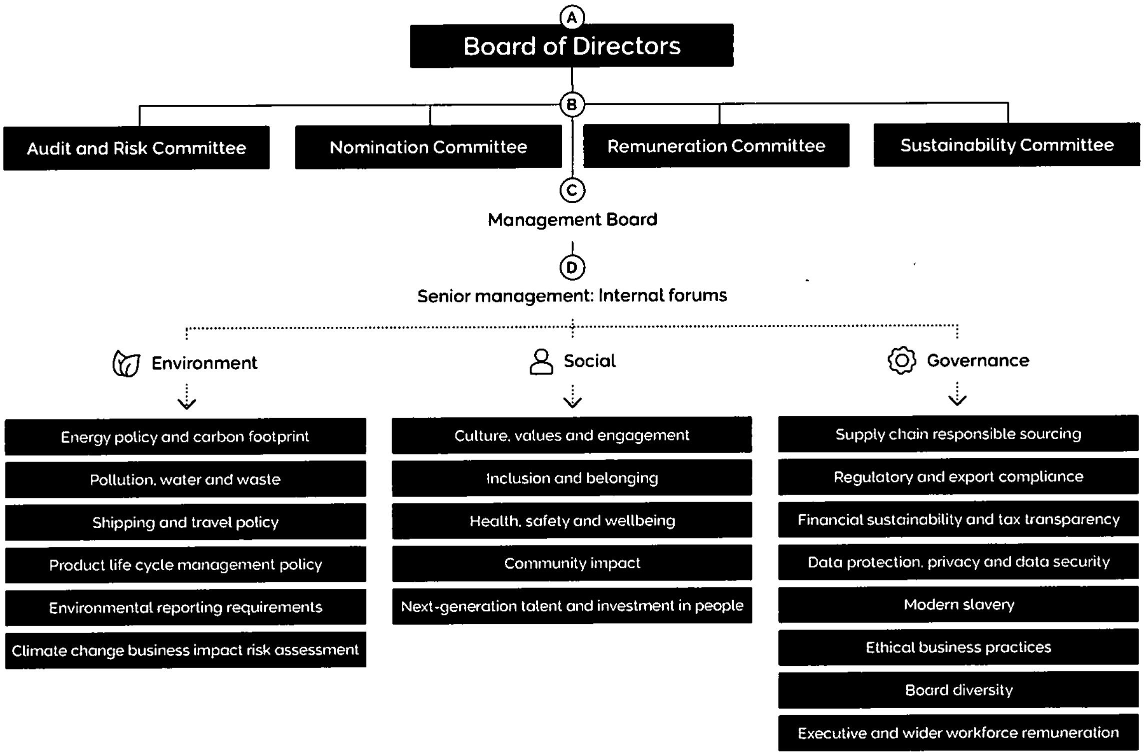
Additional information demonstrating how the Board has had regard to the factors set out in Section 172(1) of the Companies Act 2006

Matters per Section 172(1)(a) to (f) of the Companies Act 2006	Key example(s)	Page number
Consequences of any decision in the long term	Our purpose-led approach	8–9
	Our strategy	34–35
	Risk management	94–101
Interests of employees	Employee engagement	112–113
	Our purpose-led approach	8–9
	Sustainability	52–81
Fostering business relationships with suppliers, customers and others	Engagement with suppliers	114–115
	Engagement with customers	112–113
	Supply chain practices	79–80
Impact of operations on the community and the environment	Sustainability	52–81
	Purpose in action	10–17
Maintaining a reputation for high standards of business conduct	Our purpose-led approach	8–9
	Compliance	79
	Anti-bribery and anti-corruption	79
	Human rights and modern slavery	80
	Privacy and data protection	80–81
	Data security	80–81
	Whistle-blowing	138
	Export Control Policy	79
Acting fairly between members	Shareholder engagement	114–115
	Shareholder information	174

DIVISION OF RESPONSIBILITIES

Our governance structure

The below structure summarises our approach to governance throughout the organisation. The Board is ultimately responsible for having oversight of and providing leadership to the Group. Our governance structure demonstrates how the Board is supported in carrying out its responsibilities. It is particularly supported by its Committees, the Management Board and the work of various internal forums led by senior management.



(A) Board of Directors

- The role of the Board is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society
- Responsibilities of the Board are documented within its schedule of reserved matters which form part of its governance reference materials; these are reviewed and amended by the Board periodically
- Delegates certain matters to its Committees and the day-to-day running of the business to the Executive Directors and Management Board
- Collectively responsible for engagement with the workforce

(B) Board Committees

- These comprise Non-Executive Directors and meet the independence requirements set out in the UK Corporate Governance Code 2018
- Four dedicated Committees: Audit and Risk, Nomination, Remuneration and Sustainability
- A summary of the key responsibilities of each Committee is set out in their respective reports included within this Report and Financial Statements
- Responsible for a range of matters specifically delegated by the Board, as set out in their respective terms of reference, which are reviewed on an annual basis and can be found on our website at: www.oxinst.com/investors-content/advisers-and-company-secretary

(C) Management Board

- Responsible for the day-to-day running of the business of the Group, where delegated by the Chief Executive
- Focuses on Group-wide performance, strategy and risk management
- Meets at least monthly

(D) Senior management: Internal forums

- Report to the Management Board either directly or indirectly
- Lead internally on delivering the objectives delegated by management as well as workstreams which encompass our sustainability strategy

Responsibilities of the Chair, Chief Executive and Senior Independent Director

The responsibilities of the Chair, Chief Executive and Senior Independent Director are documented within the Board's governance reference materials which are reviewed and amended by the Board on a periodic basis. A high-level summary of these responsibilities is set out below.

Chair

- Leads the Board
- Promotes high standards of governance and ensures the Board is effective in directing the company
- Ensures that the Board has effective decision-making processes and applies appropriate challenge to major proposals
- Sets the agenda of the Board
- Facilitates participation and engagement by all Directors in meetings

Chief Executive

- Day-to-day running of the business of the Group
- Leads the Management Board
- Proposes and implements the strategy

Senior Independent Director

- Acts as a sounding board to the Chair and supports delivery of their objectives
- Leads the evaluation of the Chair on behalf of the other Directors
- Available to the company's shareholders

Directors' continuous development and access to advice

The Chair is responsible for ensuring that all of the Directors are appropriately briefed on matters arising at Board meetings and that they have full and timely access to accurate and relevant information. To enable the Board to discharge its duties, all Directors receive sufficient information, including briefing papers distributed in advance of their meetings. The Committees of the Board have access to sufficient resources to discharge their duties, including external advisers and access to internal resources and personnel.

Where they judge it to be necessary to discharge their responsibilities, Directors may obtain independent professional advice at the company's expense. All Directors also have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters.

For information regarding the development activities undertaken by the Board during the year, see the Board professional development section on page 124.

Board and Committee meetings and attendance

The table below sets out the number of meetings attended by each Director during the year ended 31 March 2023, of those which they were required and eligible to attend.

This includes all customary, scheduled meetings, however, the Directors also joined occasional ad hoc meetings during the year. The Directors also held a number of meetings without the Executive Directors present, both with and without the external auditor in attendance. As noted in the Committee reports included within this Report and Financial Statements, Directors who are not members of the respective Committees may be invited to join meetings as regular or ad hoc attendees.

Director	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee	Sustainability Committee
Neil Carson	7/7	N/A	4/4	6/6	6/6
Ian Barkshire	7/7	N/A	N/A	N/A	N/A
Gavin Hill	7/7	N/A	N/A	N/A	N/A
Alison Wood	7/7	4/4	4/4	6/6	6/6
Mary Waldner	7/7	4/4	4/4	6/6	6/6
Professor Sir Richard Friend	7/7	4/4	4/4	6/6	6/6
Sir Nigel Sheinwald	7/7	4/4	4/4	6/6	6/6
Reshma Ramachandran[1]	4/4	3/3	2/2	4/4	4/4

1. Appointed to the Board on 1 September 2022.

DIVISION OF RESPONSIBILITIES continued

Board priorities during the year

The table below summarises some of the highlights from the Board's key areas of focus and discussion during the financial year. For more information regarding the key areas of focus for the Committees of the Board, please see their respective reports as included within this Report and Financial Statements.

Strategy and performance	• Annual dedicated strategy review session • Regular reviews of business development activities and acquisition proposal pipeline
Finance, reporting, risk management, and controls	• Monitored progress against the 2022/23 financial plan and reviewed and approved the 2023/24 financial plan • Approved the Report and Financial Statements, half-year results and trading updates • Considered and approved the proposed interim and final dividend payments • Monitored the successful integration of the processes for identifying, evaluating, and reporting on climate-related risks and opportunities across the Group into the wider enterprise risk management processes
Operations	• Received regular operational updates • Monitored performance and provided challenge in key areas within operations, including health and safety, operational excellence, human resources, innovation and business development
Leadership and people	• Assessed current composition of the Board including tenure, skills, experience and diversity characteristics, in order to inform the approach to future Board composition • Continued focus on organisational capability and succession planning within senior leadership teams and across the organisation • Appointment of Reshma Ramachandran as a Non-Executive Director • After the company's financial year-end, we announced the forthcoming retirement, with the agreement of the Board, of Chief Executive Ian Barkshire, and that Richard Tyson, currently Chief Executive Officer at global electronics company TT Electronics plc, has been appointed as Ian's successor. It is intended that Ian will continue as Chief Executive until Richard joins
Governance	• Review and modification of Directors' Remuneration Policy, including engagement and consultation with major shareholders and other key stakeholders • Participated in annual Board effectiveness review • Consideration of views of key stakeholders and impact of decisions on them, including reviews of shareholder feedback as collated by external advisers • Dedicated workforce engagement activities, including site visits and sessions with a wide range of employees across the Group • Regular meetings without the Executive Directors present, both with and without the external auditor in attendance
Sustainability and climate-related matters	• Development of net zero target of 2045, with interim targets to 2030 in respect of both Scope 1 and 2 emissions • Monitoring progress against the targets and measures which aim to advance certain aspects of the social and governance pillars of our sustainability strategy • Oversight of the Group's sustainability-related narrative reporting and external disclosures, including our first Task Force on Climate-Related Financial Disclosures Statement, an enhanced, integrated Sustainability Report and our first standalone Sustainability Report

Stakeholder engagement

The Board is committed to developing its understanding of the views of its key stakeholders. As noted earlier in this Report and Financial Statements, in some instances the Board engages directly with stakeholders, but there is also significant engagement by senior management and throughout the company. The Board receives reports and updates on such engagement and the views and feedback gathered from stakeholders are used to inform discussion and decision-making. Please see pages 32 and 33 regarding Engaging with our stakeholders and pages 112 to 117 regarding How we engage with our stakeholders for more information, including the Board's Section 172(1) statement.

Board independence

At the conclusion of the financial year, the Board comprised eight Directors, including the Chair (who was considered independent upon appointment to the Board), five Non-Executive Directors (all of whom were considered by the Board to be independent upon annual assessment), and two Executive Directors (being the Chief Executive and Chief Financial Officer). The Board is therefore compliant with the recommendation of the UK Corporate Governance Code 2018, that it should comprise at least 50% independent Non-Executive Directors, excluding the Chair. The Committees of the Board also remained compliant with the recommendations of the Code during the year and further information regarding their membership can be found within the respective Committee reports included within this Report and Financial Statements.

External commitments

The Board is mindful of the time commitment required by the Non-Executive Directors in order to effectively fulfil their duties. Prior to appointment, prospective Directors provide details regarding other roles and significant commitments which may impact their ability to commit to the company. All Directors keep the Board informed regarding proposed external appointments or significant commitments as they arise, with Chair approval required prior to taking on any additional external appointment and commitments monitored to ensure that each Director has sufficient time to fulfil their obligations. Each Director's biographical information and significant time commitments are set out in the Board biographies on pages 108 to 110. Changes to Directors' commitments during the year are noted in the below table.

Conflicts of interest

The Companies Act 2006 states that Directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. Boards of public companies may authorise conflicts and potential conflicts, where appropriate, if permitted by the company's Articles of Association – and the company's Articles of Association do allow for this.

Directors are required to disclose conflicts and potential conflicts to the Chair and the Company Secretary as and when they arise. When a Director takes on additional external commitments, they will discuss the potential position with the Chair and confirm that, as far as they are aware, there are no conflicts of interest. During the year, none of the Directors declared to the company any actual or potential conflicts of interest between any of his or her duties to the company and his or her private interests and/or other duties, except for the Executive Directors, who hold the position of Director of the company as well as acting as director of a number of Group subsidiary companies. The system for monitoring potential Director conflicts remained effective throughout the period.

Change in Directors' commitments

The table below sets out the changes to the external appointments of the Directors which took effect or were confirmed during the financial year and up to the date of signing the Report and Financial Statements.

Director	Change in commitment	Effective date of change
Alison Wood	Appointed as Chair of Galliford Try Holdings plc.	21 September 2022
	Resigned as Non-Executive Director and Chair of the Remuneration Committee of Capricorn Energy PLC (formerly Cairn Energy PLC).	24 January 2023
	Resigned as Senior Independent Director of the British Standards Institute (non-listed).	1 February 2023
Gavin Hill	Appointed as Non-Executive Director and Chair of the Audit Committee of BMT Group Limited.	19 April 2023
Ian Barkshire	Appointed as a member of the National Quantum Technologies Programme Strategic Advisory Board.	1 November 2022
Reshma Ramachandran	Resigned as Senior Vice President & Group Head of Transformation at Adecco Group AG.	1 February 2023
	Appointed as Non-Executive Director of ISS A/S	13 April 2023

COMPOSITION, SUCCESSION AND EVALUATION

Appointments to the Board

The Nomination Committee is responsible for leading the process for appointments to the Board and its standard process when making new appointments to the Board is as set out below.

Director appointment process

Evaluate Board composition and determine required capabilities of proposed appointee	Evaluate the Board's skills, experience, independence, diversity and knowledge and utilise this to develop a specification which reflects the role and specific capabilities required.
Advertise role and determine long list of potential candidates	Advertise the role using open advertising (unless confidential) and by instructing external executive search consultants with the necessary expertise. Identify long list of potential candidates based on, amongst other things, experience, capabilities, merit and diversity.
Refine short list of potential candidates and complete interviews	Determine short list and invite the potential candidates to complete a formal interview process. Interview process to be facilitated by various Board members but specifically the Chair, Chief Executive and senior management, as appropriate.
Consideration and approval by Nomination Committee	Nomination Committee to consider the short-listed candidates and feedback from interview process from both interviewers and interviewee. Determine the preferred candidate and recommend their appointment to the Board for approval.
Consideration and approval by Board	Board to consider and if thought fit, approve the proposed appointment of the preferred candidate. Market announcement made in accordance with regulatory requirements.

CASE STUDY

Appointment and induction of Reshma Ramachandran as Non-Executive Director

Reshma Ramachandran was appointed to the Board with effect from 1 September 2022 and, since joining, has undertaken a full and formal induction, tailored to her individual needs and based on her experience and background.

Tailored induction

The tailored induction programme encompassed a comprehensive overview of the Group. The programme comprised a number of elements, with highlights including:

- Paired with Mary Waldner, an experienced Non-Executive Director who has served on the Board for over seven years, with Mary acting as a mentor and to support Reshma with swiftly becoming familiar with the organisation as well as the Board and its operation.
- One-to-one sessions with the Executive Directors to gain an in-depth understanding of the business, strategy and financial overview.
- Sessions with all members of the Management Board, to develop an understanding of their roles and responsibilities, including those specifically relating to the Horizon strategy.
- Site visits to Tubney Woods (NanoScience and Head Office), High Wycombe (NanoAnalysis and Magnetic Resonance), Belfast (Andor Technology) and Zurich (Imaris).
- Legal training session with the company's UK corporate counsel regarding the obligations of a UK listed company and its directors, with a focus on the regulatory framework for UK listed companies, directors' duties and the UK Corporate Governance Code and related obligations.
- Meetings with various functional and regional heads including the Company Secretary, General Counsel, Director of Communications, Risk Assurance and Group International Trade Compliance Manager, Group Director of Accountancy Tax and Treasury, Group Health, Safety and Environment Manager, Head of Strategic Sourcing & Operational Excellence Programme Director, Group IT Director and the heads of the regional offices in China, Germany, Japan and the US.
- Introductions to the company's key advisers including its auditor, UK corporate counsel, remuneration consultant and environmental sustainability adviser.

Q&A with Reshma Ramachandran

Q: What attracted you to take up the role of Non-Executive Director at Oxford Instruments plc?

A: Every aspect of modern life is impacted by the power of technology, science and data. It's a huge privilege to take up this role at Oxford Instruments, given its position as a research leader with such an impressive history of innovation. It's also very exciting to join a company which can have an immense impact across such a range of sectors as we support our customers in addressing some of the world's most pressing challenges, and follow our purpose: to enable a greener, healthier, more connected advanced society.

Q: Which element of your induction process did you enjoy most and why?

A: I've very much enjoyed my visits to some of our manufacturing facilities – and in particular, the opportunity they've given me to meet a broad range of people across the Group. I gained a truly meaningful sense of our strategy in action, as well as a better understanding of our opportunities and the risks we face, by hearing a range of different perspectives on Oxford Instruments' story.

Q: Which aspects of your previous experience do you feel are particularly beneficial to your new role?

A: Having begun my career on the shop floor, I moved into a series of senior engineering and transformation-focused roles across a range of geographies. This combination of hands-on operational experience and the more strategic, future-facing roles I've held is very beneficial to my role as Non-Executive Director, particularly when assessing progress against our strategy, whilst looking to the future.

COMPOSITION, SUCCESSION AND EVALUATION continued

Director re-election

In line with best practice and the company's Articles of Association, all Directors are required to retire from office at each AGM, in order to be proposed for re-election by the company's shareholders should they wish to continue in their role. At the company's 2022 AGM, all current Directors were reappointed by shareholders with majority votes ranging from 94.16% to 99.99%. All Directors will retire and seek re-election at the 2023 AGM apart from Reshma Ramachandran, who was appointed as a Director by the Board with effect from 1 September 2022 and who will stand for shareholder election for the first time, and Professor Sir Richard Friend who has served on the Board for almost nine years and in line with best practice regarding tenure and independence, will not stand for re-election, as he will step down from the Board with effect from 28 July 2023.

Having considered the performance and contribution of each of the Directors, the Board remains satisfied that they are operating effectively and continue to demonstrate commitment to their roles. The Board will therefore recommend the election or re-election of all Directors at the AGM. Ian Barkshire will continue in his role until Richard Tyson joins as Director. As noted on page 106, the company is working with Richard and TT Electronics plc, his current employer, to agree the date he will commence in the role.

The biographical information of each Director, along with the reasons for their respective election or re-election, can be found on pages 108 to 110. More information regarding the Board and the Director evaluation process is set out on page 125. The initial appointment dates of each Director and their tenure up to the date of the approval of this Report and Financial Statements are set out below.

Director	Appointed
Neil Carson	1 December 2018
Alison Wood	8 September 2020
Professor Sir Richard Friend	1 September 2014
Mary Waldner	4 February 2016
Sir Nigel Sheinwald	22 September 2021
Reshma Ramachandran	01 September 2022
Ian Barkshire	10 November 2015
Gavin Hill	9 May 2016

Board induction programme

The Chair and Company Secretary are responsible for ensuring that all Directors receive a full, formal and tailored induction upon joining the Board. Whilst our induction programme will be tailored based on the needs, experience and background of the individual Director, it will ensure that they gain a comprehensive understanding of the Group through activities including: one-to-one sessions with the Executive Directors, sessions with all members of the Management Board, visits to our sites, meetings with various functional and regional heads, and the opportunity to meet with a range of employees across the business.

The case study on page 123 provides an illustration of our induction programme in practice, following the appointment of Reshma Ramachandran as a Director during the financial year.

Board professional development

The Board and Committees receive dedicated training and information on matters relevant to the Group's business, including operational and technological briefings and updates on legal, regulatory and governance developments. During the year, training and updates were provided by the company's remuneration adviser and external counsel, as well as internal subject matter experts.

For more information regarding our approach to Directors' continuous development and access to advice, please see page 119.

Board composition

The Board, via the Nomination Committee, keeps under continuous review its composition and that of its Committees. Their review considers the balance of the Directors' skills and experience as well as their tenure, independence, time commitment and diversity.

We noted in the Report and Financial Statements 2022 that the Board was progressing a formal process to appoint a further female Director and that it intended to make such further appointment in light of the future needs of the Board in terms of skills and experience as well as diversity characteristics, in light of the recommendations of the FTSE Women Leaders Review and the Parker Review. This culminated in the appointment of Reshma Ramachandran on 1 September 2022. For further information regarding Reshma's appointment and induction, see page 123.

As announced on 13 April 2023, Chief Executive Ian Barkshire is to retire, with the agreement of the Board, and Richard Tyson, currently Chief Executive Officer at global electronics company TT Electronics plc, has been appointed as Ian's successor. The Board is working with Richard and TT Electronics to agree the date he will commence in the role, and will make a further announcement in due course. It is intended that Ian will continue as Chief Executive until Richard joins, and will then ensure a smooth transition of leadership. For more information please see the Nomination Committee report on page 128 to 132 and the Remuneration Committee report on pages 144 to 173.

Annual Board evaluation

The Board recognises the need continually monitor and improve its performance. It carries out internal or externally facilitated Board effectiveness evaluations annually, in order to obtain feedback to help to improve its effectiveness.

External Board evaluation 2021/22: Progress

The Board engaged Round Governance Services to complete an externally facilitated evaluation during the previous financial year. This generated recommendations which the Board agreed to implement. In line with its dedicated action plan, during the year the Board:

- Considered diversity in its work on succession planning, particularly gender and ethnicity per of the FTSE Women Leaders Review and Parker Review. The Board has met the recommendation of the Parker Review to include at least one Director of colour by the end of 2024, further to the appointment of Reshma Ramachandran on 1 September 2022.
- Considered succession planning at senior management level and continued to build relationships with individuals identified as potential successors.
- Considered and worked to improve the gender balance of senior leadership, having endorsed the target for 40% of senior leadership roles to be held by women by 2025.
- Received briefings on matters relevant to the Group's business, including legal developments and operational updates.
- Delivered the ongoing workforce engagement plan, meeting with a broad range of employees at various levels and roles across the Group, globally.

Internal Board evaluation 2022/23: Process

This year, the Board opted to complete an internally facilitated evaluation. The process included:

- Discussions between the Chair and the Company Secretary to agree the scope of the evaluation and focus areas.
- Online questionnaire issued to and completed by all Directors.
- Evaluation report prepared and findings discussed by the Chair and Company Secretary.
- Aggregated feedback and proposed actions shared with and discussed by the Board.
- Board discussed and agreed actions to be implemented.

Internal Board evaluation 2022/23: Outcomes and actions

The internal Board effectiveness evaluation concluded that the Board and its Committees function well and that all individual Directors contribute meaningfully and demonstrate commitment to their roles. The Board developed and agreed an action plan for the year ahead, highlights from which include:

- Discuss in further detail when reviewing and developing its strategy, the macro backdrop impacting the Group including the economic, political and technological landscape.
- Focus on Non-Executive Director succession, particularly in light of Professor Sir Richard Friend stepping down as a Non-Executive Director on 28 July 2023 and the anticipated departure in due course of Mary Waldner in line with best practice in relation to her tenure and independence.
- Continue to progress the workforce engagement programme by increasing the number of Board site visits and sessions hosted in person, increasing access to non-UK based and high potential employees, and by discussing a wider range of subjects with a larger number of staff.
- Facilitate more Director development opportunities across a range of topics including carbon reduction, sustainability, intellectual property and the legal landscape.

COMPOSITION, SUCCESSION AND EVALUATION continued

Board skills, experience and diversity characteristics

The Board is committed to promoting diversity and inclusion, both on the Board and throughout the Group. The Board recognises that diversity, construed in its broadest sense and including gender, religious and ethnic diversity, disability, sexual orientation, social and economic backgrounds, age and cognitive and personal strengths, is an important factor in Board and, indeed, operational effectiveness.

During the year, the Directors participated in a process to identify their own skills, experience and diversity characteristics. The results of this process are set out below and on the page opposite and have been used to help assess the future needs of the Board, particularly in determining the ideal attributes of prospective appointees to the Board.

Board skills and experience

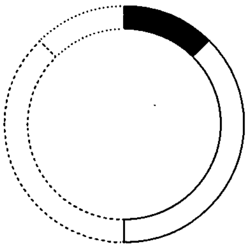
Specific skill, experience or expertise	Number of directors identifying as having specific skill, experience or expertise
Chairmanship	2
Listed Company Executive directorship(s)	3
Listed Company Non-Executive directorship(s)	5
Financial expertise	3
Financial reporting experience	3
Risk management	5
Investor relations	5
Corporate governance	6
Executive remuneration	4
Workforce engagement	5
Strategy development	7
International business experience	6
Commercial and business development	4
Business management	5
Operations and manufacturing	4
Services and life cycle revenue	4
Technology, Science or Engineering	6
Sustainability	5
Climate change	3
Energy transition	6
Customer focus	3
People leadership	5
Digital experience	2

The Board diversity policy and our plans and progress in line with the recommendations of the FTSE Women Leaders Review and the Parker Review, respectively, are described in the Nomination Committee Report on pages 128 to 132.

For more information regarding our approach to equality, diversity and inclusion across the Group, please see our Sustainability Report on pages 52 to 81.

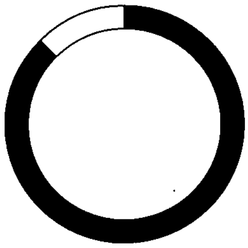
Board diversity characteristics

Age



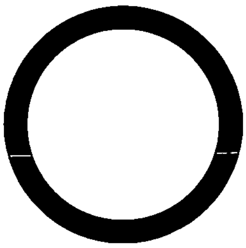
40-49	1
50-59	3
60-69	3
70+	1

What is your ethnic group?



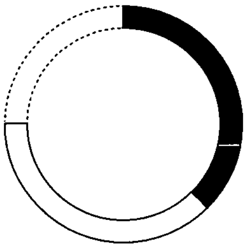
White British	7
Indian	1

Do you consider yourself to have a disability defined by the Equality Act 2010?



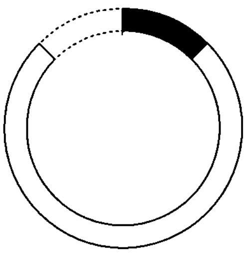
No	8

What is your highest level of educational attainment?



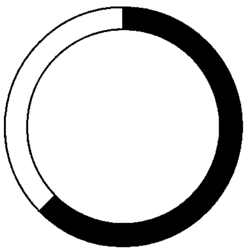
Level 6 – Bachelor's degree	3
Level 7 – Master's degree	3
Level 8 – Doctorate or PhD	2
Other	0

Were you educated outside of the UK?



Yes	1
No	6
Educated both inside and outside UK	1

Board Gender Diversity



Male	5
Female	3

NOMINATION COMMITTEE REPORT

Neil Carson
Chair of the Nomination Committee

"The Committee recognises the importance of the company's strategic priorities and the main trends and factors affecting its long-term success and future viability when pursing board succession planning and recruitment."

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 31 March 2023.

The Committee has enjoyed a busy year, with a particular focus on succession planning, Executive and Non-Executive Director recruitment. These activities placed an emphasis on the future leadership needs within the wider organisation and considered succession beyond the Board.

After pursuing a thorough search process, we were delighted to recommend that the Board appoint Reshma Ramachandran as a Non-Executive Director with effect from 1 September 2022. The Committee felt that Reshma's experience of working in multi-cultural teams and geographies, combined with her strong engineering credentials and business acumen, would prove an excellent fit with the company's strategy. Since joining the Board, Reshma has completed a tailored induction programme, which you can read more about on page 123. Further details regarding our Director appointment process can also be found on page 122.

We have also kept under review our approach to diversity, particularly in light of the recommendations of the FTSE Women Leaders Review and the Parker Review. We remain committed to meeting the targets and recommendations set out in these reviews, at Board level, for senior management and throughout the organisation. Whilst we have not yet met the target for at least 40% Board members to be women, as recommended by the FTSE Women Leaders review, this target will be surpassed on 28 July 2023 upon Richard Friend stepping down as a Director, at which point the Board will comprise 43% female representation. We are pleased to have met the recommendation of the Parker Review, for the Board to include at least one Director of colour by the end of 2024, further to the appointment of Reshma Ramachandran on 1 September 2022, and the recommendation of the FTSE Women Leaders Review to have at least one woman in one of four specified senior roles by the end of 2025, as Alison Wood currently serves as our Senior Independent Director. Our Board diversity policy and our plans and progress in line with the recommendations are explained on pages 131 to 132.

A particularly important piece of work for the Committee this year has been the completion of the recruitment process for a new Chief Executive. As announced on 13 April 2023, Ian Barkshire will be retiring after seven years as Chief Executive and more than 25 years with the company, and Richard Tyson, currently Chief Executive Officer at global electronics company TT Electronics plc, has been appointed as Ian's successor. As noted in the market announcement made at that time, we are working with Richard and TT Electronics to agree the date he will commence in the role, and will make a further announcement in due course. It is intended that Ian will continue as Chief Executive until Richard joins, and will then ensure a smooth transition of leadership. We are very thankful for the tremendous contribution Ian has made.

He leaves the business stronger than ever, and can look back on his long career with Oxford Instruments with immense pride. We are delighted that Richard Tyson will be joining us. With his record of success and his wealth of expertise in high technology innovation and global manufacturing companies, Richard is ideally placed to undertake this role.

For more detail regarding our work on Chief Executive succession planning and recruitment, please see pages 130 to 131.

You can also read more about the remuneration arrangements applicable to Ian's retirement and upon Richard joining the Board, in the Directors' Remuneration Report on pages 144 to 173.

As noted earlier in the Report and Financial Statements 2023, having served on the Board for almost nine years, Professor Sir Richard Friend will not be standing for re-election and will step down as a Non-Executive Director of the Company with effect from 28 July 2023.

I will be available at the AGM to answer any questions you may have regarding the work of the Committee.

Neil Carson
Chair of the Nomination Committee

14 July 2023

Committee membership and attendance

The members of the Nomination Committee during the financial year and their dates of appointment to or resignation from the Committee, are as set out below.

Members

	Date of appointment
Neil Carson (Chair)	1 December 2018
Mary Waldner	4 February 2016
Richard Friend	1 September 2014
Alison Wood	8 September 2020
Nigel Sheinwald	22 September 2021
Reshma Ramachandran[1]	1 September 2022

1. Became a member of the Committee upon joining the Board during the year.

For details of attendance at Committee meetings during the financial year, please see the Board and Committee meeting attendance table on page 119.

The biographies of all Committee members are available in the Board biographies section on pages 108 to 110.

Key responsibilities

- Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board.
- Ensure plans are in place for orderly succession to Board and Management Board positions, and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future.
- Review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and the time commitment expected.
- Ensure that, on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them.
- Review the results of the Board performance evaluation process that relate to the composition of the Board and succession planning.
- Review annually the time required from Non-Executive Directors.
- The Committee shall also make recommendations to the Board concerning: changes needed to the succession planning process, if required; suitable candidates as new Directors and succession for existing Directors; membership of the Audit and Risk, Remuneration and Sustainability Committees; the reappointment of Non-Executive Directors at the conclusion of their specified term of office; the re-election by shareholders of Directors; any matters relating to the continuation in office of any Director at any time; and the appointment of any Director to executive or other office.

NOMINATION COMMITTEE REPORT continued

Committee membership, skills and experience

In line with the Committee's terms of reference, which are available on our website at: www.oxinst.com/investors-content/advisers-and-company-secretary the Committee comprises a majority of independent Non-Executive Directors and is chaired by the Chair of the Board, Neil Carson.

During the financial year, the membership of the Committee changed as noted previously, with Reshma Ramachandran becoming a member of the Committee upon joining the Board on 1 September 2022.

Meetings

The Nomination Committee holds a minimum of one meeting annually, as required under its terms of reference, and this year held four scheduled meetings and three ad hoc meetings. Regular attendees at meetings include the Chief Executive, Chief Financial Officer and Chief HR Officer, where appropriate. The Company Secretary is the secretary to the Committee.

Committee effectiveness review

During the year, an internal evaluation of the effectiveness of the Committee was conducted as part of the wider review of the Board and the Board Committees. More information can be found on page 125. The review found that the Committee functions effectively and that matters are dealt with appropriately.

How the Committee spent its time during the year ended 31 March 2023

The responsibilities of the Committee are set out in its terms of reference, which were last updated in January 2023 and which are summarised on page 129. Whilst these responsibilities guide the operation of the Committee and shape its agenda, it will also consider other matters as requested by the Board and as relevant to its remit.

The key activities and areas of focus for the Committee during the year are as set out below.

- Reviewed the Board's composition and future needs, bearing in mind in particular the current tenure, skills, experience and diversity characteristics of the Directors.
- Reviewed the succession plans for Board and Management Board positions.
- Continued to consider our approach to diversity, particularly in light of the recommendations of the FTSE Women Leaders Review and the Parker Review.
- Completed the recruitment process for a new Non-Executive Director, resulting in the appointment of Reshma Ramachandran, effective 1 September 2022.
- Completed the recruitment process for a new Chief Executive. We announced on 13 April 2023 that Ian Barkshire will be retiring after seven years as Chief Executive and more than 25 years with the company, and that Richard Tyson, currently Chief Executive Officer at global electronics company TT Electronics plc, has been appointed as Ian's successor.

Board composition and succession planning

As noted in the Report and Financial Statements 2022, the Board agreed during the previous financial year that it would be appropriate to appoint a further female Non-Executive Director to the Board to bring new skills and experience as well as diversity characteristics, in light of the recommendations of the FTSE Women Leaders Review and the Parker Review. This culminated in the appointment of Reshma Ramachandran on 1 September 2022. See page 122 for further information regarding the Committee's appointment process and page 123 for details regarding Reshma's appointment and induction experience. The Nomination Committee engaged Russell Reynolds, an executive search agency, to assist with this appointment. The company and the Directors have no other connection with Russell Reynolds.

The Nomination Committee keeps under continuous review the composition of the Board and its Committees. We take seriously our responsibility for Board effectiveness and continuity and the need to conduct a continuous and proactive process of planning and assessment, in the context of the company's strategic priorities and the main trends and factors affecting the long-term success and future viability of the company.

As explained on page 106, the Board announced on 13 April 2023 that Ian Barkshire will be retiring after seven years as Chief Executive and more than 25 years with the company, and that Richard Tyson, currently Chief Executive Officer at global electronics company TT Electronics plc, has been appointed as Ian's successor.

Richard's appointment was subject to a rigorous selection process, borne of the company's well developed succession plans. The Director appointment process detailed on page 122 was followed, except that open advertising was not utilised as it was not appropriate in these circumstances. The interview process in particular, gave each of the Committee members a meaningful opportunity to carefully assess the experience and capabilities of the potential candidates. The Committee ensured that the insights gained by each of its members were carefully considered in coming to a conclusion regarding their preferred candidate and we are delighted that Richard Tyson will be joining us to lead us through the next phase of our growth.

Alison Wood, our Senior Independent Director and Chair of the Remuneration Committee also serves as a Non-Executive Director of TT Electronics plc, where Richard is currently the Chief Executive. Whilst not obliged to do so, she prudently decided to recuse herself from all decision-making in relation to Richard's appointment, both at Oxford Instruments plc and TT Electronics plc.

The Nomination Committee engaged Korn Ferry's executive search consultancy to assist with this process. Korn Ferry also act as an advisor to the Remuneration Committee and information regarding their fees for serving in this capacity are set out on page 160.

In addition to reviewing Board composition, the Nomination Committee oversees the succession plans for the Management Board and has regular opportunities to meet with the Management Board and other members of the wider senior leadership through their attendance at Board meetings to report on their respective business areas or functions and through workforce engagement activities.

Board diversity

The Board is committed to promoting diversity and inclusion, both on the Board and throughout the Group. The Board recognises that diversity, construed in its broadest sense is an important factor in Board and, indeed, operational effectiveness. The Board's diversity policy considers a range of characteristics, namely age, disability, social and educational backgrounds, as well as gender and ethnicity, and includes a commitment to increasing female and ethnic representation on the Board and throughout the wider organisation.

At the end of the financial year, the Board had 37.5% female representation as well as ethnically diverse representation with one of our Board colleagues being a person of colour. The composition of our Board therefore met both the recommendations of the Hampton-Alexander Review (33% female representation) and the Parker Review (at least one Director of colour by the end of 2024), but did not yet meet the recommendations of the FTSE Women Leaders Review (40% female representation by the end of 2025).

The Board is committed to meeting the recommendations of the FTSE Women Leaders Review, to have 40% female representation and aims to reach this goal by March 2025 (in line with the end of our financial year) but no later than the end of 2025. To achieve and maintain this ambition, the Board's plan is as follows:

- As noted earlier in this report, after having served on the Board for almost nine years, Professor Sir Richard Friend will not be standing for re-election and will step down as a Non-Executive Director of the company with effect from 28 July 2023. Upon Professor Sir Richard's departure, our Board will comprise seven Directors – three female and four male – reflecting 43% female representation.
- Anticipating the departure of Mary Waldner as Director in line with best practice in relation to her tenure and independence, as she will have served on the Board for nine years by February 2025, we recognise that we will need to take active steps in order to maintain our aspired female representation on the Board.

We have already met the recommendation of the FTSE Women Leaders Review to have at least one woman in the role of Chair or Senior Independent Director, and/or in the Chief Executive or Chief Financial Officer role by the end of 2025, as Alison Wood currently serves as our Senior Independent Director, having taken up this role post the conclusion of the AGM on 21 September 2021. Nevertheless, we will continue to keep this under review as part of our succession planning responsibilities.

For information regarding our approach to diversity within the wider organisation, please see our Sustainability Report on pages 73 to 74.

Any future appointments to the Board will continue to be based on merit and objective criteria to ensure that the best individuals are considered and appointed to the role. Wherever possible, the search pool will be extensive and where an executive search consultancy

NOMINATION COMMITTEE REPORT continued

is used, we will only engage with those firms that have adopted the Voluntary Code of Conduct for Executive Search Firms.

Diversity of individuals on the Oxford Instruments plc Board and executive management

In accordance with the UK Financial Conduct Authority's Listing Rule 9.8.6 R (9) the Board confirms that as of 31 March 2023, Oxford Instruments plc:

- Had not yet met the target for at least 40% of the Board to comprise women. As explained on page 131, this target will be surpassed shortly, on 28 July 2023, at which point the Board will include 43% female representation.
- Had met the remaining targets set out in that rule with (i) Alison Wood holding the role of Senior Independent Director and a woman therefore holding one the specified senior positions on the Board (Chair, Chief Executive, Senior Independent Director or Chief Financial Officer); and (ii) Reshma Ramachandran being of an Asian background, meaning that the Board included at least one Director from a minority ethnic background. There have been no changes to the Board since 31 March 2023 which would affect the company's ability to meet these targets.

In accordance with Listing Rule 9.8.6 R (10) the below tables provide data as of 31 March 2023 regarding the gender identity or sex and the ethnic background of both the Oxford Instruments plc Board and the executive management team, its Management Board. Our approach to collecting this data was two-fold. For our Directors, we asked that they complete a questionnaire regarding their skills, experience and diversity characteristics, including their gender identity or sex and their ethnic background. For our Management Board, we collated this data from our employee records, which they have provided on a voluntary basis understanding that it may be used for disclosure purposes, as well as to help to ensure that our processes and pay are fair and equitable with respect to race and ethnicity, as well as the characteristics on which we have had full data for several years.

Gender identity or sex

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	62.5%	3	4	80%
Women	3	37.5%	1	1	20%
Not specified/prefer not to say	–	–	–	–	–

Ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	7	87.5%	4	5	100%
Mixed/Multiple ethnic groups	–	–	–	–	–
Asian/Asian British	1	12.5%	–	–	–
Black/African/ Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/ prefer not to say	–	–	–	–	–

AUDIT AND RISK COMMITTEE REPORT

Mary Waldner
Chair of the Audit and Risk Committee

"During the year, the Committee focused not only on the integrity of the Group's financial reporting activities, but also the procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives."

Dear Shareholder,

I am delighted to present the Report of the Audit and Risk Committee for the year ended 31 March 2023. We have continued to play an important role as part of the Group's governance framework, monitoring the integrity of the financial statements of the company and providing oversight and challenge across the financial reporting processes and internal control environment.

During the year, the Committee's work focused particularly on the Group's approach to several key areas of governance whilst continuing to deliver its core remit. Specific areas of focus included:

- Delivery of the internal audit plan across a broad range of key risk areas.
- Monitoring the successful integration of the processes for identifying, evaluating, and reporting on climate-related risks and opportunities across the Group into the wider enterprise risk management processes and the detailed assessment of key risks using a standardised methodology, as performed by the business units across the Group.
- Considering the procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives. This included making a minor amendment to the Group's approach to risk management by updating the scoring matrix for key risks at Group level and amending the bandings for the estimated impact of a risk arising, albeit risks continued to be categorised in a matrix based on the expected likelihood of the risk arising and their estimated impact.
- As Chair I also had several discussions with the CFO and the Group Head of Risk, Assurance and Trade Compliance regarding the Group's investigation into compliance issues in China. These discussions covered the scope and outcome of the investigation and the remedial actions taken.
- Reviewing a letter received from the Financial Reporting Council (FRC), regarding the company's inclusion in their thematic review of the business combination disclosures for a sample of annual reports and accounts with periods ending between 31 December 2021 and 31 March 2022. There were no matters which the FRC wished to raise with the company, and we noted the observations set out in their report regarding the outcomes of their review.
- The review of papers and supporting calculations and data relating to the significant Audit and Risk Committee judgements and estimates during the financial year ended 31 March 2023.

AUDIT AND RISK COMMITTEE REPORT continued

During the next financial year, the Committee plans to retain a focus on assessing the level of assurance provided over key financial controls whilst also addressing a range of risk-based audit areas to include trade compliance reviews, a data security review and a fraud risk review focusing on the principal manufacturing entities in particular. The Committee will also begin to consider the plans of the internal audit function, in order to implement recommendations arising from developments in the reform of the UK's corporate governance, audit and reporting regime, as more precision regarding its scope and the associated timeline are published.

Should you have any questions or comments regarding the work of the Committee, I would be delighted to hear from you.

Mary Waldner
Chair of the Audit and Risk Committee

14 July 2023

Committee membership and attendance

The members of the Audit and Risk Committee during the financial year and their dates of appointment to or resignation from the Committee, are as set out below. All members of the Committee are considered to be independent.

Members

	Date of appointment
Mary Waldner (Chair)	4 February 2016
Richard Friend	1 September 2014
Alison Wood	8 September 2020
Nigel Sheinwald	22 September 2021
Reshma Ramachandran[1]	1 September 2022

1. Became a member of the Committee upon joining the Board during the year.

For details of attendance at Committee meetings during the financial year, please see the Board and Committee meeting attendance table on page 119.

The biographies of all Committee members are available in the Board biographies section on pages 108 to 110.

Key responsibilities

- Monitor the integrity of the Financial Statements of the company and Group and review and report to the Board on significant financial reporting issues and judgements.
- Review statements relating to financial performance and narrative reporting, including any climate-related financial disclosures.
- Review the company's internal control and risk management systems.
- Review the arrangements relating to compliance, speaking up and fraud.
- Monitor and review the effectiveness of the company's internal audit function.
- Advise the Board on the appointment, reappointment and removal of the external auditor, agree their terms of engagement and monitor their independence and objectivity.
- Review the effectiveness of the external audit process.
- Develop and implement the policy on the engagement of the external auditor to supply non-audit services.

Committee membership, skills and experience

In line with the requirements of the UK Corporate Governance Code and the Committee's terms of reference, which are available on our website at: www.oxinst.com/investors-content/advisers-and-company-secretary, the Committee comprises independent Non-Executive Directors and, as a whole, has competence relevant to the sector in which the Company operates. Mary Waldner, the Committee Chair, has specific, recent and relevant financial experience as the Chief Financial Officer of Lloyd's Register, is a Fellow of the Chartered Institute of Management Accountants and has also held a number of senior executive financial roles with major public companies.

During the financial year, the membership of the Committee changed as noted above, with Reshma Ramachandran becoming a member of the Committee upon joining the Board on 1 September 2022.

Meetings

The Audit and Risk Committee holds a minimum of three meetings annually, as required under its terms of reference, and this year held four meetings. Regular attendees at meetings include the Chief Executive, Chief Financial Officer, Group Financial Controller, Head of Risk, Assurance and Trade Compliance, and BDO LLP, our external auditor. Other attendees who attend as required include the Chair and members of senior management. The Company Secretary is the secretary to the Committee.

Committee effectiveness review

During the year, an external evaluation of the effectiveness of the Committee was conducted as part of the wider review of the Board and the Board Committees. More information can be found on page 125. The review found that the Committee functions effectively and that matters are dealt with in a thoughtful and rigorous manner.

AUDIT AND RISK COMMITTEE REPORT continued

How the Committee spent its time during the year ended 31 March 2023

Structured programme of activities

The responsibilities of the Committee are set out in its terms of reference, which were last updated in January 2023.

The Committee sets a structured programme of activities for the year, as developed from its terms of reference and including standing items for its consideration at certain meetings. In addition, it considers specific risk areas identified for detailed review in light of the evolving risk environment, assurance activities relating to key non-financial areas such as new product innovation, IT and cyber-security, people and health and safety, and any other matters that arise during the year.

The main areas considered at each Committee meeting during the year are set out below.

Matters considered	June 2022	September 2022	November 2022	January 2023
Half-year and full-year Financial Statements including appropriateness of accounting policies, representation letters, associated narrative reporting (Report and Financial Statements) and market announcements	•		•	
External auditor Year-end Audit Report and Interim Review Report	•		•	
Significant accounting estimates and judgements	•		•	
Going concern	•		•	
Viability Statement	•			
Group risk register, including climate-related risks and opportunities	•	•	•	•
Principal risks and uncertainties	•		•	
Adequacy of internal control environment including internal control framework and risk management processes	•			
Internal audit update (specific theme addressed at each meeting, per the internal audit plan for the financial year)	•	•	•	•
Internal audit plan				•
Effectiveness of internal audit function				•
External auditor strategy for year-end audit				•
External auditor terms of engagement and fees				•
External auditor independence and objectivity	•			•
Effectiveness of external audit process		•		
Non-audit services carried out by external auditor	•			•
Litigation register	•		•	
Systems and controls for detecting fraud and the prevention of bribery and corruption	•			
Whistleblowing arrangements				•
Committee effectiveness review	•			
Committee terms of reference				•
Committee members and external auditor closed meeting	•	•	•	•

Financial Statements and reporting

During the year, the Committee continued to monitor the financial reporting process of the Group. As part of the year-end reporting process the Committee reviewed in detail this Report and Financial Statements in respect of the year ended 31 March 2023 and concluded that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy. The Board recognises the important role which the Committee plays in making such assessments.

Significant Audit and Risk Committee judgements and estimates during the financial year ended 31 March 2023

The Committee considered reports from management on accounting policies, current accounting issues and the key judgements and estimates in relation to this Report and Financial Statements. It assessed whether suitable accounting policies had been adopted and the reasonableness of the judgements and estimates that had been made by management. Summary information is set out below relating to the significant judgements and estimates considered by the Committee in relation to the Financial Statements for the year ended 31 March 2023 and how these issues were addressed.

Revenue recognition

Revenue is recognised in accordance with IFRS 15 Revenue from Contracts with Customers. Revenue is recognised using principles-based criteria with the timing of recognition dependent on fulfilment of the performance conditions in the customer contract. The Group applies prescriptive rules relating to revenue recognition that are appropriate to both products and services. Through the application of IFRS 15 principles, revenue recognition is less subjective than prior to its implementation, although revenue cut-off remains an area of audit focus. The Committee has received no reports of any significant error in revenue recognition.

UK defined benefit pension scheme

Under IAS 19, the Group is required to recognise any difference between the net present value of the pension scheme's liabilities and the fair value of its assets as at 31 March 2023 in the balance sheet as either a pension scheme asset or deficit. IAS 19 also requires the Group to appoint an external actuary to value its obligations to members of its defined benefit pension scheme at each reporting date. The actuary is also required to recommend suitable assumptions for use in the preparation of the valuation. The Group has appointed Aon Hewitt (the pension scheme's actuary) to perform bi-annual valuations on its behalf for accounting purposes. The assumptions recommended by the actuary are largely consistent with the prior year with the exception of the discount rate used which has increased from 2.8% to 4.8%, reflecting changes in the macroeconomic environment. The net present value of the scheme's liabilities decreased by £74.9m during the year, largely due to remeasurement gains arising from the change to the discount rate. The scheme's investment manager, Schroders Solutions, provided a valuation of the scheme assets in line with current market practice relating to the valuation of investment assets, the methodology for which has not changed since the prior year.

As disclosed in Note 25 to the Financial Statements, the actuarial surplus for the UK scheme has decreased from £51.7m in the prior year to £26.4m at 31 March 2023. This arises from the decrease in scheme liabilities of £74.9m and an aggregate decrease in the scheme's assets of £100.2m. This arises primarily from negative investment returns on gilts due to changes in interest rates, offset by company contributions of £12.2m, less benefits paid (£12.3m) and administrative costs. As set out on page 93 of the Finance Report, it is the scheme's actuarial valuation review, rather than the accounting basis that determines the level of cash payments made by the Group into the scheme.

Provisions for intellectual property claims

The Group faces potential exposure to third-party claims in relation to alleged intellectual property infringement. The Committee obtains management reports and analysis on potential claims twice a year. The Committee has reviewed the information and explanations provided by management relating to the provisions for intellectual property claims that have been recognised in the Financial Statements. This also covers claims for which no provision has been recognised. The external auditor has also reported on intellectual property provisions.

As at 31 March 2023, the value of the provisions recognised in the Financial Statements for such claims is £0.6m which is not material. However, this remains an area of significant accounting judgement and estimation. The Committee has verified that the approach and calculations performed to estimate the level of provisions required is reasonable and is consistent with the prior year. The Committee recognises that the final determination in any specific case is likely to vary from the amount provided. However, when considered in aggregate, the Committee considers that no adjustment to the provisions is required.

AUDIT AND RISK COMMITTEE REPORT continued

Adjusted profit and EPS

The Group applies adjustments to the statutory definition of profit and EPS to present adjusted profitability and earnings, as the Board considers that they present a clearer picture of the financial performance of the Group. These adjustments are set out at Note 1 to the Financial Statements. For the year ended 31 March 2023, the aggregate sum of the adjustments to operating profit was £8.1m. The largest item in value terms was the amortisation charge relating to capitalised intangible assets of £9.3m (2022: £9.5m). The Group recognised gains of £3.0m (2022: loss of £6.4m) arising from the mark-to-market impact of currency hedging contracts. The only other adjustment in the year greater than £0.5. relates to an impairment charge of £0.8m (2022: nil), relating to capitalised development costs. The Committee has reviewed Group reports setting out the nature of the adjustments and the methodologies used to calculate them and as a result concluded that adjustments have been applied consistently. Further, the Committee is satisfied with disclosure of these adjusting items in the 2023 Financial Statements.

Misstatements

The Committee received reports from Group management that they were not aware of any material misstatements or immaterial misstatements that had been made with the intent of achieving a particular presentation in the Financial Statements. The Committee also reviewed BDO's report on unadjusted audit differences and these were discussed during the Committee meeting in June 2023.

On the basis of its review and those discussions, the Committee concluded that the unadjusted differences were not material to the Financial Statements and therefore no adjustment was required. The Committee also concluded that the external auditor had fulfilled its duties with diligence and with an appropriate level of professional scepticism.

Viability and Going Concern Assessment and Statements

The Committee and the Board reviewed the Viability and Going Concern Statements as presented in more detail on pages 102 to 104.

The Committee reviewed the Viability Assessment, which was based upon consideration of the Group's current financial position and the potential impact of certain of its principal risks and uncertainties on future performance. It performed a review of the scenario analyses prepared by management in the Viability Assessment and concluded that the Group would be able to continue in operation and meet its liabilities as they fall due over the next three years.

In addition, the Committee noted that there were no material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern over the period of at least 12 months from the date of approval of the Financial Statements and concluded that it was appropriate to continue to adopt the going concern basis of accounting.

Whistleblowing

Employees can report concerns of non-compliance, ethical issues or malpractice via an independent and confidential reporting route. Reports can be made anonymously if required and are covered by the Group's Whistleblowing Policy which provides for protected disclosure. The Group recognises the importance of other reporting channels such as via line management and HR. Further, a reporting route to the Senior Independent Director is also available. Employees are informed of the reporting channels through the Code of Business Conduct and Ethics. Irrespective of the reporting channel used, the Group operates a formal protocol for the independent investigation of reports which is overseen by the Chief HR Officer and Services Director and Group Compliance.

The Committee performs an annual review of the Whistleblowing Policy and receives a summary report into the outcome of investigations during the year. It also receives a report from management on its activities in this area. The latest report and review took place in January 2023 and all matters raised in the year-to-date had been resolved.

Internal control

The Committee oversees the internal control framework on behalf of the Board. In June each year, it undertakes an annual review of the effectiveness of the internal control environment, comprising the company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems. To support this review, the Committee liaised with the Head of Risk, Assurance and Trade Compliance and considered the internal and external audit reports presented. In respect of the financial year ended 31 March 2023 and up to the date of the approval of this Report and Financial Statements, the Committee concluded that the required standards had been met and noted that during the financial year, it had received no reports in the year about concerns of possible improprieties in matters of financial reporting.

Risk management

The key risk management activities performed by the Group are described on pages 94 to 101.

The Committee reviews the Group risk register, which now includes climate change-related risks and opportunities, at each meeting and uses these, supplemented by reports from management, the external auditor and other subject matter experts, to assess the approach taken to identify and mitigate the risks faced by the Group.

The Committee will continue to carefully review risk reporting and the associated risk management activities during the year ahead, in particular, aiming to develop and enhance its approach to the consideration of climate-related risks and opportunities as well as the broader landscape of emerging risks.

For more information regarding our approach to risk management see pages 94 to 101.

Internal audit function

The internal audit function is led by the Head of Risk, Assurance and Trade Compliance, who is a regular attendee at Committee meetings. Its purpose is to provide assurance regarding the effectiveness of internal controls through regular reviews and the provision of reports to the Committee. Once finalised, all internal reports are also shared with the external auditor. The Head of Risk, Assurance and Trade Compliance has direct access to the Chair of the Board and the Chair of the Committee, to help safeguard independence from the executive and accountability to the Committee.

Internal audit plan

The annual internal audit plan was presented to the Committee at its meeting in January 2023. It comprises audits which assess the effectiveness of internal financial controls, to be performed on a rotational basis across operational business units and the principal regional offices and, complementing this, the programme also includes risk-based audit areas which are proposed or recommended by a combination of the Committee and management. Following due consideration, the Committee approved the proposed annual internal audit plan.

Effectiveness review

The Committee has a responsibility to carry out an annual assessment of the effectiveness of the internal audit function. As part of its assessment in respect of the financial year ended 31 March 2023, the Committee liaised with the Head of Risk, Assurance and Trade Compliance, reviewed and assessed the annual internal audit plan, reviewed the results of the internal auditor's work, considered whether the quality, experience and expertise of internal audit remains appropriate for the business and reviewed the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function. The Chair also held a one-to-one meeting with the Head of Risk, Assurance and Trade Compliance in March 2023 to discuss key risk areas in advance of the new financial year.

Following due consideration, the Committee agreed that the internal audit function had remained effective.

External auditor

The Committee has principal responsibility for managing the relationship with the external auditor, including assessing its performance, effectiveness and independence and making recommendations to the Board regarding its reappointment, removal and terms of engagement, including all fees.

BDO LLP was reappointed as external auditor at the 2022 Annual General Meeting, having been initially selected to undertake this role with effect from the financial year ended 31 March 2021 following a competitive tender process. In line with the current requirement to complete a tender for audit services every ten years, the Committee intends to conduct a tender process ahead of the financial year ended 2031. This remains subject to the outcome of the Committee's annual assessment of the performance, effectiveness and independence of the incumbent external auditor. The Committee regularly meets with the external auditor, both with and without the Executive Directors or members of the management team present, to discuss any appropriate matters in a frank and open manner.

Audit strategy

BDO LLP presented its proposed audit strategy and plan for the financial year ended 31 March 2023 to the Committee at its meeting in January 2023. The suggested strategy had been informed through feedback from various stakeholders including the Committee Chair, Chief Financial Officer and Group Financial Controller. The proposal included details of the recommended scope, materiality, fees and timelines plus the principal areas of audit risk and the anticipated approach for addressing such. Following due consideration, the Committee approved BDO LLP's proposed audit strategy and plan.

AUDIT AND RISK COMMITTEE REPORT continued

Effectiveness review

The Committee has a responsibility to review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

As part of its assessment in respect of the financial year ended 31 March 2022, the Committee considered reports from BDO LLP and feedback from key members of the Group's finance team. The assessment noted that BDO LLP's increased familiarity with the Group and individual business units had led to a smoother audit than the prior year. When issues did arise, BDO LLP reacted appropriately and pragmatically. Following due consideration, the Committee agreed that the audit had been effective.

In line with the Committee's structured programme of activities, an assessment of the effectiveness of the audit for the financial year ended 31 March 2023 is expected to be carried out in September 2023.

Independence and objectivity

The Committee should assess on an annual basis the external auditor's independence and objectivity taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services.

To make this assessment, the Committee obtains confirmation from the external auditor regarding whether it considers itself to remain independent and also satisfies itself that there are no relationships between the auditor and the company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.

During the financial year, the Committee made this assessment in both June 2022 and January 2023, in addition to again assessing in June 2023. In June 2022 and January 2023, the Committee was comfortable that BDO LLP remained independent and objective. In June 2023, the Committee noted that BDO LLP had identified a breach of the FRC's Ethical Standard, through the provision of services by BDO LLP, Singapore to Oxford Instruments Private Limited in 2021 and 2022. Upon identifying this breach, the provision of such services was immediately terminated. BDO LLP completed an investigation to understand the circumstances of the breach, with the outcome of this exercise being that it has enhanced the applicable processes and procedures to prevent future breaches of this nature occurring. In this context and noting the financially immaterial nature of the breach, with the prohibited services incurring under £1,000 in fees, the Committee remained comfortable that BDO LLP remained independent and objective.

Non-audit services

The Committee oversees the company's formal policy regarding the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited Financial Statements. During the financial year, the Committee approved the provision of non-audit services by BDO LLP amounting to £8k, which when considered in light of the audit fees amounting to £792k, represented a non-audit fee to audit fee ratio of 1:104.9 or 0.94% of the total fees payable to the auditor and its associates. A further illustration of this comparison can be seen in the following table.

Audit and non-audit fees for the financial year ended 31 March 2023

	Fees	Proportion
Audit fees	£792k	93.51%
Audit-related assurance services	£47k	5.55%
Non-audit services	£8k	0.94%
Total fees payable to the auditor and its associates	£847k	100%

See Note 4 on page 204 of the Financial Statements for further information regarding the external auditor's remuneration.

Statement of Compliance with the Competition and Markets Authority (CMA) Order

The company confirms that it has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 (Article 7.1), including with respect to the Audit and Risk Committee's responsibilities for agreeing the audit scope and fees and authorising non-audit services.

Reappointment of external auditor

BDO LLP has expressed its willingness to continue as auditor of Oxford Instruments plc and separate resolutions will be brought to the Oxford Instruments plc 2023 AGM, proposing BDO LLP's reappointment as auditor and to authorise the Board, through the Committee, to negotiate and agree its remuneration.

SUSTAINABILITY COMMITTEE REPORT

Nigel Sheinwald
Chair of the Sustainability Committee

"We believe that our sustainability ambition is a competitive differentiator for us as the energy transition, environmental awareness and societal changes advance."

Dear Shareholder,

I am pleased to present the report of the Sustainability Committee for the year ended 31 March 2023, our first full year in operation since the Committee was established in late 2021.

The Committee has enjoyed a busy year, covering a broad range of topics including the strategy and governance structure which will support delivery of the company's sustainability programme; the environmental, social and governance aspects of our remit, including health and safety; ethical business practices, and our intention to seek validation of our net zero ambition from the Science-Based Targets initiative.

A particular focus and highlight of the Committee's work this year has been the development of the company's ultimate net zero target of 2045 and interim targets to 2030 in respect of both Scope 1 and 2 emissions. We are particularly pleased that our efforts to carry out a detailed analysis enabled us to create targets founded on a strong base of evidence. Our focus will now shift to setting out the detail of our roadmap to net zero, developing interim targets for our Scope 3 emissions, and assessing the progress made towards our goals. For more detail, read our Sustainability Report on pages 52 to 81.

We spent time appraising the social and governance elements of the company's sustainability agenda. The Committee considered in particular the advancing approach and internal targets and measures relating to equality, diversity and inclusion and was pleased to emphasise its support for the ongoing social initiatives being undertaken and developed to drive change within the Group.

We also reviewed the changes to our approach and the external landscape impacting our sustainability governance agenda and assessed the company's approach towards ensuring ethical business practices remain embedded. As part of our annual health and safety review, we were reassured to note that as part of the company's 'Push for Zero' health and safety programme, the number of safety observations reported by employees has increased, expanding our opportunity to implement remedial actions to prevent accidents. Further detail can be found in our Sustainability Report on pages 52 to 81.

We recognise the importance of utilising remuneration structures to promote and drive the behaviours and positive impacts we desire for the Group, and embraced the opportunity to support the work of the Remuneration Committee to help devise appropriate sustainability-related performance measures. These will be implemented for the awards made to Executive Directors during FY2023/24. For further information, see the Directors' Remuneration Report on pages 144 to 173.

As part of the Board's ongoing programme of employee engagement activity, I was delighted to host a session with a group of employees, aiming to gain an insight into workforce sentiment generally, as well as their perception of our wider sustainability agenda. The attendees spanned a broad range of roles, including product development, marketing, finance, operations, supply chain and sales, and all were members of the Go Green Team at High Wycombe, one of our primary manufacturing sites.

SUSTAINABILITY COMMITTEE REPORT continued

I gained some very meaningful insights which I was able to share with my colleagues on the Board; it was apparent that there is a strong employee appetite for progressing our sustainability agenda across a range of initiatives which matter to them, from reducing our CO_2e emissions to reconsidering energy usage, and achieving greater ethnic diversity within the organisation.

In conjunction with the Board, we are pleased to have published our second Task Force on Climate-Related Financial Disclosures Statement, as set out on pages 60 to 71, our integrated Sustainability Report, which is available on pages 52 to 81 and our standalone Sustainability Report, which can be found on our website at: www.oxinst.com/sustainability. We will continue to strive to expand both our reporting and the extent and detail of our sustainability targets, in line with our purpose and values. We aim to be ambitious and believe that our commitment to sustained competitive financial and operational results is both consistent with, and underpinned by, delivering on our responsibilities to society, our stakeholders and workforce.

I will be available at the AGM to answer any questions you may have regarding the work of the Committee. Should you have any queries, I would be very happy to hear from you.

Nigel Sheinwald
Chair of the Sustainability Committee

14 July 2023

Committee membership and attendance

The members of the Sustainability Committee during the financial year and their dates of appointment to or resignation from the Committee, are as set out below.

Current members

	Date of appointment
Nigel Sheinwald (Chair)	22 September 2021
Neil Carson	2 November 2021
Alison Wood	2 November 2021
Mary Waldner	2 November 2021
Richard Friend	2 November 2021
Reshma Ramachandran[1]	1 September 2022

1. Became a member of the Committee upon joining the Board during the year.

For details of attendance at Committee meetings during the financial year, please see the Board and Committee meeting attendance table on page 119.

The biographies of all Committee members are available in the Board biographies section on pages 108 to 110.

Key responsibilities

- Review all sustainability-related narrative reporting and external disclosures, including, but not limited to, those relating to the Greenhouse Gas Protocol, Streamlined Energy and Carbon Reporting Regulations, Sustainable Development Goals or the Task Force on Climate-Related Financial Disclosures.
- Determine the guiding principles to be used when setting targets in relation to the Group's sustainability goals and implementation plans.
- Oversee the Group's ongoing activities and progress in relation to the three key elements of its sustainability agenda, broadly comprising environmental, social and governance-related matters, as follows:
  - Environmental: consider and recommend to the Board for approval, sustainability-related targets, including environmental targets and timescales; review the company's progress towards decarbonisation of energy use globally; and consider and recommend to the Board for approval, the methodology to be used for achieving net zero.
  - Social: review any relevant policies and approve targets set in respect of the following areas: equality, diversity, inclusion and belonging; health, safety and wellbeing; investing in our people; next-generation talent; and community impact.
  - Governance: review any relevant policies and approve targets set, in respect of the following areas: anti-bribery and anti-corruption; sanctions, export control and customs; dissemination of inside information to the market and share dealing; supply chain responsible sourcing; human rights and modern slavery; intellectual property and confidentiality; data protection, data privacy and data security; and financial sustainability and tax transparency.
- Review on a regular basis that the highest ethical standards and concern for human rights are embedded in the company across its global operations.

Committee membership, skills and experience

In line with its terms of reference, which are available on our website at: www.oxinst.com/investors-content/advisers-and-company-secretary the Committee comprises a majority of independent Non-Executive Directors. Nigel Sheinwald, the Committee Chair, brings a wealth of skills and experience, particularly from his time as Chair of Shell plc's equivalent Sustainability Committee.

During the financial year, the membership of the Committee changed as noted previously, with Reshma Ramachandran becoming a member of the Committee upon joining the Board on 1 September 2022.

Meetings

The Sustainability Committee holds a minimum of three meetings annually, as required under its terms of reference, and this year held six meetings. Standing attendees at meetings include the Chief Executive, Chief Financial Officer and Chief HR Officer. Other members of senior management may also attend as required. The Company Secretary is the secretary to the Committee.

Committee effectiveness review

During the year, an external evaluation of the effectiveness of the Committee was conducted as part of the wider review of the Board and the Board Committees. More information can be found on page 125. The review found that the Committee functions effectively and that matters are dealt with in a thoughtful and rigorous manner.

How the Committee spent its time during the year ended 31 March 2023

The responsibilities of the Committee are set out in its terms of reference, which were last updated in January 2023 and which are summarised on page 142. Whilst these responsibilities guide the operation of the Committee and shape its agenda, it will also consider other matters as requested by the Board and as relevant to its remit.

The key activities and areas of focus for the Committee during the year are as set out below.

- Developed and endorsed the company's ultimate net zero target of 2045 and interim targets to 2030 in respect of both Scope 1 and 2 emissions.
- Supported the Remuneration Committee with developing appropriate sustainability-related performance measures to be implemented for the awards made to Executive Directors during FY2023/24.
- Received updates from the Chief Executive, management and an external consultant, regarding climate-related matters, including an in-depth session regarding the Task Force on Climate-Related Financial Disclosures.
- Considered and supported management's proposal to seek validation from the Science-Based Targets initiative.
- Assessed the strategy and governance structure which will support delivery of the company's sustainability agenda.
- Reviewed the company's approach to ensuring ethical business practices remain embedded throughout all that we do.
- Considered the annual review of social matters forming part of the company's sustainability agenda, noting in particular the maturing approach and internal targets and measures relating to equality, diversity and inclusion. Emphasised its support for the ongoing social initiatives being undertaken and developed to drive change within the Group.
- Noted the annual review of progress in line with the company's sustainability governance agenda, in particular regarding any recent or anticipated changes to either the approach or the external landscape impacting the key elements of this agenda.
- Considered the annual health and safety review and endorsed updates to the company's health and safety policy for Board approval.
- Reflected on the ways in which the Committee could keep up to date with the wider sustainability landscape so that its work and decisions can be delivered on a highly informed basis, and agreed that suitable external attendees should be invited to present on relevant topics at future Committee meetings.
- Post year-end, reviewed and recommended to the Board for approval, the sustainability-related narrative reporting and external disclosures, comprising the Task Force on Climate-Related Financial Disclosures Statement as set out on pages 60 to 71 of this report, our dedicated integrated Sustainability Report and our standalone Sustainability Report which can be found on our website at: www.oxinst.com/sustainability.

DIRECTORS' REMUNERATION REPORT: Letter from the Chair of the Remuneration Committee

Alison Wood
Chair of the Remuneration Committee

"The Committee is dedicated to ensuring that remuneration policies and practices support the company's strategy and promote its long-term sustainable success. Recognising the continued excellent performance, remuneration outcomes for executives are in alignment with the experience of our key stakeholders."

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 March 2023, which is presented in three sections:

- My annual statement as Chair, summarising the work of the Committee during the year;
- The Directors' Remuneration Policy (Policy) to be proposed for shareholder approval at the 2023 AGM; and
- The Annual Report on Remuneration, detailing the remuneration outcomes for the financial year ended 31 March 2023 and the proposed implementation of the new Policy for the year ahead.

Broader employee remuneration considerations

In what has been a busy time for the Committee on executive remuneration matters, the priority has been to ensure that our employees have been supported throughout the year, in recognition of the impact of inflation on the cost of living and the sudden increase in energy prices at the end of 2022. As such, the Committee endorsed the decision to make a one-off payment to eligible employees with salaries below a certain threshold and to increase salaries for UK employees, by 6% on average for FY23. We pay above minimum wage across the world and above the living wage in the UK and also aim to provide benefits which are above the statutory minimums, where appropriate.

We carefully considered workforce remuneration policies as part of our review of the Policy and when determining executive pay for 2022/23 and beyond. The structures of bonus plans throughout the organisation is aligned to incentivise the behaviours which deliver value, both financial and non-financial, to shareholders and our key stakeholders. All eligible employees across our business units and global teams have received a bonus for FY23 performance, in line with performance delivered.

More generally to ensure that our workforce is appropriately balanced in relation to gender, ethnicity, social class and other factors, there are processes in place to address unconscious diversity and inclusion biases during recruitment, including the use of balanced shortlists, and in decisions about career progression and remuneration.

Operation of the Remuneration Policy in 2022/23 and incentive plan payments

Performance for the year-ended 31 March 2023 was strong, with the company's business model and strategy continuing to drive strong order, revenue and profit growth.

The Committee considered the formula-driven incentive outturns for 2022/23 in the context of the broader economic environment and employee and shareholder experience, whilst recognising that the performance targets set were both stretching and clearly linked to the Group's strategy and financial performance.

The annual bonus outcome for 2022/23 has been measured by performance against a combination of cash, operating margin, profit and non-financial strategic targets. Group financial performance was again excellent, resulting in a payout in respect of the financial elements of 90.7% of base salary for the CEO and CFO, of a maximum 110% of base salary. The non-financial strategic targets, representing 15% of base salary opportunity, were based on the achievement of strategic objectives, for which we have determined achievement levels of 10% and 13% for the CEO and CFO, respectively. The overall bonus achieved was therefore 100.7% of salary for the CEO and 103.7% of salary for the CFO. In line with the current Policy, 50% of the bonus earned in excess of the target level will be paid in shares, which are deferred for three years.

Awards granted in 2020 under the Performance Share Plan (PSP) were based on two equally weighted performance measures. Earnings Per Share (EPS) was assessed over the three years to 31 March 2023 and achieved above the maximum target, with compound EPS growth of 17.1% per annum. Return on Capital Employed (ROCE) also exceeded the maximum target and in the final year of the performance period was 32.4%. As a result of this strong performance, the 2020 PSP grant will vest in full. A two-year holding period applies to the vested award.

As regards shareholder experience, we noted the strong shareholder return (+20%) in 2022/23 and the significantly higher Total Shareholder Return (TSR) over the three-year PSP performance period (+103%).

We specifically considered whether there had been any 'windfall gain' caused by the award having been granted when the stock market was much lower than it is now, due to the economic impact of the Covid-19 pandemic. The Committee concluded that there had not been a windfall gain, recognising in particular that:

- the relative performance of the company has been in the top quartile of our constituent FTSE index, the FTSE 250, so the share price has not simply recovered in line with the market; and
- the share price at which the awards were granted in September 2020 was at a relative historical high of £15.80, which had recovered significantly from the share price low at the onset of the Covid-19 pandemic (around £10), also being significantly higher than the share price a year prior (the share price at which the 2019 PSP award was granted was £13.74).

Given the strong company performance during 2022/23 and the full three-year PSP performance period, we are comfortable that there has been a robust link between reward and performance, plus alignment with investor returns. We are satisfied that the Policy has operated as intended and the remuneration outcomes are appropriate, considering workforce remuneration and outcomes, the relativities between employees and Executive Directors, and the wider stakeholder experience as set out above. We therefore concluded that it would not be necessary to exercise discretion to adjust the 2022/23 incentive outcomes. Whilst the Committee is satisfied the Policy has operated as intended for the year, changes are, however, proposed to the Policy and its operation going forward, as described later.

Board changes

We announced on 13 April 2023 the forthcoming retirement, with the agreement of the Board, of Chief Executive Ian Barkshire. He will be treated as a good leaver in respect of the incentive plan payments and will be eligible to participate in the FY24 annual bonus plan for the portion of the year that he is actively employed. His unvested PSP awards will be retained subject to the achievement of the performance conditions, vesting at the usual time, scaled back for his shorter service period. Post-vesting holding periods will apply and he will be subject to the post-employment shareholding requirement, which requires him to retain the lower of his level of shareholding on cessation, or 200% of base salary, for two years effective from the end of his notice period. Further details on his remuneration on retirement are set out later in this report.

We were pleased to announce that Richard Tyson has been appointed as Ian's successor. The company is working with Richard and TT Electronics plc to agree the date he will commence in the role, and will make a further announcement in due course. It is intended that Ian will continue as Chief Executive until Richard joins, and will then remain actively employed for a further period to ensure a smooth transition of leadership. Whilst not strictly required, given my role as Non-Executive Director and Remuneration Committee Chair at TT Electronics plc, I recused myself from all decisions relating to Richard's appointment. Richard will receive a salary of £570,000, benefits in line with the new Policy and a pension contribution of 6% of salary, aligned to the maximum available to the UK workforce. Subject to approval

DIRECTORS' REMUNERATION REPORT: Letter from the Chair of the Remuneration Committee continued

of the new Policy at the 2023 AGM, his bonus opportunity in 2023/24 will be 150% of salary, pro-rated for the period from appointment, and he will receive a PSP grant of 200% of salary. This package is no higher than the mid-market level and was necessary to recruit an experienced candidate, who is currently a CEO at another UK listed company. Richard's total fixed pay upon appointment (salary, benefits and pension) will be lower than that of the current CEO.

Richard will forego his FY23 annual bonus for the period of time worked at his previous employer during FY23. He will also forfeit outstanding LTIP awards. In line with our recruitment policy, and as part of the discussions for Richard joining, we agreed to replicate the FY23 bonus foregone and LTIP awards being forfeited as closely as possible, taking into account the nature of the deferred remuneration forfeited, the performance conditions, the expected value and the time over which they would have vested or been paid.

Richard must retain at least 50% of the shares vesting under his buyout awards as part of his shareholding requirement as CEO (200% of salary). Further details of the buyout awards to be granted are set out later in this report.

Review of the Remuneration Policy and shareholder engagement

When reviewing the Policy ahead of the triennial vote at the 2023 AGM, we reflected on the current Policy, which we considered has been sufficiently agile and robust to remain aligned with the business strategy through a period of significant disruption caused by the Covid-19 pandemic. The Committee considered the performance of the management team, noting they have performed outstandingly, delivering sustained and significant shareholder value in line with the company's Horizon strategy which has resulted in a larger business with a significantly higher market value. Upon reviewing the current Executive Directors' packages we noted that their salaries and incentive opportunities in both annual bonus and LTIP were below our assessment of mid-market rates. The Board and Remuneration Committee consider that it is vital that the management team is paid competitively and that there is sufficient flexibility within the policy limits for incentive pay, to ensure that we can continue to attract and retain the very best talent. In particular, in view of the impending CEO succession, the increase to both bonus and LTIP opportunities to a mid-market position was considered vital in order to recruit the best available talent and ensure that the entire management team remained fully focused and incentivised to build on the outstanding recent business performance. In this context, we reviewed the Policy, consulting with our 20 largest shareholders and the proxy advisory bodies to ensure their feedback was considered in the development of the new Policy. We were pleased that shareholders were overwhelmingly supportive and we made one adjustment to reflect the feedback received.

The key changes to the Policy are follows:

- Pension – Executive Directors currently receive a pension contribution as a fixed value, of £61,964 and £48,363 for the CEO and CFO, respectively. After the 2023 AGM the pension contribution will reduce to 6% of salary (£32,754 and £24,000 for the CEO and CFO, respectively, after the salary increase on 1 July 2023) in line with the maximum available to the UK workforce.
- Annual bonus quantum – the maximum policy limit for the annual bonus has increased from 125% to 150% of salary. The threshold and target levels remain unchanged. Therefore the additional bonus payable will only be for the achievement of stretch performance targets ahead of the business plan.
- Annual bonus deferral – deferral has been strengthened and one-third of any bonus payable will now be delivered in shares, rather than half of the bonus received above target.
- LTIP quantum - the normal policy limit of 150% of salary and exceptional limit of 200% of salary will be replaced by a standard 200% of salary limit in all cases other than a recruitment situation, where there will be no limit (this will ensure there is flexibility for buy-out awards, if necessary).
- LTIP performance measures – there will be flexibility to include non-financial performance measures, for example, based on our sustainability strategy, in addition to long-term financial performance and stock market measures.
- LTIP dividend equivalents – dividend equivalent payments will continue to accrue beyond the three-year vesting period, over the two-year holding period.

In addition, a number of minor changes have been made to provide some additional clarity, for example, noting that Executive Directors may receive a long service award, in line with other employees.

Operation of the Remuneration Policy in 2023/24

The Committee considered the new Policy's operation in 2023/24, as part of its overarching review.

Given the ongoing inflationary pressures and cost-of-living challenges, we carefully reviewed the recommendations regarding base salary increases for employees. The salary for Ian Barkshire, CEO, will increase by 3% from £530,000 to £545,900 and for Gavin Hill, CFO, will increase by 5% from £380,970 to £400,000, in line with the average workforce increase. We consider these increases appropriate, not least as the salaries remain at the lower end of our assessment of mid-market rates and, in the case of the CEO, the increase was considered appropriate, recognising that he was likely to be in active employment for a meaningful proportion of the year. The new CEO will receive a salary upon appointment of £570,000 – being broadly aligned to our assessment of the mid-market rate.

Post the 2023 AGM, the current Executive Directors' pension contributions will reduce significantly to 6% of salary, being the maximum contribution available to the majority of the UK workforce. The new CEO will receive 6% of salary pension contribution on appointment.

The 2023/24 annual bonus opportunity will increase from 125% to 150% of salary for the current Executive Directors and will also apply to the new CEO, pro-rated from the date of his appointment to the Board. As regards performance measures, the weighting for the strategic objectives element will increase slightly from 12% to 16.7%, to support investment in the business to drive future profitable growth, innovation and sustainability, especially in light of the wider macro-economic landscape and the challenges which this presents. Details of these robust and measurable strategic objectives will be disclosed retrospectively in next year's report. The performance measures will therefore be profit growth (50%), cash conversion (16.7%), operating profit margin (16.7%) and non-financial strategic objectives (16.7%). One-third of any bonus payable will be delivered in shares which must be held for a three-year period.

LTIP grants will be made upon appointment to the new CEO and exceptionally in 2023 to the CFO, at 200% of salary. The current CEO will not receive an LTIP award. We have reviewed the LTIP performance measures, in light of the strategy and increased award levels and believe that a broader mix of measures is necessary in order to provide a more rounded overall assessment of performance. The measures for the 2023 grant award will be Earnings Per Share (EPS) (30%), Return on Capital Employed (ROCE) (30%), Total Shareholder Return (TSR) (25%) and two sustainability measures (15%). EPS will require compound annual growth of between 4% and 10% over three years and ROCE a range of 30%-34%. TSR will be measured relative to the companies comprising the FTSE 250 Index, requiring median performance for threshold vesting and upper quartile performance for maximum vesting. The sustainability targets are aligned to our long-term strategy and will require (i) significant reduction in our Scope 1 and Scope 2 emissions in line with our ambitious plan to reduce by 50% and 70%, respectively, by 2030 and (ii) significant improvement in female representation in leadership positions. In future years we intend to broaden emissions targets to include Scope 3, and will also seek to include other aspects of our sustainability agenda at the appropriate time.

Non-Executive Directors' (NED fees

The fees of the Chair and NEDs will increase by 5%, in alignment with the average increase for our UK workforce. The additional fee payable for the Senior Independent Director and Committee Chairs (excluding the Nomination Committee) will increase from £7,803 to £10,000.

DIRECTORS' REMUNERATION REPORT: Letter from the Chair of the Remuneration Committee continued

Long-Term Incentive Plan (LTIP)

Our current PSP will expire in 2024. We have considered the share schemes we operate as part of the Policy review, and will be seeking shareholder approval for the new LTIP at the 2023 AGM. The LTIP rules will be aligned to the new Policy, with the normal individual limit for Executive Directors being increased from 150% to 200% of salary. This limit may be exceeded in a recruitment situation to facilitate any necessary buy-out awards. The new LTIP rules will also provide flexibility for awards to be granted to less senior employees on more flexible terms, for example with or without performance conditions and different vesting periods, to ensure that we can structure awards in line with our peers and retain and compete for talent most effectively below Board level, in what is currently a very challenging international marketplace. We have also added a dilution limit which restricts the issuance of new shares for the purpose of satisfying share awards to 5% of issued share capital over any ten-year period for awards to senior executives. Under the previous plan there was simply a 10% limit for awards under all plans to all employees. The Executive Directors' LTIP awards will always continue to be governed by the shareholder approved Policy.

The Notice of Annual General Meeting, as available at: www.oxinst.com/investors-content/annual-general-meeting, includes further details regarding the new LTIP, and we consider that this aligns to investor guidelines, the UK Corporate Governance Code and market best practice.

Conclusion

The Committee has carefully considered the new Policy, the remuneration outcomes for 2022/23 and the operation of the new Policy for the year ahead, to ensure strong alignment between executive remuneration and the experience of shareholders, employees and our wider stakeholders. We have very carefully managed the remuneration aspects relating to CEO succession to ensure that we have structured the arrangements in line with best practice, to give maximum clarity and to make sure that we have paid no more than necessary to secure a candidate of Richard Tyson's calibre. In what has been a busy year for executive remuneration matters, we have not lost sight of the importance of ensuring that the workforce as a whole has been supported, and we were pleased that a number of actions were taken in this regard. We hope that you will be supportive of the annual advisory vote to approve the Annual Report on Remuneration, the binding vote to approve the new Policy and the vote to approve our new LTIP rules, at our AGM on 19 September 2023.

Alison Wood
Chair of the Remuneration Committee

14 July 2023

Committee membership and attendance

The members of the Remuneration Committee during the financial year and their dates of appointment to the Committee, are as set out below.

Committee membership and attendance

	Date of appointment
Alison Wood (Chair)[1]	8 September 2020
Neil Carson	1 December 2018
Mary Waldner	4 February 2016
Richard Friend	1 September 2014
Nigel Sheinwald	22 September 2021
Reshma Ramachandran[2]	1 September 2022

1. Became a member of the Committee with effect from her appointment to the Board on 8 September 2020 and took up the role of Committee Chair with effect from 26 January 2021.
2. Became a member of the Committee upon joining the Board during the year.

Regular attendees at meetings include the Chief HR Officer and, where appropriate, the Chief Executive and Chief Financial Officer. The Company Secretary is the secretary to the Committee.

For details of attendance at Committee meetings during the financial year, please see the Board and Committee meeting attendance table on page 119.

The biographies of all Committee members are available in the Board biographies section on pages 108 to 110.

Key responsibilities

- Determining the Remuneration Policy for the Executive Directors and senior management.
- Determining the total executive remuneration packages.
- Designing effective performance-related incentive plans aligned to the business strategy and the wider workforce.
- Reviewing the Group's Remuneration Policy periodically.
- Determining the policy for pension arrangements, service agreements, recruitment terms and termination payments.

DIRECTORS' REMUNERATION REPORT

Remuneration at a glance

Link to strategy

The Committee sets stretching performance targets for the annual bonus and performance share plan, that are clearly linked to the strategy and financial performance of the Group.

Annual bonus

Adjusted PBT

Threshold:	**£67.5m**
Target:	**£69.5m**
Max:	**£73.5m**

Actual

£82.0m

Cash conversion

Threshold:	**82%**
Target:	**85%**
Max:	**92%**

Actual

88.2%

Adjusted operating profit margin

Threshold:	**17.9%**
Target:	**18.1%**
Max:	**18.3%**

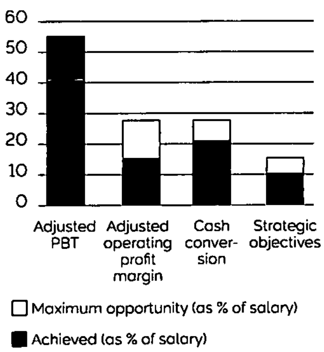
Actual

18.1%

Strategic objectives
Targets based on a range of objectives linked to accelerating growth, operational effectiveness, our sustainability agenda and shareholder engagement.

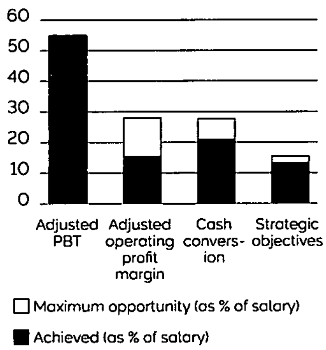
For details see / **pages 162–163**

Annual bonus FY 2022/23: CEO



For details see / **Pages 162–163**

Annual bonus FY 2022/23: CFO



For details see / **Pages 162–163**

LTIP

Earnings per share growth (% CAGR p.a.)

Threshold:	**3% p.a. CAGR**
Max:	**8% p.a. CAGR**

Actual (CAGR over 3 years to 31 March 2023)

17.1%

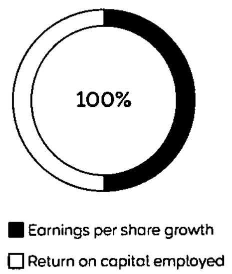
Return on capital employed

Threshold:	**24%**
Max:	**30%**

Actual (2022/23)

32.4%

LTIP: Performance Share Plan (Performance period ending FY2022/23)



For details see / **Pages 163–164**

Executive Directors' remuneration at a glance

Total remuneration payable for 2022/23

	Base salary £'000	Benefits £'000	Pension £'000	Annual bonus £'000	LTIP £'000	Other £'000	Total £'000
Ian Barkshire	523	84	58	534	1,033	0	2,232
Gavin Hill	376	27	47	395	806	0	1,651

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A)

This part of the Directors' Remuneration Report sets out the Group's Remuneration Policy (Policy) for its Directors.

The policy will be subject to a binding shareholder vote at our AGM on 19 September 2023 and the policy, unless changed with shareholders' prior agreement, will continue until the 2026 AGM.

Policy overview

The Policy promotes the delivery of the Group's strategy and seeks to align the interests of Directors, shareholders and other stakeholders. The Committee regularly reviews the link between its incentive structures and strategy to ensure that remuneration packages are appropriate to attract, motivate and retain the high calibre executives that are needed to deliver the Group's strategy.

The company seeks to reward executives fairly and responsibly based on Group performance and their individual contribution. The company has a strategy aimed at delivering significant, balanced and sustainable long-term growth and it is important for motivation and retention that the remuneration of the executives reflects this.

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

The Committee's approach to determining, reviewing and implementing the new policy

The Committee sets the remuneration policy for Executive Directors taking into account the Group's strategic objectives, institutional investor and investor representative body views, the UK Corporate Governance Code, market practice and the remuneration policy for the wider workforce. The Committee also takes into account views from management and its independent remuneration consultants who provide the Committee with updates on corporate governance developments and market best practice guidance.

To manage any potential conflicts of interest, the Committee ensures that no individual is involved in discussions regarding their own remuneration arrangements and all changes proposed align to the business's core strategy and values.

The Committee considers implementation of the Policy annually in light of the strategic priorities, the Group's performance, and the wider stakeholder experience, whilst incentive targets are reviewed to check if they remain appropriate or need to be recalibrated.

The Committee considered the following factors when determining the new Policy:

Principle	Committee approach
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	• The metrics used in our annual bonus have a direct link to our company KPIs, which are familiar to our shareholders and the workforce. • Performance Shares are linked to our long-term business strategy, familiar to our shareholders and the workforce. • The Remuneration Committee consults with shareholders to explain and clearly set out any proposed changes to the policy and is committed to having an open and constructive dialogue with shareholders.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	• Our Remuneration Policy is in line with market norms. • The application of the policy is described clearly each year in this report with a clear link between reward and performance.
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	• The Committee has ensured that risks are identified and mitigated by: – having discretion to override the formulaic outturn of incentives; and – having robust clawback and malus provisions. • Performance Shares (with holding periods), annual bonus deferral in shares, together with share ownership requirements, including post-employment share ownership requirements, ensure executives are not encouraged to make short-term decisions but to deliver sustainable shareholder returns over the long term for the benefit of all stakeholders.
Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	• The scenario chart on page 157 sets out the potential rewards available to the Executive Directors under three different performance scenarios. • Limits to incentive plans and the basis for the Committee to use discretion are clearly set out.
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	• Variable pay comprises the majority of the Executive Directors' packages, with the individual limits and payout for different levels of performance set out in the policy on pages 153 to 155 and the scenario charts on page 157. • The performance conditions are aligned to strategy and the targets are set to be stretching to reward for delivering above-market returns. • The Committee retains discretion to override the formulaic outturns of incentives if the payout does not reflect broader company performance and other factors.
Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.	• The alignment of metrics to the medium and long-term strategy ensures behaviours consistent with the company's purpose and values are being encouraged. • Clawback and malus provisions discourage behaviours that are not consistent with the company's purpose, values and strategy. • The Committee reviews the wider workforce pay and policies to ensure there is alignment with the Executive Directors' Remuneration Policy and that remuneration is designed to support the company's people-centric culture. There is a broadly consistent cascade of the Policy throughout the senior management team.

Consideration of shareholder views

The Committee considers feedback from shareholders received at each AGM, together with any feedback from additional meetings, as part of any review of Executive Director remuneration. In addition, the Committee engages proactively with shareholders and their proxy advisers where any material changes to the Policy are proposed. As part of the Policy review during FY23, the Committee wrote to 20 of our largest shareholders and the major shareholder representative bodies to consult on the proposed Policy and its operation going forward. Shareholders were invited to provide any feedback they had and were offered the opportunity to discuss the proposals with the Committee Chair.

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A)

Changes to the Remuneration Policy

Following a detailed review of the Remuneration Policy (Policy) and shareholder consultation, the following changes are proposed:

Policy element		Details of changes
Pension		The Policy has been updated to reflect that Executive Directors may receive a pension contribution (or cash in lieu) in line with the maximum contribution available to the majority of the UK workforce (currently 6% of salary) instead of a fixed value, of £61,964 and £48,363 for the CEO and CFO, respectively. The Executive Directors' pensions will be reduced and aligned to this rate at the 2023 AGM, the date the new policy applies.
Annual bonus	Quantum	The maximum Policy limit under the annual bonus has increased from 125% to 150% of salary. For FY24, the Executive Directors will receive bonus opportunities of 150% of salary. The threshold and target level are unchanged at 15% of salary and 75% of salary, respectively.
	Deferral	Deferral has been changed such that one-third of any bonus payable will be delivered in shares instead of half of the bonus received above target. The three-year holding period for the deferred shares is unchanged.
Long-Term Incentive Plan (LTIP)	Quantum	The normal Policy limit of 150% of salary and exceptional Policy limit of 200% of salary will be combined such that 200% of salary will become a single limit in all cases other than a recruitment situation, where there will be no limit. This will ensure there is flexibility for buy-out awards, if necessary. For FY24, we intend to grant LTIP awards of 200% of salary for the CEO and on an exceptional basis, the CFO.
	Performance measures	The Policy wording has been amended to allow the flexibility to use non-financial performance measures, such as those based on our sustainability strategy, in the LTIP in addition to the current long-term financial performance and stock market measures.
	Dividend equivalents	The Policy wording has been amended to allow a dividend equivalent payment to continue to accrue beyond the three-year vesting period, over the two-year holding period, if the executive chooses to delay the exercise of the option.
Non-Executive Director (NED) fees		The Policy will allow for the payment of additional fees for NEDs based outside of the UK, in recognition of the additional travel requirements and time commitments required to undertake their role.

Remuneration Policy

The Remuneration Policy (Policy) to be put to shareholder vote at the 2023 AGM is set out in the following table. Explanations of how each element operates and how each part links to the corporate strategy have been provided.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	• To provide a competitive and appropriate level of basic fixed pay to recruit and retain superior talent and avoid excessive risk-taking that might otherwise result from an over-reliance on variable remuneration. • Reflects the experience, performance and responsibilities of the individual.	• Normally reviewed annually with any increase usually effective 1 July. • Takes account of experience, performance and responsibilities as well as the performance of the company, the complexity of the role within the Group and salary increases for employees generally. • Set with regard to market data for comparable positions in similar companies in terms of size, internationality, business model, structure and complexity, including within the industry. • Pay rises typically aligned with or below that of the workforce.	• There is no minimum or maximum annual increase. • Higher increases than the average percentage for the workforce may be appropriate; for example, where an individual changes role or their responsibilities increase, where the complexity of the Group changes, where an individual is materially below market comparators or is appointed on a below-market salary with the expectation that his/her salary will increase with experience and performance.
Benefits	• Provided on a market-competitive basis, aids retention and follows the reward structure for all employees.	• Currently include, but are not limited to, the cost of: - life assurance; - private medical insurance; - company car benefit (car, driver, car allowance, fuel); and/or - overnight hotel accommodation where necessary to enable the executive to carry out his duties efficiently at the Head Office and other company sites. • Executive Directors are also eligible to receive long service awards in line with other employees. • The benefits provided may be subject to amendment from time to time by the Committee within this policy. • Relocation costs and other incidental expenses may be provided as necessary and reasonable. • Benefits are not part of pensionable earnings.	• The value of benefits varies from year to year depending on the cost to the company and is not subject to a specific cap. • Benefit costs are monitored and controlled and represent a small element of total remuneration costs.
Pension	• To contribute towards the cost of living in retirement.	• Company contributions to a money purchase pension scheme and/or salary supplement.	• Pension contributions (or salary supplement in lieu) are aligned to the maximum contribution applying to the majority of the UK workforce, currently 6% of salary.

DIRECTORS' REMUNERATION REPORT continued
Directors' Remuneration Policy (A)

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Annual bonus	• Drives and rewards the successful achievement of targets set at the start of the year with performance normally assessed over a one-year period.	• Performance targets based on the key performance indicators and strategic objectives of the business. • At least 70% of the bonus is based on financial metrics and the balance on non-financial/ strategic metrics. • One-third of any bonus earned will be paid in shares, which are beneficially owned and which must be held by the Executive Director for at least three years. • The Committee may use discretion to override the result of any formula-driven bonus payment. • Clawback and malus provisions apply for misstatement, error, misconduct, corporate failure or reputational damage, or in other circumstances at the discretion of the Committee.	• Up to 15% of salary payable for achieving threshold performance. • 75% of salary at year end payable at target performance. • 150% of salary at year end payable for maximum performance.
Long-Term Incentive Plan (LTIP)	• To incentivise the executives and reward them for meeting stretching long-term targets linked to the business strategy. • To align the Directors' interests with those of shareholders. • Facilitates share ownership to provide further alignment with shareholders.	• Annual awards of Performance Shares with vesting subject to achievement of performance targets. Both the vesting and performance period will normally be over a three-year period. • Awards structured as options may have a zero exercise price or an exercise price equivalent to the par value of an ordinary share. • Awards may be granted in conjunction with a tax-advantaged option granted under the applicable schedule to the LTIP (a Linked Option). This arrangement gives the participant and Group the opportunity to benefit from the tax treatment applicable to tax advantaged options without increasing the pre-tax value of the award delivered to the participant. • The Committee will set targets each year linked to the long-term business strategy and may be based on financial performance, a stock market-based metric and non-financial performance. • Up to 25% of the awards will vest at threshold performance under each performance condition. • Vested awards must be held for a further two years before sale of the shares (other than to pay tax). • The Committee may use discretion to override the result of any formula-driven payment. • Clawback and malus may be applied for misstatement, error, misconduct, corporate failure or reputational damage, or in other circumstances at the discretion of the Committee.	• The maximum award limit is 200% of salary. • If an LTIP award is granted as a Linked Option, the shares subject to the tax-advantaged option to which it is linked will not count towards the award limit. • In a recruitment situation the limit may be exceeded to facilitate a buy-out award (see further details in the Recruitment and promotion policy for Executive Directors section on page 158). • Dividend equivalents may accrue on the LTIP awards over the vesting and holding period and would normally be paid out as shares in respect of the number of shares that have vested.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
All-employee share schemes	• To encourage employee share participation.	• The company may from time to time operate tax-approved share schemes (such as the HMRC-approved Share Incentive Plan (SIP)) for which Executive Directors could be eligible. • The SIP is open to all UK permanent staff.	• The schemes are subject to the limits set by tax authorities.
Shareholding guideline	• To further align Executive Directors' interests with shareholders'.	• The Committee has established shareholding guidelines which encourage the Executive Directors to build and retain a holding of company shares equivalent to 200% of base salary. • Until the guideline is met, Executive Directors are expected to retain or acquire shares equivalent to the value of 50% of the net amount realised from exercise/vesting of share awards as appropriate after allowing for tax payable. • Post cessation of employment there will be a requirement to retain the lower of the level of shareholding at that time, or 200% of base salary, for two years (unless by genuine exception e.g. serious ill health). At the Committee's discretion, shares which have been purchased voluntarily may be excluded, so as not to discourage further self-purchases.	• Not applicable.
Non-Executive Director (NED) fees	• To remunerate the Chair and NEDs. The fees may be in the form of cash or shares.	• Normally reviewed annually. • Determined and reviewed taking into account time commitment, experience, knowledge and responsibilities of the role as well as market data for similar roles in other companies of a similar size and/or business to Oxford Instruments. • NEDs based outside the UK may receive additional fees taking into account additional travel and time commitment associated with their role. • Out-of-pocket expenses including travel may be reimbursed by the company in accordance with the company's expenses policy including tax thereon grossed up as appropriate.	• There is no prescribed maximum or maximum annual increase.

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A)

Differences in the Remuneration Policy of the Executive Directors and general employees

There are no material differences in the structure of remuneration arrangements for the Executive Directors and senior management population, aside from quantum and participation levels in incentive schemes, which reflect the fact that a greater emphasis is placed on performance-related pay for Executive Directors and the most senior individuals in the management team. Outside of senior management, the company aims to provide remuneration structures for employees which reflect a competitive market, as well as business and personal performance. The Committee is regularly apprised of the remuneration policy throughout the company to ensure that decisions regarding executive pay are considered in the round. This includes, for example, consideration of salary increases awarded to the wider workforce when determining increases for the Executive Directors.

The objectives and targets for all employees are cascaded through the organisation each year to ensure alignment with the company strategy. Bonus plans for the workforce are broadly designed to incorporate the same performance measures as those for the Executive Directors. The structure of senior management bonuses and LTIPs broadly reflect those of the Executive Directors, with some measures being Group-wide and others specific to their remit. For certain senior employees below this level, share incentives are utilised in order to support retention within key management roles or specific knowledge and skills that are important to the company.

Subject to shareholder approval of our new LTIP at our AGM on 19 September 2023, we intend to make future awards in the form of Restricted Shares, which will be subject to continued service. The alignment and any differences are explained to the workforce at the time that objectives and targets are set.

Whilst employees were not consulted directly on the design of the Policy, the Chair engaged with them during the year regarding the processes for setting, and the key components of, executive remuneration, plus how this aligns with wider company pay policies. In devising the Policy, the Committee took into account the remuneration policy for the wider workforce and market data, to help ensure an appropriate cascade of remuneration across the business.

Choice of performance measures and approach to setting targets

The Committee selects financial and non-financial or strategic measures for the annual bonus that are key performance indicators for the business over the short term. For the long-term incentives, it will select a combination of measures that provide a strong focus on the outcomes of the company strategy together with sustainable improvements in long-term profitability and shareholder return.

The Committee sets appropriate and demanding targets for variable pay in the context of the company's trading environment and strategic objectives. The targets for the annual bonus plan will be set each year with reference to the company's budget, business and strategic plan. The Committee reviews the performance conditions and targets for awards under the LTIP each year prior to awards being made, taking account of the company's internal financial planning, market forecasts and the business environment.

Discretion retained by the Committee in operating its incentive plans

The Committee may adjust the formula-driven outturn for an annual bonus or LTIP performance condition if it considers the quantum to be inappropriate in light of wider company performance or overall shareholder experience. Any such use of discretion would be detailed in the Annual Report on Remuneration (Part B) and in the Annual Statement of the Committee Chair.

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

- selecting the participants in the plans;
- determining the timing of grants and/or payments;
- determining the quantum of grants and/or payments;
- determining the extent of vesting based on the assessment of performance;
- determining 'good leaver' status and, where relevant, the extent of vesting in the case of the share-based plans;
- where relevant, determining the extent of vesting in the case of share-based plans in the event of a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- the annual review of weighting of performance measures and setting targets for the annual bonus plan and discretionary share plans from year to year.

The Committee may adjust the targets and/or set different measures and alter weightings for existing annual bonus plans and share-based awards only if an event occurs which causes the Committee to reasonably consider that the performance conditions would not without alteration achieve their original purpose and the varied conditions are no less difficult to satisfy than the original conditions. Any changes, and the rationale for those changes, will be set out clearly in the Annual Report on Remuneration in respect of the year in which they are made.

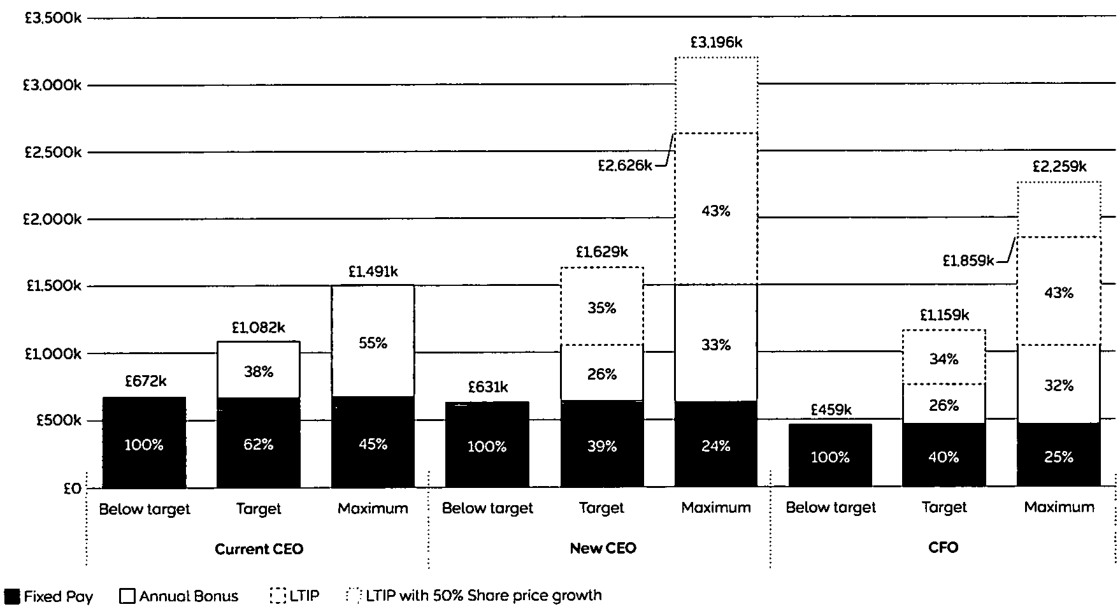
Legacy arrangements

In approving this Directors' Remuneration Policy, authority is given to the company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting or exercise of past share awards) that have been disclosed to and approved by shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

Remuneration scenarios for Executive Directors

The charts below show the level of remuneration potentially payable to Executive Directors under different performance scenarios for the financial year 2023/24 (see notes for assumptions).

Remuneration scenarios



Assumptions for charts above:

- Fixed pay comprises salary levels as at 1 July 2023 for the current CEO and CFO, and salary on appointment for the new CEO, pension of 6% of salary, effective from the 2023 AGM for the current CEO and CFO, and the value of benefits received in 2022/23 (an estimate is included for the new CEO).
- The on-target level of bonus is 75% of salary.
- The on-target level of vesting under the LTIP is taken to be 50% of the face value of the award at grant, i.e. 100% of salary for the new CEO and the CFO (reflecting the exceptional grant to be made in 2023). The current CEO will not receive an LTIP award for 2023.
- The maximum level of bonus is 150% of salary and the maximum LTIP award level is 200% of salary for the new CEO and will also, exceptionally for the grant to be made in FY24, be 200% of salary for the CFO.
- To show the impact of potential share price growth on the value of an Executive Director's package, the impact of share price growth of 50% on the LTIP is used.

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A)

Recruitment and promotion policy for Executive Directors

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

The company seeks to align the remuneration package with the Policy approved by shareholders. Salary is provided at such a level as required to secure the most appropriate candidate. For new appointments, base salary and total remuneration may be set initially at below normal market rates on the basis that it may be increased once expertise and performance has been proven and sustained.

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

Flexibility is retained to offer additional cash and/or share-based payments on appointment in respect of deferred remuneration or benefit arrangements forfeited on leaving a previous employer (i.e. a buy-out award). The Committee would look to replicate the arrangements being forfeited as closely as possible and, in doing so, will take account of relevant factors including the nature of the remuneration forfeited, performance conditions, attributed expected value and the time over which they would have vested or been paid. Such awards may be made under the terms of the LTIP (which, when combined with a normal annual LTIP award, may exceed the 'normal' 200% of salary limit per annum) or as permitted under the Listing Rules.

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

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

Executive Directors' service contracts and policy on cessation of employment

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

	Contract date	Unexpired term of contract
Ian Barkshire	11 May 2016	12-month rolling contract
Gavin Hill	9 May 2016	12-month rolling contract

Details of contractual terms and the policy on cessation of employment are summarised in the table below. Payments to departing Directors can only be made in line with this shareholder-approved Policy:

Contractual provision	Detailed terms
Notice period	12 months by the company or by the Director.
Termination payment	A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, in the event of gross misconduct. For termination in other circumstances, the company has a right to pay salary in lieu of the notice period (or part thereof) if it so determines. In addition, any statutory entitlements in connection with the termination would be paid as necessary, and, at the Committee's discretion if deemed necessary and appropriate, outplacement, legal fees and settlement of claims or potential compensation claims.
Remuneration entitlements	Pro-rata bonus may also become payable for the period of active service based on the satisfaction of performance conditions and payable at the normal time, along with vesting for outstanding share awards or deferred bonus shares (in certain circumstances – see below).
Change of control	No Executive Director's contract contains additional provisions in respect of a change of control. Any applicable share plan rules address the treatment of unpaid and unvested awards.

Any share-based entitlements granted to an Executive Director under the company's share plans will be determined based on the relevant plan rules. The default treatment for existing awards is that any unvested awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, injury, ill health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. Under the LTIP (and PSP), awards to good leavers will vest on the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and normally be scaled back to reflect the proportion of the original vesting period or performance period actually served. In the event of a good leaver there would be no early release from a post-vest holding period (again, unless by genuine exception, for example, serious ill health). The Committee has discretion in exceptional circumstances to disapply time pro-rating, to measure performance to, and vest awards at, the date of cessation. Vesting at cessation would be the default position where a participant dies. Deferred bonus shares are beneficially owned by the executive from the time of the bonus payment, so are not at risk of forfeiture (other than in relation to clawback).

Non-Executive Directors

For the appointment of a new Chair or Non-Executive Director, the fee arrangements would be in accordance with the approved Remuneration Policy in place at the time.

Non-Executive Directors are appointed under letters of appointment for fixed terms of three years; however, in line with governance best practice, the company proposes all Directors for annual re-election by shareholders at the AGM. Their appointment can be terminated without notice and with no compensation payable on termination, other than accrued fees and expenses.

	Date of appointment	Notice period	Unexpired term
Neil Carson	1 December 2018	Rolling six months	2024 AGM
Professor Sir Richard Friend	1 September 2014	None	2023 AGM
Mary Waldner	4 February 2016	None	2024 AGM
Alison Wood	8 September 2020	None	2023 AGM
Sir Nigel Sheinwald	22 September 2021	None	2024 AGM
Reshma Ramachandran	1 September 2022	None	2025 AGM

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

The Remuneration Committee (unaudited)

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

The role of the Committee includes:

- considering and determining the Remuneration Policy for the Executive Directors;
- within this agreed policy, considering and determining the various elements and total remuneration packages of each Executive Director of the company;
- approving the structure and targets for all performance-related remuneration plans for executives as well as the overall payments made under such plans;
- reviewing and noting remuneration policy and trends across the Group and considering the Executive Directors' remuneration within this context; and
- determining the policy for pension arrangements, service agreements, recruitment terms and termination payments to Executive Directors.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B)

The members of the Committee are appointed by the Board and currently comprise all the independent Non-Executive Directors: Alison Wood, Richard Friend, Mary Waldner, Nigel Sheinwald, Reshma Ramachandran and the Chair of the Board, Neil Carson. Alison Wood has held the role of Chair of the Committee since 26 January 2021 and has significant prior remuneration committee experience, in particular, chairing remuneration committees at other listed companies and is sufficiently experienced to undertake this role in line with Provision 32 of the UK Corporate Governance Code 2018.

The Chief Executive, Chief Financial Officer and the Chief HR Officer and other executives are invited to attend Committee meetings as deemed appropriate. No Executive Director is present when the Committee is determining his or her own remuneration.

The Committee acts within its agreed written terms of reference (which are published on the company's website: www.oxinst.com/investors) and complies with the provisions of the UK Corporate Governance Code regarding remuneration.

The performance of the Committee is reviewed at least once a year as part of the Board evaluation process, and during the financial year was reviewed as part of an internally facilitated Board evaluation.

During the year, the Committee fulfilled its duties, as set out in the Committee's terms of reference, in line with the normal annual cycle of remuneration-related matters. As noted in the Report and Financial Statements 2022, the Board recognised that during the financial year ended 31 March 2022 it had not complied with the Code where it had not completed dedicated workforce engagement regarding executive remuneration. Alison Wood as Chair of the Remuneration Committee, was delighted to host an in-depth session with a group of employees in July 2022, post the publication of the 2022 Directors' Remuneration Report. The session focused on explaining the work of the Remuneration Committee, the context within which it operates, the processes for setting and the key components of executive remuneration, plus how this aligns with wider company pay policies in place.

Korn Ferry was the Committee's independent remuneration consultant during the year and continues with this appointment in 2023/24. Korn Ferry is appointed by the Committee to provide advice on all aspects of executive remuneration as required by the Committee.

Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres to the Code. During the year, Korn Ferry had discussions with the Committee Chair on remuneration matters relevant to the company and on how best its team can work with the Committee to meet the company's needs.

Fees are charged predominantly on a time spent basis. The total fees paid to Korn Ferry for the advice provided to the Committee during the year were £95,463 (excluding VAT).

During the year Korn Ferry also provided executive search-related services to the company, through a separate part of the business. The Committee was comfortable that the controls in place at Korn Ferry do not result in the potential for any conflicts of interest to arise.

Directors' remuneration (audited)

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

Executive Director		Salary £'000	Benefits[1] £'000	Pension[2] £'000	Annual bonus[3] £'000	Long-term incentive awards[4] £'000	Other[5] £'000	Total fixed £'000	Total variable £'000	Total £'000
Ian Barkshire	**2023**	**523**	**84**	**58**	**534**	**1,033**	**0**	**665**	**1,567**	**2,232**
	2022	488	67	58	464	1,010	0	613	1,474	2,087
Gavin Hill	**2023**	**376**	**27**	**47**	**395**	**806**	**0**	**450**	**1,201**	**1,651**
	2022	358	23	46	343	788	0	427	1,131	1,558
Total	**2023**	**898**	**111**	**105**	**929**	**1,839**	**1**	**1,115**	**2,768**	**3,883**
	2022	846	90	104	807	1,798	1	1,040	2,605	3,645

1. Benefits comprise provision of a car or car allowance, health insurance, life assurance, overnight hotel accommodation where necessary to carry out duties at the Head Office of the company and, for Ian Barkshire, provision of a driver to allow him to make best use of his commuting time. For the year to 31 March 2023, the provision of a driver accounted for £70,716 (2022: £57,141) of the total benefits for Ian Barkshire.
2. Each Executive Director is entitled to receive a contribution to a money purchase pension scheme for a fixed value, which is calculated as 14% of base salary earned on 1 April 2020. Where the contractual pension contribution exceeds the annual or lifetime allowance, any balancing payment is made by the company as a cash allowance which, in line with the policy for all UK employees, is paid net of employer's national insurance contributions.
3. Annual bonus represents the full annual bonus for the year to 31 March 2023 and would usually be paid in the July 2023 payroll. Of the amounts disclosed, £68,142.86 and £54,696.41 will be paid in shares for the CEO and CFO, respectively, which must be held for three years, as per the policy.
4. Long-term incentive awards are those awards where the vesting is determined by performance periods ending in the year under review and therefore reports the value of the PSP award granted on 23 September 2020. The value has been determined using the average share price over the three months to 31 March 2023, £24.1422. Further details of these calculations are set out on pages 163 to 164. The share price used on grant of the 2020 PSP award was £15.80 and the total face value at grant of the vested number of shares is £663,900 for the CEO and £518,177 for the CFO. On vesting (based on an average share price for the last three months of the financial year) the share price was £24.1422, giving a total vested award value of £1,014,431 for the CEO and £791,768 for the CFO. The value of the PSP award that has been attributable to share price growth is, therefore, £350,531 and £273,591 for the CEO and CFO, respectively. Dividend equivalents have been added to arrive at the total figure included in the table above. The value of the prior year awards has been restated using the share price on the vesting date of 15 July 2022 of £20.40, giving a total vested award value, including dividend equivalents, of £1,009,739 (before restatement £1,067,394) for the CEO and £788,113 (before restatement £833,100) for the CFO.
5. The company operates a Share Incentive Plan (SIP) which is open to all UK permanent staff employed for at least six months. 'Other' is the value of matching SIP shares attributable to the year. In 2022/23, Ian Barkshire and Gavin Hill participated in the SIP up to the maximum extent permitted by HMRC. The company offers a 1:5 match for partnership shares purchased by employees and this amounted to £360 each of matching shares for Ian Barkshire and Gavin Hill. For clarity, this figure has been restated for 2021/22 (2022: £360, rounded up to £1,000) now based upon rounding conventionally, therefore to nil, which in turn impacts and leads to the restatement of the Total fixed amount for 2021/22.

Non-Executive Director		Fees £'000	Benefits £'000	Total £'000
Neil Carson	**2023**	**194**	**–**	**194**
	2022	186	–	186
Richard Friend	**2023**	**54**	**–**	**54**
	2022	52	–	52
Mary Waldner	**2023**	**62**	**–**	**62**
	2022	60	–	60
Alison Wood	**2023**	**70**	**–**	**70**
	2022	64	–	64
Nigel Sheinwald[1]	**2023**	**62**	**–**	**62**
	2022	30	–	30
Reshma Ramachandran[2]	**2023**	**32**	**4**	**36**
	2022	–	–	–
Total	**2023**	**474**	**4**	**478**
	2022	444	–	444

1. Nigel Sheinwald was appointed as a Non-Executive Director and Chair of the Sustainability Committee effective 22 September 2021.
2. Reshma Ramachandran was appointed as a Non-Executive Director effective 1 September 2022.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B)

Details of annual bonus earned in year (audited)

As in previous years, the Committee set stretching performance targets for the annual bonus which are clearly linked to the strategy and financial performance of the Group. The targets set and the achievement against them are set out in the table below.

	Percentage of salary payable			Targets				
Measure	Threshold	On target	Maximum	Threshold	On target	Maximum	Actual	Payout % of salary
Adjusted PBT	7.5%	30%	55%	£67.5m	£69.5m	£73.5m	£82.0m	55%
Adjusted operating profit margin	3.75%	15%	27.5%	17.9%	18.1%	18.3%	18.1%	15%
Cash conversion	3.75%	15%	27.5%	82%	85%	92%	88.2%	20.7%
Strategic objectives	-	15%	-	-	-	-	See below	CEO 10% CFO 13%
								CEO 100.7% CFO 103.7%

The non-financial strategic objectives were set at the start of the year. Performance against them is set out below. The Committee in its review noted that good progress has been made this year in new product development, operational improvement and a broader range of shareholder engagement activities. Although considerable effort has gone into acquisition analysis and balancing the revenue cycle, the Board were not completely satisfied on the outcomes delivered, resulting in a reduced award against some of the non-financial objectives. Details of the objectives and an assessment as to their achievement are set out below:

CEO objectives	Weighting	Achievements toward objectives/performance	
Accelerate growth by: • progressing the development of significant new "blue & red" products that enable us to access expanded/ targeted market opportunities; and • through targeted acquisition.	1/3	• New product development progressed and successful product launches to plan. Significant acquisition progress in year but no acquisitions completed in year.	3 out of 5
Work with the business MDs to address the cyclical drivers that put throughput strain on the business with a view to smoothing revenue over the year, reducing revenue peaks in P6 and P12 by 30% from prior year.	1/3	• Significant progress made in planning and pipeline management. However, ongoing supply chain disruption resulted in throughput challenges which impacted revenue peaks.	2 out of 5
Complete the analysis phase of the sustainability agenda and agree a comprehensive set of sustainability targets and action plans with the Board.	1/3	• Thorough analysis completed and targets and action plans agreed with the Board.	5 out of 5
Total	**100%**		**10% out of 15%**

CFO objectives	Weighting	Achievements toward objectives/performance	
Complete a Group-wide operational strategy review to drive operational effectiveness and margins, addressing challenges in supply chain and resource. Present recommendations to the Board on a one-to-three-year operations improvement plan that will get the business to 20% margin.	1/3	• Operational strategy review completed and a series of operational improvement projects agreed with the Board, resourced and well underway in year.	5 out of 5
Accelerate growth by: • progressing the development of significant new "blue & red" products that enable us to access expanded/targeted market opportunities; and • through targeted acquisition.	1/3	• New product development progressed and successful product launches to plan. Significant acquisition progress in year but no acquisitions completed in year.	3 out of 5
Deliver a step change in shareholder engagement by appointing an IR specialist to increase the bandwidth available to meet and inform a broader range of new shareholders with the aim of expanding the shareholder base.	1/3	• New resource appointed and a series of new shareholder engagement activities in progress.	5 out of 5
Total	**100%**		**13% out of 15%**

The on-target and maximum bonus potentials for the Executive Directors, as well as the amounts actually payable for the year ended 31 March 2023, are set out below.

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2022/23 (% of salary)[1]	Actual bonus payable for 2022/23 (% of maximum)	Actual bonus payable[1,2] for 2022/23
Ian Barkshire	75%	125%	100.7%	80.56%	£533,786
Gavin Hill	75%	125%	103.7%	82.96%	£395,120

1. Bonus is calculated on salary as at 31 March 2023.
2. Of the amounts disclosed, £68,142.86 and £54,696.41 will be paid in shares for the CEO and CFO, respectively, which must be held for three years, as per the policy.

Long-term incentive plans (audited)

The performance targets, performance against them and the resulting value in respect of the long-term incentive awards where vesting is determined by a performance period ending in 2022/23 are as follows:

Performance Share Plan (PSP)

The performance targets which applied to the awards made on 23 September 2020 for the performance period ending in the year under review and actual performance achieved against them were as follows:

50% of the award is based on EPS measured over a three-year performance period starting 1 April 2020:

DIRECTORS' REMUNERATION REPORT continued
Annual Report on Remuneration (B)

Performance level	EPS growth over three years	% of award that will vest
Below threshold	Less than 3% per annum	0%
Threshold	3% per annum	25%
Between threshold and maximum	3% to 8% per annum	25%-100%
Maximum	8% per annum and above	100%
Actual EPS	112.7p	
Actual growth achieved over the period (per annum)	**17.1%**	**100%**

50% of the award is based on the company's return on capital employed in the final year of the three-year performance period[1]:

Performance level	ROCE[1] for the final year of the performance period	% of award that will vest
Below threshold	Less than 24%	0%
Threshold	24%	25%
Between threshold and maximum	Between 24% and 30%	25%-100%
Maximum	30% per annum and above	100%
Actual ROCE achieved in 2022/23	**32.4%**	**100%**

1. ROCE is calculated as Earnings Before Interest and Tax (EBIT)/capital employed where EBIT is adjusted operating profit less amortisation of acquired intangibles (£71.2m), and capital employed (£219.5m) is defined as documented in the Finance Review on pages 91 and 92.

Based on the performance against targets, the PSP awards will vest on 23 September 2023 as follows:

	Date award granted	Total number of shares granted	Percentage of award vesting	Number of shares vesting	Value[1] of shares vesting (£'000)	Number of shares awarded as dividend equivalent[2]	Value[1] of shares vesting including dividend equivalent (£'000)
Ian Barkshire	23 September 2020	42,019	100%	42,019	1,014	764	1,033
Gavin Hill	23 September 2020	32,796	100%	32,796	792	596	806

1. As the awards vest after the date of this report, value has been calculated using the average mid-market closing price of the company's shares over the three-month period ending 31 March 2023, £24.1422. This will be restated for the actual value on vesting in next year's report.
2. Dividend equivalents have been calculated based on dividends paid up until the date of this report. If dividends are payable between the date of this report and the vesting date, additional dividend equivalents will be awarded and the value will be updated in next year's report.
3. The Committee has reviewed whether there has been any form of windfall gain caused by the award having been granted in the year of the Covid-19 pandemic and has concluded that this has not been the case. The Remuneration Committee Chair's Statement explains the Committee's assessment in this regard.

Performance Share Plan awards made in the year and outstanding share incentive awards (audited)

Awards made under the PSP on 20 June 2022 were as follows:

	Date award granted	Total number of shares granted	Percentage of salary	Face value of award at grant date	Share price on day before award date	Vesting date
Ian Barkshire	20 June 2022	40,979	150%	£802,369	£19.40	20 June 2025
Gavin Hill	20 June 2022	29,456	150%	£576,748	£19.40	20 June 2025

The awards are nominally priced options of £0.05 and are subject to two performance conditions measured over a three-year period commencing 1 April 2022. One half of each award is subject to a performance condition based on the company's compound annualised earnings per share (EPS) growth. The other half of each award is subject to a performance condition based on the company's return on capital employed in the final year of the performance period.

Vesting of 50% of the award is based on EPS measured over a three-year performance period starting 1 April 2022 as follows:

Performance level	EPS growth over three years	% of award that will vest
Below threshold	Less than 4% per annum	0%
Threshold	4% per annum	25%
Between threshold and maximum	4% to 10% per annum	25%-100%
Maximum	10% per annum and above	100%

Vesting of the other 50% of the award is based on return on capital employed (ROCE) for the final year of the three-year performance period starting 1 April 2022 (being the 2024/25 financial year):

Performance level	ROCE for the final year of the performance period	% of award that will vest
Below threshold	Less than 26%	0%
Threshold	26%	25%
Between threshold and maximum	Between 26% and 32%	25%-100%
Maximum	32% per annum and above	100%

As at 31 March 2023, the outstanding options for Ian Barkshire and Gavin Hill under the PSP[1] were as follows:

Name	Scheme	31 March 2023	Granted	Exercised	Lapsed	Dividend equivalents[1]	1 April 2022	Exercise price[2]	Share price on date of grant	Date of grant	Earliest exercise	Latest exercise
Ian Barkshire	PSP	**67,998**					67,998	£0.05	£9.58	25/09/17	25/09/20	24/09/27
	PSP	**66,172**					66,172	£0.05	£10.10	03/07/18	03/07/21	02/07/28
	PSP	**49,497**				1,178	48,319	£0.05	£14.00	15/07/19	15/07/22	14/07/29
	PSP[3]	**42,019**					42,019	£0.05	£16.24	23/09/20	23/09/23	22/09/30
	PSP	**32,468**					32,468	£0.05	£23.80	05/07/21	05/07/24	04/07/31
	PSP	**40,979**	40,979				—	£0.05	£19.40	20/06/22	20/06/25	19/06/32
Gavin Hill	PSP	**53,071**					53,071	£0.05	£9.58	25/09/17	25/09/20	24/09/27
	PSP	**51,646**					51,646	£0.05	£10.10	03/07/18	03/07/21	02/07/28
	PSP	**38,633**				920	37,713	£0.05	£14.00	15/07/19	15/07/22	14/07/29
	PSP[3]	**32,796**					32,796	£0.05	£16.24	23/09/20	23/09/23	22/09/30
	PSP	**23,338**					23,338	£0.05	£23.80	05/07/21	05/07/24	04/07/31
	PSP	**29,456**	29,456				—	£0.05	£19.40	20/06/22	20/06/25	19/06/32

1. Dividend equivalents are awarded on PSP shares vesting, for the period to vesting, in respect of the actual number of shares vesting.
2. During the financial year ended 31 March 2023 the Remuneration Committee agreed that those awards outstanding under the PSP, both vested and unvested, which had been granted as nil-cost options, would be converted to nominally priced options of £0.05 per share. For the Executive Directors, a reimbursement payment will be made in respect of the immaterial disbenefit (i.e. the difference between £0 and £0.05 per share), at the point at which any award vests or for those awards which have already vested, at the earlier of when they exercise their options or when future vesting activity is scheduled to take place. Upon any such payment being made, this will be disclosed and explained in the Single Figure Table as an item of 'Other remuneration'.
3. The performance conditions relating to this award have been tested and have exceeded maximum vesting.

The market price of the shares at 31 March 2023 was £25.05 (2022: £21.10) and the range during the year was £17.20 - £26.25 (2022: £17.60 - £26.80).

DIRECTORS' REMUNERATION REPORT continued
Annual Report on Remuneration (B)

Performance conditions for outstanding, unvested awards which are not stated elsewhere in this report are described below:

PSP	50% of award	50% of award
5 July 2021[2]	EPS growth – 4% p.a. (25% vesting) to 12% p.a. (100% vesting)	ROCE[1] in the final year of the performance period – 24% (25% vesting) to 30% (100% vesting)

1. ROCE is calculated as EBIT/capital employed where EBIT is adjusted operating profit less amortisation of acquired intangibles, and capital employed is defined as documented in the Finance Review on page 91.
2. Three-year performance period commencing 1 April prior to date of grant.

Dilution limits (unaudited)

The company's current share plan rules provide that overall dilution through the issuance of new shares for employee share schemes should not exceed an amount equivalent to 10% of the company's issued share capital over a ten-year period. Under the company's new Long-Term Incentive Plan rules which are to be proposed at the Annual General Meeting on 19 September 2023 for shareholder approval, a further limit will be implemented whereby overall dilution through the issuance of new shares for employee share schemes pursuant to awards to Executive Directors and other senior executives should not exceed an amount equivalent to 5% of the company's issued share capital over a ten-year period. The SIP scheme only uses market-purchased shares.

The Committee monitors the position prior to making awards to ensure that the company remains within the applicable limit. As of the date of this report, the company's utilisation is under 2%.

Shareholding requirements (audited)

The Executive Directors are required to build and retain a shareholding in the company equivalent in value to 200% of basic salary. Until the requirement is met, the Executive Directors are expected to retain or purchase shares equivalent to the value of 50% of the net amount realised on exercise of long-term incentive awards after allowing for tax payable. The value of vested but unexercised PSP awards may count towards the shareholding level, calculated at the net of tax value.

Directors' shareholdings as at 31 March 2023 are shown in the table below.

	Beneficially owned shares	Share option awards (PSP) vested but unexercised	Percentage of salary held in shares under shareholding guideline[1]	Guideline met as at 31 March 2023	Share option awards (PSP) unvested and subject to performance[2]
Ian Barkshire	3,152	183,667	474%	Yes	115,466
Gavin Hill	2,707	143,350	517%	Yes	85,590
Neil Carson	8,000	-	-	N/A	-
Richard Friend	0	-	-	N/A	-
Mary Waldner	1,000	-	-	N/A	-
Alison Wood	0	-	-	N/A	-
Nigel Sheinwald	0	-	-	N/A	-
Reshma Ramachandran	0	-	-	N/A	-

1. The tax rate used to determine the net value of the vested PSP awards is 47%. Shares valued using the market price of the shares on 31 March 2023: £25.05.
2. Award granted in September 2020 will vest in full in September 2023. Awards granted in July 2021 and June 2022 remain subject to performance conditions.

Pension arrangements

Executive Director pension arrangements (audited)

Executive Directors can decide to contribute to a pension plan of their choice. The company contributes a fixed amount, calculated as 14% of base salary paid in year to 31 March 2020. Only base salary is pensionable. Where the company's pension contribution exceeds the annual allowance, a balancing payment is paid by the company to the Director, which is taxed as income. In line with the policy for all UK employees, this cash payment is reduced by 12.12% to cover employer's national insurance costs.

During the year, the company contributed £4,000 (2022: £4,000) into the company's Group Personal Pension Plan in respect of Ian Barkshire and £4,000 (2022: £4,000) into a personal defined contribution plan in respect of Gavin Hill. Balancing payments of £54,454 to Ian Barkshire and £42,501 to Gavin Hill (net of employer's national insurance contributions) were paid as cash.

Ian Barkshire is a deferred member of the defined benefit pension scheme and is no longer accruing benefits in the scheme. In accordance with the rules of the scheme, his deferred benefits are subject to increases in line with statutory revaluation. The transfer value of his accrued benefits at 31 March 2023 was £700,298 (2022: £1,219,549). The normal retirement age applicable to Ian under the scheme, is 65 and as he will retire in April 2024, no additional benefits will be provided.

Effective 19 September 2023, the date of the 2023 AGM, the pension contribution for Executive Directors will reduce to 6% of salary, which is the maximum percentage amount payable to the majority of the UK workforce.

Payments to past Directors and for loss of office (audited)

There were no payments to Directors for loss of office or any payments to past Directors.

As detailed earlier in this report, Ian Barkshire is expected to retire from his role as CEO and from the Board during 2023/2024. An overview of the treatment of Ian's remuneration for 2023/24 and for the duration of his notice period is set out below:

- Ian will receive salary, benefits and pension for the duration of his notice period; however the benefit provision of a driver will cease at the end of active employment.
- Ian will be eligible to participate in the 2023/24 annual bonus plan for the period of his active service during the year and this will be payable at the usual time based on performance and in line with the new policy subject to shareholder approval at the 2023 AGM, payable in cash and deferred shares.
- Ian will not be eligible to receive an LTIP award for 2023/24.
- Ian will be treated as a good leaver in respect of his unvested LTIP awards and these will continue subject to a time pro-rata reduction to the end of his notice period, the achievement of performance conditions and vesting at the normal time. The two-year post-vesting holding periods continue to apply for these awards.
- In line with the policy, Ian will be subject to the post-cessation shareholding requirement which requires him to retain a shareholding on cessation, equivalent to 200% of base salary, for two years (unless by genuine exception, e.g. serious ill health). The two-year period is effective from the end of his notice period.

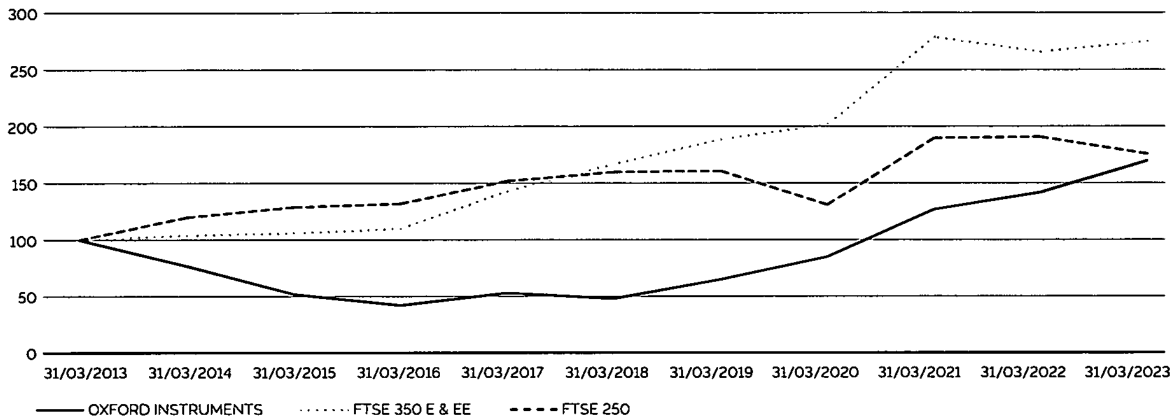
Full details of his remuneration for the duration of his notice period will be included in next year's report.

DIRECTORS' REMUNERATION REPORT continued
Annual Report on Remuneration (B)

Performance graph and CEO's remuneration (unaudited)

The graph below shows for the ten years ended 31 March 2023 the total shareholder return (TSR) on a holding of the company's ordinary shares compared with the TSR of an equivalent value invested in the FTSE 250 and FTSE 350 Electronic and Electrical Equipment indices. These indices have been chosen as they are considered to be the most appropriate comparator groups for the company. TSR has been calculated by reference to the relevant share price for each constituent company assuming dividends are reinvested.

Total Shareholder Return



This graph shows the value, by 31 March 2023, of £100 invested in Oxford Instruments plc on 31 March 2013 compared with the value of £100 invested in the FTSE 250 and FTSE 350 Electronic and Electrical Equipment indices. The other points plotted are the values at intervening financial year ends.

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

				2017[1]							
Year ending 31 March	2014	2015	2016	DJF	IRB	2018	2019	2020	2021	2022	**2023**
Total remuneration (£'000)	1,179	579	743	64	620	791	1,957	1,967	2,244	2,087	**2,232**
Annual bonus outcome (%)	15.0%	7.5%	38.6%	0%	56.3%	63.7%	94.4%	62.9%	100%	74.2%	**80.56%**
ESOS vesting (%)	100%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
SELTIS/PSP[2] vesting (%)	100%	0%	0%	0%	N/A	N/A	92.8%	100%	100%	100%	**100%**

1. 2016/17 financial year: remuneration shown separately for Jonathan Flint (DJF) who was CEO from 1 April to 11 May 2016 and Ian Barkshire (IRB) who was CEO from 12 May 2016 to 31 March 2017.
2. Executive Directors were last granted ESOS (market value share options) and SELTIS (nil-cost options) in June 2014. PSP awards have been granted after June 2014 as the long-term incentive.

Ratio of Chief Executive pay to that of employees

The Chief Executive to employee pay ratio for 2022/23 and prior financial years is set out below:

Financial year	Method	25th percentile	50th percentile	75th percentile
2022/23	A	66.2:1	49.4:1	36.8:1
2021/22	A	65.3:1	48.5:1	36.3:1
2020/21	A	72.6:1	55.0:1	39.8:1
2019/20	A	62.5:1	47.8:1	33.3:1

The pay for the CEO and the employees at the percentiles for the 2022/23 ratio are set out below:

	CEO	25th percentile	50th percentile	75th percentile
Salary	£522,500	£31,075	£42,399	£56,180
Total pay	£2,231,539	£33,669	£45,143	£60,614

The ratios have been calculated in accordance with Option A under the relevant regulations, as this is the most statistically accurate method. The CEO pay is compared to the pay of our UK employees at the 25th, 50th and 75th percentile, calculated based on full-time equivalent pay data for the full financial year to 31 March 2023. All UK employees employed at the end of the financial year who had worked the full year have been included, part-time employees have been included and pay has been converted to a full-time equivalent number by calculating total part-time pay and grossing up to the full-time equivalent for the role. Accordingly, any employees that left the company or joined during the year have been excluded.

The calculations use the pay for Ian Barkshire as disclosed in the single figure table. The pay for all UK employees comprises salary, benefits, pension and annual bonus payments due for 2022/23. None of the employees at the percentiles received share awards.

The CEO pay ratio has remained broadly consistent with prior year, as a result of similar outcomes under the incentive plans for 2022/23 compared to prior year, whilst employee pay has increased at all three percentiles for this year.

As the Committee is regularly apprised of the remuneration policy throughout the company to ensure that decisions in relation to executive pay are considered in the round, the Committee is satisfied the pay of the employees identified for the quartiles appropriately reflects the employee pay structure in each quartile and the resulting pay ratios are consistent with the pay, reward and progression policies in place for all employees.

Percentage change in the remuneration of the Directors (unaudited)

The table below shows the percentage change in each of the Director's salaries, taxable benefits and annual bonus earned between 2019/20 to 2022/23 compared to that for the average UK-based employee of the Group (on a per capita full-time equivalent basis).

	2021/22 to 2022/23			2020/21 to 2021/22			2019/20 to 2020/21		
Directors as of 31 March 2023	**Salary % change[2]**	**Benefits % change**	**Bonus % change[3]**	Salary % change	Benefits % change	Bonus % change	Salary % change	Benefits % change	Bonus % change
Ian Barkshire	**7.1**	**24.5**	**15.0**	15.0	30.1	2.8	-3.6	-41.3	62.1
Gavin Hill	**5.0**	**18.8**	**15.3**	8.5	2.3	-2.8	-4.1	8.2	57.1
Neil Carson	**4.3**	**–**	**–**	8.0	–	–	-4.3	–	–
Richard Friend	**4.3**	**–**	**–**	8.0	–	–	-3.4	–	–
Mary Waldner	**3.8**	**–**	**–**	8.3	–	–	-3.8	–	–
Alison Wood[4]	**9.3**	**–**	**–**	N/A	–	–	N/A	–	–
Nigel Sheinwald[5]	**N/A**	**–**	**–**	N/A	–	–	N/A	–	–
Reshma Ramachandran[6]	**N/A**	**N/A**	**–**	N/A	–	–	N/A	–	–
Average employee pay[1]	**10.3**	**9.01**	**-4.7**	4.24	-8.4	-23.1	-0.7	-6.7	7.0

1. Average employee includes all UK employees in service on 31 March 2023 for the 2021/22 to 2022/23 comparison, but excludes those who were on maternity leave, long-term sick leave and those who started or ended employment within the period.
2. The average pay increase across all employees in the UK in 2022/23 was 10.3%.
3. The value of the average employee bonus for the year ended 31 March 2023 (to be paid in July 2023) was not known at the time the Report and Financial Statements were approved and consequently the number included is management's best estimate of the bonus that will be paid.
4. Alison Wood joined the Board on 8 September 2020.
5. Nigel Sheinwald joined the Board on 22 September 2021.
6. Reshma Ramachandran joined the Board on 1 September 2022.

DIRECTORS' REMUNERATION REPORT continued
Annual Report on Remuneration (B)

Relative importance of the spend on pay

The following table shows the Group's employee costs relative to dividends:

	Year ended 31 March 2023	Year ended 31 March 2022	% change
Employee costs (£m)	**146.4**	115.5	26.75%
Dividends (£m)	**10.6**	10.4	1.92%

Statement of shareholder voting (unaudited)

The resolution to approve the Directors' Remuneration Policy was passed at the 2020 AGM and received the following votes from shareholders:

Resolution	Votes for	Votes against	% for	% against	Votes marked as abstain
To approve the Directors' Remuneration Policy	46,549,719	1,849,350	96.2	3.8	4,842

The resolution to approve the Annual Report on Remuneration at the 2022 AGM received the following votes from shareholders:

Resolution	Votes for	Votes against	% for	% against	Votes marked as abstain
To approve the Annual Report on Remuneration	45,101,685	712,185	98.45	1.55	3,021

How the policy will be applied in 2023/24 (unaudited)

Base salaries

With effect from 1 July 2023, the salary of the CEO will increase by 3% from £530,000 to £545,900 and the salary of the CFO will increase by 5% from £380,970 to £400,000. These increases are below and in line with the average increase awarded across the UK workforce.

The salary of our new CEO on appointment has been set at £570,000, which reflects our view of mid-market positioning based on comparable positions in similar companies in terms of size, industry, structure and complexity. The total fixed pay of salary, benefits and pension for the new CEO upon his appointment, will be lower than for the current CEO.

Benefits and pension

Benefits will be in line with those received in 2022/23 for the current CEO and CFO and will be in line with policy for the new CEO. Pension will be £61,964 and £48,363 for the current CEO and CFO, respectively, until the date of the 2023 AGM and will then be 6% of salary thereafter, which is the maximum percentage amount payable to the majority of the UK workforce. Pension will be 6% of salary for the new CEO from appointment.

Annual bonus

The maximum opportunity under the annual bonus plan for 2023/24 will be 150% of base salary for both the current CEO, new CEO and CFO. The current CEO's bonus will be pro-rated based on the period of active service for the year. As explained in the Chair's letter, the new CEO's bonus will be pro-rated for the period from appointment. One third of the bonus payable will be delivered in shares subject to a three-year holding period.

A combination of financial (83.3%) and non-financial strategic (16.7%) metrics will be used to determine the level of payment under the annual bonus for the CEO and CFO as detailed in the table below:

Measure	Weighting as a % of maximum
Profit (£m)	50%
Adjusted operating profit margin (%)	16.7%
Cash conversion (%)	16.7%
Strategic objectives	16.7%

For the CEO and CFO, the non-financial strategic objectives are linked to operational improvement, business system upgrades and our sustainability agenda. The Committee has ensured that the sustainability-related targets are not duplicative of those to be used for the Long-Term Incentive Plan awards.

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

Long-term incentive awards in respect of the financial year

The 2023/24 LTIP awards will be over shares with a market value at grant of 200% of salary for the new CEO and also, on an exceptional basis, for the CFO. The new CEO's award will not be pro-rated to reflect his date of appointment as the award is in lieu of his March 2023 LTIP award that was forfeited from his previous employer. The current CEO will not receive an LTIP award.

Vesting will be subject to the performance conditions as set out below measured over a three-year performance period commencing 1 April 2023. Further to the policy review, we concluded that it was appropriate to add a performance condition based on TSR with 25% weighting. We are also pleased to add two non-financial performance measures for the first time, drawn from our sustainability strategy and based on (i) stretching targets to reduce our Scope 1 and 2 carbon emissions and (ii) significant improvement in female representation in leadership positions. Overall we believe that this broader mix of performance conditions, measuring different aspects of company performance, provides a strong and rounded assessment of the success of the business performance, strategy and purpose, over the period.

The growth range for the EPS measure has remained consistent with that set for last year's awards, however, it is referenced off a significantly higher FY23 EPS baseline, requiring a step change in profitability performance by FY26. The target range for the ROCE measure has increased and will require improvement on an already strong ROCE position. We are satisfied that these target ranges are appropriately stretching in light of both the business plan and market outlook, as well as the increased grant levels under the new policy.

The newly added TSR measure will require significant stock market outperformance from what is currently an all-time-high market value for the company.

The sustainability measure will require (i) significant reduction in our Scope 1 and 2 emissions in line with our ambitious plan to reduce these by 50% and 70%, respectively, by 2030 and (ii) significant improvement in female representation in leadership positions. These are currently two key focus areas within our broader sustainability agenda, where we have clear targets set for 2026 and so they are particularly appropriate to assess in line with the three-year LTIP award cycle. In future years we will seek to broaden emissions targets to include Scope 3, and we may also use other long-term targets from our broader sustainability agenda for discrete elements of the LTIP.

DIRECTORS' REMUNERATION REPORT continued
Annual Report on Remuneration (B)

Performance measure	Weighting	Performance targets
Earnings Per Share (EPS)	30%	4% p.a. (25% vesting) to 10% p.a. (100% vesting) CAGR over three financial years measured from the 2022/23 financial year end EPS.
Return on Capital Employed (ROCE)	30%	30% in the final year of the performance period (2025/26 financial year) (25% vesting) to 34% (100% vesting).
Relative Total Shareholder Return (TSR)	25%	Median (25% vesting) to Upper quartile (100% vesting) over three financial years commencing with the 2023/2024 financial year relative to the companies comprising the FTSE 250 Index (minus Investment Trusts) at the start of the performance period.
Sustainability – emissions reduction	7.5%	2% reduction of absolute Scope 1 and 2 emissions in the final year of the performance period (2025/26 financial year) (25% vesting) to 9% (100% vesting).
Sustainability – percentage of females in senior leadership positions	7.5%	35% in the final year of the performance period (2025/26 financial year) (25% vesting) to 40% (100% vesting). The current percentage of females in senior leadership positions is 31.9%. Senior leadership is defined as Leadership Committee, their direct reports and key decision makers.

New CEO - Replacement awards in respect of awards forfeited from previous employment

The new CEO will be granted buy-out awards following his appointment as CEO to replace awards forfeited from his previous employment on leaving. An overview of the awards to be granted is provided below, with further details to be provided in next year's report once the awards have been granted.

Richard Tyson will forego his FY23 annual bonus for the period of time worked at his previous employer during FY23. He will also forfeit outstanding LTIP awards. In line with our recruitment policy and as part of the discussions regarding Richard joining, the Committee agreed to replicate the FY23 bonus foregone and LTIP awards being forfeited as closely as possible, taking into account the nature of the deferred remuneration forfeited, the performance conditions, the expected value and the time over which they would have vested or been paid.

As such, the FY23 annual bonus foregone at his previous employer will be payable, on a pro-rated basis up to the date his employment ceases and on the basis that the original financial targets are achieved, subject to the same cash and deferred shares mix as per the policy at his previous employer.

Richard's forfeited 2021 and 2022 LTIP awards will be replaced with equivalent awards granted under the Oxford Instruments LTIP, based on the value of the forfeited shares on the date of leaving his previous employer. These awards will vest on the same date as his original 2021 and 2022 TT Electronics plc LTIP awards would have vested, subject to the original performance conditions and will be subject to two-year post-vesting holding periods. Clawback will also apply, if circumstances at his former employer give rise to clawback at that company. With regards to his forfeited 2023 TT Electronics plc LTIP award, Richard will not receive a replacement award in the same way as his other forfeited LTIP awards, but will instead receive an award under the Oxford Instruments LTIP in 2023 which is subject to the performance conditions set out above.

We have ensured that all of the buy-out arrangements are strictly like-for-like and are no more than necessary to ensure Richard's successful recruitment.

Non-Executive Directors' fees

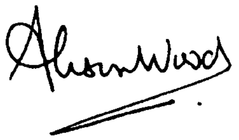
The Committee and the Board, as appropriate, have reviewed the fees for the Chair and Non-Executive Directors as part of the policy review and have concluded that the fee levels lag market competitive rates. Accordingly, in line with the general workforce, the basic fees for the Chair and the Non-Executive Directors will increase by 5% for 2023/24, effective from 1 July 2023, with higher increases for the Senior Independent Director and Committee Chairs.

	2022/23	2023/24	% increase
Board Chair	£196,636	£206,467	5%
Additional fee for Deputy Chair	£5,202	£5,202	0%
Basic fee	£54,675	£57,408	5%
Additional fee for Senior Independent Director	£7,803	£10,000	28.16%
Additional fee for Committee Chair	£7,803	£10,000	28.16%

Note: The fees shown for 2022/23 and 2023/24 are the annual rates as at 1 July 2022 and 1 July 2023, respectively.

Approval

This report was approved by the Committee on 14 July 2023 and has been approved subsequently by the Board for submission to shareholders at the Annual General Meeting to be held on 19 September 2023.



Alison Wood
Chair of the Remuneration Committee

14 July 2023

SHAREHOLDER INFORMATION

Financial calendar[1]

13 June 2023	Announcement of preliminary results
3 August 2023	Final dividend ex-dividend date
4 August 2023	Final dividend record date
19 September 2023	Annual General Meeting
21 September 2023	Final dividend DRIP election date
12 October 2023	Final dividend payment date
14 November 2023	Announcement of half-year results
30 November 2023	Interim dividend ex-dividend date
01 December 2023	Interim dividend record date
19 December 2023	Interim dividend DRIP election deadline
12 January 2024	Interim dividend payment date
31 March 2024	Financial year-end

1. Please note that the above dates are subject to change.

Analysis of share register at 31 March 2023

	Total number of holdings	Percentage of holders	Total number of shares	Percentage of issued share capital
By type of shareholder				
Individual	1,522	76.99	3,849,217	6.67
Institutions and others	455	23.01	53,863,291	93.33
By size of shareholding				
1-500	1,190	60.19	202,334	0.35
501-1,000	224	11.33	169,521	0.29
1,001-10,000	298	15.07	941,442	1.63
10,001-100,000	167	8.45	6,238,259	10.81
100,001-500,000	73	3.69	16,714,669	28.96
Over 500,000	25	1.27	33,446,283	57.96
Total	**1,977**	**100.00**	**57,712,508**	**100.00**

Annual General Meeting 2023

The 2023 Annual General Meeting of Oxford Instruments plc will be held at Tubney Woods, Abingdon, Oxfordshire OX13 5QX at 11.00am on Tuesday 19 September 2023.

Further details can be found in the Notice of Meeting which has been sent to our shareholders and which is also available on our website at: www.oxinst.com/investors-content/annual-general-meeting

Shareholder enquiries

Please contact Link Group, our Registrar, using the below details, for all enquiries regarding your shareholding, including updating your address or other contact details, direct dividend payments, merging duplicate shareholder accounts and amending your communication preferences.

Online:
www.signalshares.com

To register to use this site, will need your Investor Code (IVC) which can be found on your share certificate.

By telephone:
+44 (0) 371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am-5.30pm, Monday to Friday excluding public holidays in England and Wales.

By email:
shareholderenquiries@linkgroup.co.uk

By post:
Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

Company Information

Company name:
Oxford Instruments plc

Company number:
00775598

Registered office address:
Tubney Woods, Abingdon,
Oxon
OX13 5QX

Type:
Public Limited Company

Website:
www.oxinst.com

Auditor:
BDO LLP

DIRECTORS' REPORT

The Directors present their Report and the Financial Statements of Oxford Instruments plc for the year ended 31 March 2023.

Principal activity and business reviews

Oxford Instruments plc (OI plc) is the ultimate holding company of a group of subsidiary undertakings (the Group) which provides high-technology products and systems to the world's leading companies and scientific research communities. The Directors of OI plc are required to set out in this report a true and fair view of the business of the Group during the financial year ended 31 March 2023, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group. The information which fulfils these requirements includes the Operations Review on pages 38 to 51, the Finance Review on pages 82 to 93 and the report on Sustainability on pages 52 to 81, which are incorporated in this report by reference. The operations, the strategic review, the risk management disclosures, the viability statement, the research and development activities and likely future prospects of the Group are reviewed in the Strategic Report on pages 1 to 104.

Results and dividends

The results for the year are shown in the Consolidated Statement of Income on page 188. The Directors recommend a final dividend of 14.9p per ordinary share, which together with the interim dividend of 4.6p per ordinary share is a total of 19.5p per ordinary share for the year (2022: 18.1p per ordinary share). Subject to shareholder approval, the final dividend will be paid on 12 October 2023 to shareholders registered at close of business on 4 August 2023.

Risks and uncertainties

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

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

There are a number of risks and uncertainties which may have a material effect on the Group. These are described in Principal Risks on pages 97 to 101.

Directors

Biographies of all the Directors at the date of this report, including Non-Executive Directors, are set out on pages 108 to 110. During the year ended 31 March 2023 there was one change to the Board, with Reshma Ramachandran joining as a Non-Executive Director on 1 September 2022.

Directors' conflicts of interest

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

Directors' interests

The beneficial interests of the Directors in OI plc's share capital, all in fully paid up shares at 31 March 2023, are shown below.

Details of share options for the Executive Directors are shown in the Remuneration Report on page 165.

	31 March 2023 Shares	31 March 2022 Shares
Ian Barkshire	**3,152**	1,995
Neil Carson	**8,000**	8,000
Richard Friend	**-**	-
Gavin Hill	**2,707**	1,738
Mary Waldner	**1,000**	1,000
Alison Wood	**-**	-
Nigel Sheinwald	**-**	-
Reshma Ramachandran	**-**	n/a

No Director was beneficially interested in the shares of any subsidiary company at any time during the year.

In the year to 31 March 2023, no Director had a material interest in any contract of significance with OI plc or any of its subsidiaries. As of 14 July 2023, there were no changes to the above shareholdings apart from for Ian Barkshire and Gavin Hill, who each participate in the Oxford Instruments Share Incentive Plan and since the year-end had each increased their beneficial holding by 28 shares.

DIRECTORS' REPORT continued

Insurance cover and Directors' indemnities

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

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

Share capital

OI plc only has one class of share capital, which comprises ordinary shares of 5p each. All shares forming part of the ordinary share capital have the same rights and carry one vote each. There are no unusual restrictions on the transfer of a share.

The full rights and obligations attaching to OI plc's ordinary shares, as well as the powers of the Directors, are set out in OI plc's Articles of Association, a copy of which is available on OI plc's website. These can also be obtained from Companies House or by contacting the Company Secretary.

During the year to 31 March 2023, the Board issued 58,053 new shares (2022: 193,002) following the exercise of options under OI plc's share option schemes. At 31 March 2023, the issued share capital of OI plc was 57,712,508 ordinary shares of 5p each. No shares in OI plc were acquired by the company itself during the year (2022: nil). Details of the share capital and options outstanding as at 31 March 2023 are set out in Notes 23 and 11, respectively, to the Financial Statements.

At this year's Annual General Meeting, the Directors propose to renew the authorities granted to them at last year's AGM to:

- allot ordinary shares up to an aggregate nominal value of one-third of OI plc's issued share capital and, where full pre-emption rights are applied, up to an aggregate nominal value of two-thirds of OI plc's issued share capital;
- allot ordinary shares up to an aggregate nominal value of 10% of OI plc's issued share capital without first offering them to existing shareholders; and
- buy back up to 10% of OI plc's issued share capital.

Shareholders will be requested to renew these authorities at the AGM, details of which are set out in the Notice of the Meeting.

Research and development

Information on the research and development activities of the Group can be found on pages 22 to 23 and 204.

Branches

Subsidiaries of the company have established branches in a number of different countries in which they operate.

Substantial shareholdings

The following are beneficial interests of 3% or more (where the holding is direct), or of 5% or more (where the holding is indirect), which have been notified to OI plc, in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules, of OI plc's issued ordinary share capital, the only class of voting capital, at 4 July 2023:

	Direct/ indirect	Shares '000	% of total
Columbia Threadneedle Investments	Indirect	6,417,246	11.12
BlackRock Inc	Indirect	4,990,217	8.65
Artemis Fund Managers	Indirect	3,453,590	5.98
Lady KA Wood and the Estate of the late Sir MF Wood	Direct/ indirect	2,903,030	5.03

Tax strategy

The Group's tax strategy supports the strategic objectives of the Group and applies equally to both UK and non-UK taxes and to all forms of tax. The Group pays a significant amount of tax to national and local governments, including taxes on employment, corporate taxes on profits, customs and excise duty on purchases, withholding taxes and environmental taxes. We also administer VAT and similar sales taxes charged to our customers and withholdings on payments made to our employees. The Group's tax strategy is published on the Group's website at www.oxinst.com/investors-content/tax-strategy.

Payment of suppliers

The Group does not follow a standard payment practice but agrees terms and conditions for its business transactions with each of its suppliers. Payment is then made in accordance with these terms.

Charitable donations

During the year, the Group made charitable donations of £5,590 (2022: £38,877).

Political donations

During the year, the Group made no political donations (2022: nil).

Fixed assets

Whilst the market value of some fixed assets may differ from book value, the Directors believe that the differences are not material.

Disclosure of information to auditor

Pursuant to Section 418(2) of the Companies Act 2006, the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which OI plc's auditor is unaware; and each Director has taken all the steps that he or she might reasonably have been expected to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that OI plc's auditor is aware of that information.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 19 September 2023 is set out in a letter to shareholders together with explanatory notes relating to the resolutions.

External auditor

A resolution to reappoint BDO LLP as auditor for the financial year 2022/23 was passed at the 2022 Annual General Meeting and a resolution to reappoint them as auditor for the financial year 2023/24 will be proposed at the 2023 Annual General Meeting on 19 September 2023.

Change of control arrangements

There are a number of agreements that take effect, alter or terminate upon a change of control of OI plc following a takeover, such as banking agreements and OI plc share plans. On a change of control, OI plc's committed credit facilities may be cancelled by lenders by giving not less than three days' notice. It is also possible that pension plan funding arrangements would need to be changed following a change of control if that resulted in a weakening of the employer covenant.

Corporate governance

The Board reviews its work on corporate governance in the Governance Report on pages 105 to 173. Pages 112 to 117 include details of how we engage with our stakeholders and page 117 includes our statement in accordance with Section 172(1) of the Companies Act 2006.

Financial risk management

Details of the Group's financial risk management objectives and policies, including the exposure to price, credit and liquidity risk, are set out in Note 21 to the Financial Statements.

Employees

The Board recognises that its employees are fundamental to the Group's success. The Group's aim is to ensure there are equal opportunities for all employees and that there is an inclusive culture where differences are valued and people are given the environment in which they can do their best work. The Sustainability Report on pages 52 to 81 further describes how diversity and inclusion is managed within Oxford Instruments.

It is the policy of Oxford Instruments plc to give full and fair consideration to applications for employment from disabled persons; to continue, wherever possible, the employment of members of staff who may become disabled; and to ensure that suitable training, career development and promotion of disabled persons takes place.

For further information regarding employee engagement, please see How we engage with our stakeholders on page 112 to 117.

Greenhouse gas emissions

To meet the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, CO_2 emissions are reported on as part of our reporting on greenhouse gas emissions in Sustainability on page 58.

Material events

There were no material events since the year end to report.

DIRECTORS' REPORT continued

Non-financial information statement

The table below explains where relevant non-financial information can be found within this report, further to the Financial Reporting Directive requirements contained in Sections 414CA and 414CB of the Companies Act 2006. Where appropriate, details on where additional information on these matters can be found, have also been included.

	Key policies and procedures	Information within this report	Additional information
Environmental matters	Health and Safety Policy Group Energy Policy Environmental Policy Supplier Due Diligence and Audit Procedures	Sustainability Committee Report: pages 141 to 143 Task Force on Climate-Related Financial Disclosures (TCFD) Statement: pages 60 to 71	www.oxinst.com/corporate-content/sustainability www.oxinst.com/CBCE www.oxinst.com/corporate-content/supplier-and-partner-engagement
Employees	Health and Safety Policy Working at Oxford Instruments Policy Leaving Oxford Instruments Policy IT Infrastructure and Use Policy Conflicts of Interest Policy Business Travel Policy Crisis Management Policy Reward and Recognition Policy Performance Management Policy Opportunity and Career Policy Dissemination of Price Sensitive Information	Engaging with our stakeholders: pages 32 and 33 How we engage with our stakeholders: pages 112 and 113 Board Leadership and Company Purpose: page 111 Sustainability Committee Report: pages 141 to 143	www.oxinst.com/corporate-content/health-and-safety www.oxinst.com/CBCE www.oxinst.com/corporate-content/employees www.oxinst.com/corporate-content/diversity-and-inclusion www.oxinst.com/careers
Social matters	Export Control Policy Privacy Policy Code of Business Conduct and Ethics Group Sanctions Policy Global Marketing Policy Group Export Controls	Community engagement: page 114 and 115 Sustainability Committee Report: pages 141 to 143	www.oxinst.com/corporate-content/privacy www.oxinst.com/CBCE www.oxinst.com/investors-content/compliance/group-export-controls-policy
Human rights	Global Human Rights Policy Modern Slavery Statement Gender Pay Report Privacy Policy	Ethics – human rights: page 80	www.oxinst.com/corporate-content/human-rights-policy www.oxinst.com/corporate-content/modern-slavery www.oxinst.com/corporate-content/gender-pay-report www.oxinst.com/corporate-content/privacy
Anti-bribery and corruption	Anti-bribery and Anti-corruption Policy Reporting a Business Malpractice Policy Share Dealing Policy Supplier Code of Conduct Conflicts of Interest Policy Supplier Due Diligence and Audit Procedures	Ethics – anti-bribery and corruption: page 79 Supplier engagement: pages 114 and 115	www.oxinst.com/CBCE
Additional disclosures: **– Business model** **– Principal risks** **– Non-financial KPIs**	Group Tax Strategy	Investment case: pages 26 and 27 Business Model: pages 30 and 31 Strategy: pages 34 and 35 KPIs: pages 36 and 37 Principal Risks: pages 97 to 101 Audit and Risk Committee Report: pages 133 to 140	www.oxinst.com/investors-content/compliance/group-tax-strategy www.oxinst.com/investors-content/compliance/group-tax-strategy

The Directors' Report is approved by the Board and signed on its behalf by

Sarah Harvey
Company Secretary

14 July 2023

Financial Statements

DIRECTORS' RESPONSIBILITIES
in relation to the Report and Financial Statements

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

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with UK-adopted International Accounting Standards 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 affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- for the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report/Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the 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.

Signed on behalf of the Board

Ian Barkshire Chief Executive	**Gavin Hill** Chief Financial Officer

14 July 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD INSTRUMENTS PLC

Opinion on the financial statements

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 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Oxford Instruments plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Parent Company Statement of Financial Position, Parent Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 4 March 2020 to audit the financial statements for the year ended 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 March 2021 to 31 March 2023. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company, except as noted below.

During the year it was identified that BDO Singapore provided iXBRL services to the Singaporean subsidiary of Oxford Instruments plc. As such, this constitutes a service which is not permitted to be provided to Public Interest Entities under paragraph 5.40 of the FRC Ethical Standard. The service was provided during the financial years ended 31 March 2021 and 31 March 2022 with fees of less than £500 per year. The services, which have now been terminated, had no direct or indirect effect on Oxford Instrument plc's consolidated financial statements. We have assessed the threats to independence arising from the provision of this non-audit service and, in our professional judgment, we confirm that based on our assessment of the breach, our integrity and objectivity as auditor has not been compromised and we believe that an objective, reasonable and informed third party would conclude that the provision of this service would not impair our integrity or objectivity for any of the impacted financial years. Those Charged With Governance at the Group have concurred with this view.

Other than the matter noted above, no other non-audit services prohibited by the FRC's Ethical Standard were provided to the Group or Parent Company.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD INSTRUMENTS PLC continued

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the Directors' method of assessing going concern including the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other.
- Testing the arithmetic accuracy of the model, challenging the assumptions applied and where possible agreeing the model to supporting documentation, including order books.
- Challenging the Directors on whether their stress tests appropriately stress the business based on our industry knowledge.
- Reviewing the period assessed by the Directors ensuring that it meets the requirements of the applicable accounting standards, and challenging the Directors on whether there are any future events that may impact the assessment completed.
- Reviewing the adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment.
- Comparing the level of available financial resources with the Group's financial forecasts, including taking account of reasonably possible (but not unrealistic) adverse effects that could arise from risks, both individually and collectively, relating to the Group.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	91% (2022: 92%) of Group profit before tax (PBT)		
	99% (2022: 98%) of Group revenue		
	94% (2022: 90%) of Group total assets		
Key audit matters		2023	2022
	Revenue recognition	✓	✓
	Business combinations*	–	✓
	* Business combinations is no longer considered to be a key audit matter as it relates to a one-off transaction which took place in 2022.		
Materiality	**Group financial statements as a whole**		
	£3.68m (2022: £2.5m) based on 5% (2022: 5.3%) of Profit before tax		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

For the Group audit we determined the individual components on which the scope of our work would be undertaken, and for each of these components we then determined whether they are significant, material or other in-scope. We considered that a component is significant if it either represents over 15% of Group revenues, or 15% of PBT. We defined material as between 10-15% of the same metrics, and other in-scope was defined as balances scoped in to ensure sufficient audit coverage overall. A full scope audit was undertaken for the significant components, along with certain material components which had full scope local statutory reporting requirements. This provided total coverage of 48% of revenues and 70% of PBT, of which 27% and 51% respectively was performed by the Group engagement team, with the remainder performed by local BDO member firms. Full scope procedures provided coverage of 80% across total Group assets. In addition specific procedures, including revenue testing, were performed on the other in scope components representing 51% of Group revenues and 21% of PBT, of which 29% and 7% respectively was performed by the Group engagement team. Specified procedures provided coverage of 14% across total Group assets.

The Group has twenty-one components, of which we have classified three as significant, and all of which are in the UK, and five as material, including the Parent company in the UK, with the others being in the UK, US, Germany and Japan. All these have been audited under full scope audit procedures, except for the US, where specified procedures were undertaken. In addition, there are seven other in-scope components where specified audit procedures have been undertaken. The two significant UK components, the UK material component, and the Parent company were audited by the Group engagement team, with the third significant component undertaken by a BDO member firm in Belfast. The Group engagement team also performed the specified procedures on the US component. In addition, the BDO member firm in Belfast performed specified procedures on six of the other in-scope components. Local BDO member firms performed the audit work on the remaining two material components (Germany and Japan), in addition to the other in-scope component.

The remaining six components have been subject to specified audit procedures using Group materiality by the Group engagement team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

The Group team instructed the component auditors with specific focus on the significant risk areas to be covered, including the Key Audit Matter (Revenue) detailed below. The component's materiality was set by the Group audit team, having regards to the size and risk of the specific component in relation to the Group as a whole. The audit work by the Group engagement team, as well as the component auditors, was performed on-site and remotely.

The Group audit team visited the significant component site in Belfast and had remote calls with component management and local audit teams in Japan and Germany. For all significant and material locations not audited by the Group team, regular remote calls were undertaken through the planning, execution and completion stages of the work, where findings were discussed, remote reviews of component auditors' files were performed and additional work was undertaken as necessary by the component auditor.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management and those charged with governance to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and to adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Audit and Risk Committee meetings and Sustainability Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in the TCFD Statement may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments, have been reflected, where appropriate, in the Directors' going concern assessment and viability assessment.

We also assessed the consistency of management's disclosures included as Other Information in the TCFD Report with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD INSTRUMENTS PLC continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition **(Revenue £444.7 million; 2022: £367.3 million)** Refer to para (r) (accounting policy) and Note 3 (financial disclosures).	Given the nature of the products' varying shipping terms and installation arrangements, across the various divisions, there are manual procedures involved in determining when control has passed, and therefore revenue recognised, which is assessed by two factors: when shipping terms have been met and when the installation element of the sale has been completed. Therefore, this was considered to be a key audit matter.	Our procedures included: Testing, on a sample basis, whether specific product revenue transactions during the year and around the year end, including those within deferred and accrued income balances at the year end, had been recognised in the appropriate period. Each item was tested by assessing the nature of products, the terms of sale within the associated contracts, the estimated split of revenue between product delivery and installation based on the individual selling price, confirming to customer acceptance where installation has occurred, and verifying the shipping/ delivery dates to carrier information where installation has yet to occur. We tested a sample of product sales around the year end, with a focus on the higher value, more complex systems, and specifically in the NanoScience division by obtaining evidence of installation completion to verify that revenue has been recognised in the appropriate period. Testing, on a sample basis, credit notes issued after the year-end, for evidence that related revenue for the year under audit should be reduced. **Key observations:** Nothing has come to our attention which suggests that, in all material respects, revenue has been recognised in the incorrect period.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Materiality	**3.68**	2.50	**3.31**	1.75
Basis for determining materiality	**5% of Profit before tax**	5.3% Profit before tax	**90% of Group materiality**	70% of Group materiality
Rationale for the benchmark applied	As a trading Group, profit before tax is considered to be the most relevant GAAP measure for the users of the financial statements.		Set at 90% (2022: 70%) of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	**2.39**	1.63	**2.15**	1.15
Basis for determining performance materiality	**65% of materiality**	65% of materiality	**65% of materiality**	65% of materiality
Rationale for the percentage applied for performance materiality	We set performance materiality taking into account our assessment of the control environment, the history of misstatements, along with management's attitude to proposed adjustments.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 30% and 90% (2022: 40% and 80%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £1.0m to £3.31m (2022: £1.0m to £2.0m). In the audit of each component, we further applied performance materiality levels of 65% (2022: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £80,000 (2022: £62,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 180; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 102 to 105.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 180; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 180; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 94 to 101; and • The section describing the work of the audit committee set out on pages 133 to 140.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD INSTRUMENTS PLC continued

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • 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; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. These procedures were incorporated into our instructions to the component auditors for the material and significant components not audited by the Group engagement team, and the results included as part of our review of their work. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be the Companies Act 2006, the relevant tax legislation, along with the relevant financial reporting framework.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, bribery legislation, modern slavery and data protection.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Enquiry of in-house management and external legal counsel concerning actual and potential litigation and claims;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and revenue recognition.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias in particular in respect of the intangible assets impairment review, the provisions for intellectual property-related claims and assumptions used in determining the defined benefit pension liability; and
- In response to the risk of fraud in revenue recognition, the procedures set out in the key audit matters section above.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including component engagement teams, who were all deemed to have appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Ian Oliver (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading, United Kingdom

DocuSigned by:
Ian Oliver
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14 July 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF INCOME
Year ended 31 March 2023

		2023			2022		
	Note	**Adjusted £m**	**Adjusting items[1] £m**	**Total £m**	Adjusted £m	Adjusting items[1] £m	Total £m
Revenue	3	**444.7**	**–**	**444.7**	367.3	–	367.3
Cost of sales		**(214.5)**	**–**	**(214.5)**	(179.5)	–	(179.5)
Gross profit		**230.2**	**–**	**230.2**	187.8	–	187.8
Research and development	5	**(35.9)**	**(0.8)**	**(36.7)**	(32.8)	–	(32.8)
Selling and marketing		**(65.4)**	**–**	**(65.4)**	(52.5)	–	(52.5)
Administration and shared services		**(52.9)**	**(10.3)**	**(63.2)**	(42.2)	(11.6)	(53.8)
Foreign exchange gain/(loss)		**4.5**	**3.0**	**7.5**	6.0	(6.4)	(0.4)
Operating profit		**80.5**	**(8.1)**	**72.4**	66.3	(18.0)	48.3
Financial income	7	**2.7**	**–**	**2.7**	0.5	–	0.5
Financial expenditure	8	**(1.2)**	**(0.4)**	**(1.6)**	(0.9)	(0.3)	(1.2)
Profit/(loss) before income tax	3	**82.0**	**(8.5)**	**73.5**	65.9	(18.3)	47.6
Income tax (expense)/credit	12	**(17.0)**	**2.1**	**(14.9)**	(11.7)	2.7	(9.0)
Profit/(loss) for the year attributable to equity shareholders of the parent		**65.0**	**(6.4)**	**58.6**	54.2	(15.6)	38.6

Earnings per share		**pence**		**pence**	pence		pence
Basic earnings per share	2						
From profit for the year		**112.7**		**101.6**	94.3		67.1
Diluted earnings per share	2						
From profit for the year		**111.3**		**100.3**	93.0		66.2

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

The attached notes form part of these Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2023

	2023 £m	2022 £m
Profit for the year	**58.6**	38.6
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to Consolidated Statement of Income		
Foreign exchange translation differences	**5.3**	1.0
Items that will not be reclassified to Consolidated Statement of Income		
Remeasurement (loss)/gain in respect of post-retirement benefits	**(38.6)**	27.3
Tax credit/(charge) on items that will not be reclassified to Consolidated Statement of Income	**9.7**	(6.8)
Total other comprehensive (expense)/income	**(23.6)**	21.5
Total comprehensive income for the year attributable to equity shareholders of the parent	**35.0**	60.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	2023 £m	2022 as restated[1] £m
Assets			
Non-current assets			
Property, plant and equipment	14	**59.3**	31.7
Right-of-use assets	29	**31.4**	17.9
Intangible assets	15	**132.1**	140.7
Long-term receivables		**0.5**	–
Derivative financial instruments	22	**0.4**	–
Retirement benefit asset	25	**26.4**	51.7
Deferred tax assets	16	**12.5**	13.7
		262.6	255.7
Current assets			
Inventories	17	**81.4**	65.3
Trade and other receivables	18	**113.2**	94.8
Current income tax receivable		**0.5**	0.8
Derivative financial instruments	22	**1.6**	1.0
Cash and cash equivalents	19	**112.7**	96.4
		309.4	258.3
Total assets		**572.0**	514.0
Equity			
Capital and reserves attributable to the company's equity shareholders			
Share capital	23	**2.9**	2.9
Share premium		**62.6**	62.5
Other reserves		**0.2**	0.2
Translation reserve		**12.9**	7.6
Retained earnings		**265.4**	243.2
		344.0	316.4
Liabilities			
Non-current liabilities			
Bank loans	24	**0.9**	1.3
Lease payables	29	**26.2**	14.9
Derivative financial instruments	22	**–**	0.3
Provisions	28	**–**	0.1
Deferred tax liabilities	16	**7.8**	15.4
		34.9	32.0
Current liabilities			
Bank loans and overdrafts	24	**11.6**	9.2
Trade and other payables	26	**159.4**	139.6
Lease payables	29	**5.2**	3.5
Current income tax payables		**8.1**	4.5
Derivative financial instruments	22	**1.2**	1.1
Provisions	28	**7.6**	7.7
		193.1	165.6
Total liabilities		**228.0**	197.6
Total liabilities and equity		**572.0**	514.0

(1) Details of restatement of prior year numbers can be found in the accounting policies.

The Financial Statements were approved by the Board of Directors on 14 July 2023 and signed on its behalf by:

Ian Barkshire
Director

Gavin Hill
Director

Company number: 775598

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	Share capital £m	Share premium £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
As at 1 April 2022	**2.9**	**62.5**	**0.2**	**7.6**	**243.2**	**316.4**
Total comprehensive income/(expense):						
Profit for the year	–	–	–	–	**58.6**	**58.6**
Other comprehensive income/(expense):						
– Foreign exchange translation differences	–	–	–	**5.3**	–	**5.3**
– Remeasurement loss in respect of post-retirement benefits	–	–	–	–	**(38.6)**	**(38.6)**
– Tax credit on items that will not be reclassified to Consolidated Statement of Income	–	–	–	–	**9.7**	**9.7**
Total comprehensive income attributable to equity shareholders of the parent	–	–	–	**5.3**	**29.7**	**35.0**
Transactions with owners recorded directly in equity:						
– Credit in respect of employee service costs settled by award of share options	–	–	–	–	**2.4**	**2.4**
– Tax credit in respect of share options	–	–	–	–	**0.7**	**0.7**
– Proceeds from shares issued	–	**0.1**	–	–	–	**0.1**
– Dividends	–	–	–	–	**(10.6)**	**(10.6)**
Total transactions with owners recorded directly in equity:	–	**0.1**	–	–	**(7.5)**	**(7.4)**
As at 31 March 2023	**2.9**	**62.6**	**0.2**	**12.9**	**265.4**	**344.0**
As at 1 April 2021	**2.9**	**62.4**	**0.2**	**6.6**	**194.1**	**266.2**
Total comprehensive income/(expense):						
Profit for the year	–	–	–	–	**38.6**	**38.6**
Other comprehensive income/(expense):						
– Foreign exchange translation differences	–	–	–	**1.0**	–	**1.0**
– Remeasurement gain in respect of post-retirement benefits	–	–	–	–	**27.3**	**27.3**
– Tax charge on items that will not be reclassified to Consolidated Statement of Income	–	–	–	–	**(6.8)**	**(6.8)**
Total comprehensive income attributable to equity shareholders of the parent	–	–	–	**1.0**	**59.1**	**60.1**
Transactions with owners recorded directly in equity:						
– Credit in respect of employee service costs settled by award of share options	–	–	–	–	**2.1**	**2.1**
- Tax credit in respect of share options	–	–	–	–	**0.2**	**0.2**
- Proceeds from shares issued	–	**0.1**	–	–	–	**0.1**
- Dividends	–	–	–	–	**(12.3)**	**(12.3)**
Total transactions with owners recorded directly in equity:	–	**0.1**	–	–	**(10.0)**	**(9.9)**
As at 31 March 2022	**2.9**	**62.5**	**0.2**	**7.6**	**243.2**	**316.4**

Other reserves comprise the capital redemption reserve, which represents the nominal value of shares repurchased and then cancelled during the year ended 31 March 1999.

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

The Group holds none (2022: 2,370) of its own shares in an employee benefit trust. The cost of these shares is included within retained earnings.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2023

	Note	2023 £m	2022 as restated[1] £m
Profit for the year		**58.6**	38.6
Adjustments for:			
Income tax expense	12	**14.9**	9.0
Net financial (income)/expense		**(1.1)**	0.7
Fair value movement on financial derivatives		**(3.0)**	6.4
Release of provision on disposal		**(0.4)**	–
WITec post-acquisition gross margin adjustment		**0.5**	1.7
Acquisition-related costs		**–**	0.4
Restructuring costs		**0.4**	–
Intellectual property litigation costs		**0.5**	–
Impairment of capitalised development costs	15	**0.8**	–
Amortisation and impairment of acquired intangibles	15	**9.3**	9.5
Depreciation of right-of-use assets	29	**4.6**	3.4
Depreciation of property, plant and equipment	14	**4.8**	4.1
Amortisation of capitalised development costs	15	**1.4**	1.9
Adjusted earnings before interest, tax, depreciation and amortisation		**91.3**	75.7
Charge in respect of equity settled employee share schemes	11	**2.4**	2.1
Cash payments to the pension scheme more than the charge to operating profit		**(11.7)**	(7.6)
Operating cash flows before movements in working capital		**82.0**	70.2
Increase in inventories	20	**(15.6)**	(0.1)
Increase in receivables	20	**(19.6)**	(17.4)
Increase in payables and provisions	20	**16.9**	7.2
Increase/(decrease) in customer deposits	20	**9.2**	(1.5)
Cash generated from operations		**72.9**	58.4
Interest paid		**(0.7)**	(0.5)
Income taxes paid		**(5.7)**	(8.8)
Net cash from operating activities		**66.5**	49.1
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**0.2**	–
Acquisition of property, plant and equipment		**(32.3)**	(13.9)
Acquisition of intangible assets		**–**	(0.1)
Acquisition of subsidiaries, net of cash acquired	6	**(4.8)**	(30.6)
Acquisition-related costs		**–**	(0.4)
Capitalised development expenditure		**(0.6)**	(0.7)
Interest received		**1.1**	0.1
Net cash used in investing activities		**(36.4)**	(45.6)
Cash flows from financing activities			
Proceeds from issue of share capital		**0.1**	0.1
Interest paid on lease payables	29	**(0.5)**	(0.3)
Repayment of lease payables	29	**(5.1)**	(3.1)
Repayment of borrowings		**(0.5)**	(0.1)
Dividends paid		**(10.6)**	(12.3)
Net cash used in financing activities		**(16.6)**	(15.7)
Net increase/(decrease) in cash and cash equivalents		**13.5**	(12.2)
Cash and cash equivalents at beginning of the year		**87.7**	97.6
Effect of exchange rate fluctuations on cash held		**0.3**	2.3
Cash and cash equivalents at end of the year	19	**101.5**	87.7
Comprised of:			
Cash and cash equivalents as per the Consolidated Statement of Financial Position	19	**112.7**	96.4
Bank overdrafts	24	**(11.2)**	(8.7)
		101.5	87.7

(1) Details of restatement of prior year numbers can be found in the accounting policies.

ACCOUNTING POLICIES

Year ended 31 March 2023

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

The Group Financial Statements have been prepared and approved by the Directors in accordance with UK adopted International Accounting Standards (IAS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under UK adopted IFRS and in conformity with the requirements of the Companies Act 2006. The Company has elected to prepare its parent company Financial Statements in accordance with FRS 101; these are presented on pages 227 and 228.

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

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategy section on pages 34 and 35. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 82 to 93.

The relatively diverse nature of the Group together with its current financial strength provides a solid foundation. The Directors have reviewed the Group's forecasts and flexed them to incorporate a number of potential scenarios relating to changes in trading performance and believe that the Group will be able to operate within its existing debt facilities which expire on 28 June 2025. This review also considered hedging arrangements in place. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. Further information can be found in the Viability Statement on pages 102 to 104.

The Financial Statements were authorised for issuance on 14 July 2023.

(a) New accounting standards

No new accounting standards materially affecting the Group's accounting policies have been adopted during the year.

(b) Significant estimates and judgements

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Significant judgements

In the opinion of the Group there are no judgements made in the preparation of the Financial Statements in respect of which taking a different view would have a material impact on the Financial Statements.

Significant estimates

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

Measurement of defined benefit scheme liabilities

The Group recognises and measures costs relating to defined benefit pension schemes in accordance with IAS 19 (Revised) Employee Benefits. In applying IAS 19 (Revised) the costs are assessed in accordance with the advice of independent qualified actuaries. This requires certain estimates and assumptions in relation to future changes in salaries and inflation, as well as mortality rates, expected returns on plan assets and the selection of suitable discount rates. The factors affecting these assumptions are influenced by wider macro-economic factors that are largely outside of the Group's control. A sensitivity analysis is set out in Note 25.

Provisions for IP-related claims

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

Key assumptions surrounding estimation uncertainty relate to estimating potential royalty or profit sharing rates surrounding any product-related intellectual property claims (see Note 28).

(c) Basis of preparation and consolidation

The Financial Statements are presented in sterling, rounded to the nearest £0.1m and are prepared on the historical cost basis except as described below under the heading '(e) Financial instruments'.

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

ACCOUNTING POLICIES continued

Year ended 31 March 2023

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The results of subsidiary companies are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. The acquisition method is used to account for the acquisition of subsidiaries.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at exchange rates ruling at the end of the reporting period. Income statements and cash flows of foreign operations are translated into sterling at average monthly exchange rates which approximate foreign exchange rates at the date of the transaction. Foreign exchange differences arising on retranslation are recognised through the Statement of Comprehensive Income.

(d) Foreign currency

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

(e) Financial instruments

Financial assets and liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Derivative financial instruments of the Group are used to hedge its exposure to foreign currency risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes. All derivatives are initially recognised at fair value; attributable transaction costs are recognised in profit or loss as incurred. Foreign exchange contracts are classified as 'fair value through profit and loss' under IFRS 9. Subsequent to initial recognition, derivatives are measured at fair value and gains or losses on the settlement of such derivatives are recognised in operating expenses. Where such derivatives relate to the following year's exposure, any gains or losses resulting from the change in fair value are recognised as an adjusting item in operating expenses.

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

Contingent purchase consideration is measured at fair value at the date of acquisition and subsequently carried at fair value, with movements recognised in the Consolidated Statement of Income.

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

(f) Property, plant and equipment

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

Freehold buildings, long leasehold land and buildings	50 years
Furniture and fittings	10 years
Machinery and other equipment	5 to 10 years
Computer equipment	4 years
Vehicles	4 years

For leasehold improvements, where the length of the lease is less than the principal estimated economic lives noted above, the length of the lease is used.

Machinery and other equipment, computer equipment and vehicles are included within the 'Plant and equipment' sub-heading in Note 14.

(g) Intangible assets

(i) Goodwill

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

The Group expenses transaction costs associated with its acquisitions and movements in liabilities relating to contingent consideration within the Consolidated Statement of Income in conformity with IFRS 3.

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

(ii) Development costs

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

Where expenditure meets the criteria, development costs are capitalised and amortised through the Consolidated Statement of Income over their useful economic lives.

(iii) Acquired intangible assets

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

(iv) Amortisation

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

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

Customer-related acquired intangible assets include a number of different types of asset. For example, the shorter end of the useful economic life relates to the order book of acquired businesses, whilst the longer useful economic life relates to assets such as trademarks.

(h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently stated at their amortised cost less appropriate provision for impairment. The provision for impairment of receivables is based on lifetime expected credit losses, which is then updated for any reasonable and supportable forward-looking information and expectations. Lifetime expected credit losses are calculated by assessing historic credit loss experience. The movement in the provision is recognised in the Consolidated Statement of Income.

(i) Inventories

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

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

As outlined in Note (r) below, the revenue associated with both the sale and installation of certain complex products is recognised at the time that the installation is completed. The net realisable value associated with complex products is included in finished goods inventories where the installation has not yet been completed.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at amortised cost.

Cash and cash equivalents comprise cash balances and call deposits and are carried at amortised cost. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

(k) Impairment of non-current assets

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

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

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

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

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

(l) Employee benefits

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

(i) Defined contribution plans

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

ACCOUNTING POLICIES continued

Year ended 31 March 2023

(ii) Defined benefit plans

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

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

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

(iii) Share-based payment transactions

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

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

(iv) Own shares held by ESOP trust

Transactions of the Group-sponsored ESOP trust are treated as being those of the Group and are therefore reflected in the Group Financial Statements. In particular, the trust's purchases and sales of shares in the Group are debited and credited directly to equity.

(m) Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision for warranty and product-related liability is recognised when the underlying products are sold. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A provision for a claim or dispute is made when it is considered probable that an adverse outcome will occur and the amount of the loss can be reasonably estimated.

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

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

(n) Trade and other payables

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

(o) Contractual liabilities

Customer deposits and deferred income are classified as contract liabilities and included within trade and other payables in the Statement of Financial Position:

- Customer deposits represent the cash payments received from customers prior to the recognition of revenue in respect of product sales; for example, deposits received on order (and shipment in the case of complex products where revenue is not recognised until installation).
- Deferred income represents the contract obligation of the Group to provide services to customers where payment has been received in advance, typically at inception of a service or maintenance contract.

(p) Government grants

Grants from Governments are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Consolidated Statement of Income over the period necessary to match them with the costs they are intended to compensate. Government grants relating to property, plant and equipment are deducted from the carrying amount of the asset and are credited to the Consolidated Statement of Income on a straight-line basis over the expected useful economic lives of the related assets.

(q) Interest-bearing borrowings

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

(r) Revenue

Revenue is recognised in the Consolidated Statement of Income when the performance conditions in the contract with the customer are met.

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

Revenue is allocated between the product and installation based on the relative standalone selling prices of those products and installation activities. Where it is difficult to establish a standalone selling price by market comparator, the standalone selling price is estimated, where required, by applying the cost plus margin approach.

In the NanoScience business, which is part of the Research & Discovery segment, certain contracts for the sale of more complex systems are deemed to comprise just one performance condition as customers are unable to realise the economic benefit from having received the equipment without the specialist installation. Given the highly interdependent nature of the product and installation, this performance condition is met, and the revenue recognised, when the customer confirms acceptance of the installed product at their premises.

In the Service & Healthcare segment, revenue for fixed term maintenance and support contracts is recognised using the output method by determining the proportion of the elapsed time relative to the contract period. Where the Service & Healthcare segment makes asset sales, similar considerations as those set out for the other segments as outlined above are applied.

Revenue excludes value added tax and similar sales-based taxes and is stated before commission payable to agents which is recognised in cost of sales.

(s) Income taxes

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

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

Tax positions are reviewed to assess whether a provision should be made based on prevailing circumstances. Tax provisions are included within current taxation liabilities. Deferred tax positions are measured on an undiscounted basis.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of a deferred tax liability in respect of goodwill arising on a business combination; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Where there is uncertainty surrounding an income tax position, consideration is given to whether the tax authority (with full knowledge of the facts) would probably be more or less likely to accept the uncertain tax position. If the conclusion reached is that it is probable that the tax authority would not accept a tax position a provision is calculated either as the most likely outcome (where the possible outcomes are binary or concentrated on one value) or as the expected value (where there is a range of possible outcomes) depending on which method would provide the better prediction for the resolution of the uncertainty.

(t) Leases

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

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

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

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

ACCOUNTING POLICIES continued

Year ended 31 March 2023

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. If such remeasurement is required, it is performed using the original incremental borrowing rate, unless there is a change in estimated lease term; in which case it is performed using a new incremental borrowing rate.

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

Short-term leases and leases of low-value assets

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

(u) Segment reporting

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, including any revenues and expenses that relate to transactions with any of the Group's other components. Operating components are combined into aggregated operating segments to the extent that they have similar economic characteristics. Aggregated operating segments' operating results are reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, for which discrete financial information is available. Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

A reportable segment is an aggregated operating segment in respect of which revenue or profit exceeds 10% of the Group total. Discrete financial information is disclosed for each reportable segment.

(v) Dividends

Interim and final dividends are recognised as a liability when they are no longer at the discretion of the company.

(w) New standards and interpretations not yet adopted

There are no standards or amendments that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(x) Prior year restatement

The Directors concluded that separate value-added tax (VAT) receivable and payable balances, within the same VAT group, or within individual registrations, of group entities, held on the Consolidated Statement of Financial Position at 31 March 2022 and 31 March 2021 should have been netted off with one another, rather than presented gross.

As a result, the Consolidated Statement of Financial Position as at 31 March 2022 and Consolidated Statement of Cash Flows for the year ended 31 March 2022 has been restated as follows:

	2022 (as reported) £m	Restatement £m	2022 (restated) £m
Consolidated Statement of Financial Position			
Current assets			
Trade and other receivables	104.7	(9.9)	94.8
Current liabilities			
Trade and other payables	(149.5)	9.9	(139.6)
Consolidated Statement of Cash Flows			
Increase in receivables	(21.6)	4.2	(17.4)
Increase in payables and provisions	11.4	(4.2)	7.2

The restatement did not result in any change to reported profit, earnings per share, net assets or net cash from operating activities reported in the 2022 financial year.

The impact on the opening Consolidated Statement of Financial Position as at 31 March 2021 is as follows:

	2021 (as reported) £m	Restatement £m	2021 (restated) £m
Consolidated Statement of Financial Position			
Current assets			
Trade and other receivables	75.6	(5.7)	69.9
Current liabilities			
Trade and other payables	(126.1)	5.7	(120.4)

The restatement did not result in any change to reported consolidated profit, earnings per share, net assets or net cash from operating activities reported in the 2021 financial year. The Directors considered the requirement of IAS 1.40A, for inclusion of a third consolidated statement of financial position on the face of the primary statement, and determined that such presentation would not add further to the understanding of the user of the financial statements, than the 31 March 2021 information included in this note above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Non-GAAP measures

In the preparation of adjusted numbers, the Directors exclude certain items in order to assist with comparability between peers and to give what they consider to be a better indication of the underlying performance of the business. These adjusting items are excluded in the calculation of adjusted operating profit, adjusted profit before tax, adjusted profit for the year from continuing operations, adjusted EBITDA, adjusted EPS, adjusted cash conversion and adjusted effective tax rate. Details of adjusting items are given below.

Adjusted EBITDA is calculated by adding back depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets to adjusted operating profit, and can be found in the Consolidated Statement of Cash Flows. The calculation of adjusted EPS can be found in Note 2. Adjusted effective tax rate is calculated by dividing the share of tax attributable to adjusted profit before tax by adjusted profit before tax. The definition of cash conversion is set out in the Finance Review.

Reconciliation between operating profit and profit before income tax and adjusted profit from continuing operations

	2023		2022	
	Operating profit £m	**Profit before income tax £m**	Operating profit £m	Profit before income tax £m
Statutory measure	**72.4**	**73.5**	48.3	47.6
Release of provision on disposal	**(0.4)**	**(0.4)**	–	–
Acquisition-related costs	**–**	**–**	0.4	0.4
WITec post-acquisition gross margin adjustment	**0.5**	**0.5**	1.7	1.7
Restructuring costs	**0.4**	**0.4**	–	–
Intellectual property litigation costs	**0.5**	**0.5**	–	–
Impairment of capitalised development costs	**0.8**	**0.8**	–	–
Amortisation and impairment of acquired intangibles	**9.3**	**9.3**	9.5	9.5
Fair value movement on financial derivatives	**(3.0)**	**(3.0)**	6.4	6.4
Unwind of discount in respect of contingent consideration		**0.4**		0.3
Total non-GAAP adjustments	**8.1**	**8.5**	18.0	18.3
Adjusted measure	**80.5**	**82.0**	66.3	65.9
Adjusted income tax expense		**(17.0)**		(11.7)
Adjusted profit for the year	**80.5**	**65.0**	66.3	54.2
Adjusted effective tax rates		**20.7%**		17.8%

Release of provision on disposal

These represent the release of the provision on disposal of the OI Healthcare business in the US in 2020.

Acquisition-related costs

These represent the costs of one-off charges incurred at the balance sheet date relating to the acquisition of WITec Wissenschaftliche Instrumente und Technologie GmbH ('WITec').

WITec post-acquisition gross margin adjustment

The finished goods and work in progress inventories were revalued to fair value, based on selling price less costs to sell. The adjustments in the current and prior periods relate to the gross margin which would have been earned on post-acquisition sales to 31 March 2023, but which has been absorbed into the acquisition date fair value. This will not recur, as all such inventory at the acquisition date had been delivered to customers by 31 March 2023.

Restructuring costs

These represent the costs of one-off restructuring charges within the Materials & Characterisation segment.

Intellectual property litigation costs

These represent one-off legal costs in the Research & Discovery segment to defend our intellectual property.

Impairment of capitalised development costs

During the year, the Group reviewed the capitalised development costs to ensure they remained directly related to targeted product or software developments. The one-off non-cash impairment relates to delays in market launch of specific development projects within the Materials & Characterisation segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 Non-GAAP measures continued

Amortisation and impairment of acquired intangibles

Adjusted profit excludes the non-cash amortisation and impairment of acquired intangible assets and goodwill.

Fair value movement on financial derivatives

Under IFRS 9, all derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, they are also measured at fair value. In respect of instruments used to hedge foreign exchange risk and interest rate risk, the Group does not take advantage of the hedge accounting rules provided for in IFRS 9 since that standard requires certain stringent criteria to be met in order to hedge account, which, in the particular circumstances of the Group, are considered by the Board not to bring any significant economic benefit. Accordingly, the Group accounts for these derivative financial instruments at fair value through profit or loss. To the extent that instruments are hedges of future transactions, adjusted profit for the year is stated before changes in the valuation of these instruments so that the underlying performance of the Group can be more clearly seen.

Unwind of discount in respect of contingent consideration

Adjusted profit excludes the unwind of the discount in respect of the contingent consideration on the acquisition of WITec.

Adjusted income tax expense

Adjusting items include the income tax on each of the items described above.

Reconciliation of changes in cash and cash equivalents to movement in net cash after borrowings

	2023 £m	2022 £m
Net increase/(decrease) in cash and cash equivalents	**13.5**	(12.2)
Effect of exchange rate fluctuations on cash held	**0.3**	2.3
Movement in net cash in the year	**13.8**	(9.9)
Covid-19 loan at WiTec acquired	**–**	(1.8)
Repayment of borrowings	**0.5**	–
Net cash after borrowings at the start of the year	**85.9**	97.6
Net cash after borrowings at the end of the year	**100.2**	85.9

Reconciliation of net cash to Statement of Financial Position

	2023 £m	2022 £m
Covid-19 loan at WiTec	**(1.3)**	(1.8)
Overdrafts	**(11.2)**	(8.7)
Cash and cash equivalents	**112.7**	96.4
Net cash after borrowings at the end of the year	**100.2**	85.9

2 Earnings per share

Basic earnings per ordinary share (EPS) is calculated by dividing the profit attributable to equity shareholders of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares held by the Employee Share Ownership Trust, which have been treated as if they had been cancelled. The weighted average number of shares used in the calculation is as follows:

	2023 Shares million	2022 Shares million
Weighted average number of shares outstanding	**57.7**	57.7
Less: weighted average number of shares held by Employee Share Ownership Trust	**–**	(0.2)
Weighted average number of shares used in calculation of basic earnings per share	**57.7**	57.5

2 Earnings per share continued

During the year, all shares were transferred out of the Employee Share Ownership Trust, and the trust was subsequently closed. Therefore there are no shares held by the trust at 31 March 2023.

For the purposes of calculating diluted and diluted adjusted EPS, the weighted average number of ordinary shares is adjusted to include the weighted average number of ordinary shares that would be issued on the conversion of all potentially dilutive ordinary shares expected to vest, relating to the company's share-based payment plans. Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease EPS.

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

	2023 Shares million	2022 Shares million
Number of ordinary shares per basic earnings per share calculations	**57.7**	57.5
Effect of shares under option	**0.7**	0.8
Number of ordinary shares per diluted earnings per share calculations	**58.4**	58.3

Basic and diluted EPS are based on the profit for the period attributable to equity shareholders of the parent, as reported in the condensed consolidated statement of income. Adjusted and diluted adjusted EPS are based on adjusted profit for the period, as reported in Note 2:

	2023		2022	
	£m	**Pence**	£m	Pence
Underlying profit attributable to equity shareholders of the parent/underlying EPS	**58.6**	**101.6**	38.6	67.1
Total underlying adjustments to profit before tax (Note 2)	**8.5**	**14.7**	18.3	31.8
Related tax effects	**(2.1)**	**(3.6)**	(2.7)	(4.6)
Adjusted profit attributable to equity shareholders of the parent/adjusted EPS	**65.0**	**112.7**	54.2	94.3
Diluted underlying EPS		**100.3**		66.2
Diluted adjusted EPS		**111.3**		93.0

3 Segment information

The Group has nine operating segments. These operating segments have been combined into three aggregated operating segments to the extent that they have similar economic characteristics, with relevance to products and services, type and class of customer, methods of sale and distribution and the regulatory environment in which they operate. Each of these three aggregated operating segments is a reportable segment. The aggregated operating segments are as follows:

- the Materials & Characterisation segment comprises a group of businesses focusing on applied R&D and commercial customers, enabling the fabrication and characterisation of materials and devices down to the atomic scale;
- the Research & Discovery segment comprises a group of businesses providing advanced solutions that create unique environments and enable measurements down to the molecular and atomic level which are used in fundamental research; and
- the Service & Healthcare segment provides customer service and support for the Group's products and the service of third-party healthcare imaging systems.

The Group's internal management structure and financial reporting systems have been amended to differentiate the three aggregated operating segments based on the economic characteristics discussed above.

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

On 31 August 2021, the Group acquired 100% of the issued share capital of WITec which has been integrated into the Materials & Characterisation segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3 Segment information continued

Results

2023	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Total £m
Total segment revenue	**234.5**	**139.4**	**70.8**	**444.7**
Segment adjusted operating profit	**40.5**	**18.0**	**22.0**	**80.5**

2022	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Total £m
Total segment revenue	185.5	120.3	61.5	367.3
Segment adjusted operating profit	26.1	21.3	18.9	66.3

Revenue in the Materials & Characterisation and Research & Discovery segments represents the sale of products. Revenue in the Service & Healthcare segment relates to service income. No individual customer accounts for more than 10% of total revenue.

As at 31 March 2023, the Group had unfulfilled performance obligations under IFRS 15 of £319.6m (2022: £260.2m). It is anticipated that £303.0m (2022: £250.5m) of this balance will be satisfied within one year. The remainder is anticipated to be satisfied in the following financial year.

Reconciliation of reportable segment profit

2023	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
Segment adjusted operating profit	**40.5**	**18.0**	**22.0**	**–**	**80.5**
Restructuring costs	**(0.4)**	**–**	**–**	**–**	**(0.4)**
Release of provision on disposal	**–**	**–**	**0.4**	**–**	**0.4**
Intellectual property litigation costs	**–**	**(0.5)**	**–**	**–**	**(0.5)**
Impairment of capitalised development costs	**(0.8)**	**–**	**–**	**–**	**(0.8)**
WITec post-acquisition gross margin adjustment	**(0.5)**	**–**	**–**	**–**	**(0.5)**
Amortisation and impairment of acquired intangibles	**(3.1)**	**(6.2)**	**–**	**–**	**(9.3)**
Fair value movement on financial derivatives	**–**	**–**	**–**	**3.0**	**3.0**
Financial income	**–**	**–**	**–**	**2.7**	**2.7**
Financial expenditure	**–**	**–**	**–**	**(1.6)**	**(1.6)**
Profit before income tax	**35.7**	**11.3**	**22.4**	**4.1**	**73.5**

2022	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
Segment adjusted operating profit	26.1	21.3	18.9	–	66.3
Acquisition-related costs	(0.4)	–	–	–	(0.4)
WITec post-acquisition gross margin adjustment	(1.7)	–	–	–	(1.7)
Amortisation and impairment of acquired intangibles	(3.2)	(6.3)	–	–	(9.5)
Fair value movement on financial derivatives	–	–	–	(6.4)	(6.4)
Financial income	–	–	–	0.5	0.5
Financial expenditure	–	–	–	(1.2)	(1.2)
Profit/(loss) before income tax	20.8	15.0	18.9	(7.1)	47.6

3 Segment information continued

Depreciation	2023 £m	2022 £m
Materials & Characterisation	**5.1**	3.8
Research & Discovery	**1.7**	1.5
Service & Healthcare	**–**	0.7
Unallocated Group items	**2.6**	1.5
	9.4	7.5

Capital expenditure	2023 £m	2022 £m
Materials & Characterisation	**28.6**	11.4
Research & Discovery	**2.7**	1.7
Service & Healthcare	**–**	0.1
Unallocated Group items	**1.0**	0.7
	32.3	13.9

Amortisation and impairment	2023 £m	2022 £m
Materials & Characterisation	**6.0**	5.0
Research & Discovery	**6.3**	6.4
Service & Healthcare	**–**	–
Unallocated Group items	**–**	–
	12.3	11.4

Capitalised development costs	2023 £m	2022 £m
Materials & Characterisation	**0.4**	0.7
Research & Discovery	**0.2**	–
Service & Healthcare	**–**	–
Unallocated Group items	**–**	–
	0.6	0.7

Revenue	2023 £m	2022 £m
UK	**29.4**	20.2
China	**107.4**	103.9
Japan	**46.7**	39.0
USA	**121.2**	79.9
Germany	**32.1**	28.1
Rest of Europe	**43.4**	40.7
Rest of Asia	**47.1**	45.7
Rest of World	**17.4**	9.8
	444.7	367.3

Non-current assets (excluding deferred tax)	2023 £m	2022 £m
UK	**189.6**	182.8
Germany	**34.8**	32.7
USA	**13.9**	14.2
Japan	**1.9**	2.4
China	**2.9**	1.8
Rest of Europe	**6.5**	7.2
Rest of Asia	**0.2**	0.3
Rest of World	**0.3**	0.6
	250.1	242.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

4 Auditor's remuneration

	2023 £'000	2022 £'000
Audit of these Financial Statements	**250**	210
Amounts received by the auditor and its associates in respect of:		
– Audit of Financial Statement of subsidiaries pursuant to legislation	**542**	420
– Audit-related assurance services	**47**	44
– Other assurance services	**8**	10
Total fees payable to the auditor and its associates	**847**	684

5 Research and development (R&D)

The total research and development spend by the Group is as follows:

2023	Materials & Characterisation £m	Research & Discovery £m	Total £m
R&D expense charged to the Consolidated Statement of Income	**26.5**	**10.2**	**36.7**
Less: depreciation of R&D-related fixed assets	**–**	**(0.3)**	**(0.3)**
Less: amortisation and impairment of R&D costs previously capitalised as intangibles	**(2.1)**	**(0.1)**	**(2.2)**
Add: amounts capitalised as intangible assets	**0.4**	**0.2**	**0.6**
Total cash spent on R&D during the year	**24.8**	**10.0**	**34.8**

2022	Materials & Characterisation £m	Research & Discovery £m	Total £m
R&D expense charged to the Consolidated Statement of Income	23.0	9.8	32.8
Less: depreciation of R&D-related fixed assets	–	(0.2)	(0.2)
Add: amounts capitalised as fixed assets	–	0.3	0.3
Less: amortisation of R&D costs previously capitalised as intangibles	(1.8)	(0.1)	(1.9)
Add: amounts capitalised as intangible assets	0.7	–	0.7
Total cash spent on R&D during the year	21.9	9.8	31.7

6 Acquisition of WITec

On 31 August 2021, the Group acquired 100% of the issued share capital of WITec Wissenschaftliche Instrumente und Technologie GmbH ('WITec') on a cash-free, debt-free basis for consideration of €42m (£36.0m), of which €5m (£4.3m) was conditional on trading performance over a period of 12 months from the acquisition. The conditions for the deferred consideration were meeting certain revenue, order and margin thresholds. WITec is a leading designer and manufacturer of Raman microscopy imaging solutions, based in Ulm, Germany. The business has been integrated into the Materials & Characterisation segment.

Contingent consideration of £4.8m was paid during January 2023 based on the performance of the WITec business in the year to 31 August 2022. The difference of £0.5m between contingent consideration provided at acquisition and that paid in January 2023 was due to an adjustment to the net assets purchased.

Acquisition-related costs in the prior year of £0.4m (2021: £0.4m) were expensed to the Consolidated Statement of Income as an adjusting item in the administration and shared services cost line. There were no acquisition-related costs in the current year.

If the acquisition had occurred on the first day of the prior year the acquisition would have contributed revenue of £14.3m, adjusted operating profit of £2.8m and a statutory loss before tax of £0.3m to the Group's profit for the year ended 31 March 2022.

7 Financial income

	2023 £m	2022 £m
Interest receivable	**1.1**	0.1
Interest credit on pension scheme net assets	**1.6**	0.4
	2.7	0.5

8 Financial expenditure

	2023 £m	2022 £m
Bank interest payable	**0.7**	0.6
Interest on lease liabilities	**0.5**	0.3
Unwind of discount on contingent consideration	**0.4**	0.3
	1.6	1.2

9 Personnel costs

	2023 £m	2022 £m
Wages and salaries	**121.9**	96.4
Social security costs	**17.1**	12.2
Contributions to defined contribution plans (Note 25)	**6.1**	4.8
Defined benefit income (Note 25)	**(1.1)**	–
Charge in respect of employee share options	**2.4**	2.1
	146.4	115.5

Directors' emoluments are disclosed in the Remuneration Report on pages 144 to 173 of this Report and Financial Statements.

10 Employees

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

	2023 Number	2022 Number
Production	**796**	732
Sales and Marketing	**495**	467
Research and Development	**456**	430
Administration and Shared Services	**280**	249
	2,027	1,878

11 Share option schemes

The Group operates three share option schemes:

All-employee Share Incentive Plan ('SIP')

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

Medium-Term Incentive Plan Scheme ('MTIP')

Options awarded under the Medium-Term Incentive Plan are made annually to certain senior managers. The exercise prices are £nil. Options have a life of ten years with vesting subject to achievement of performance targets and a vesting period of a minimum of three years (but may be up to five years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

11 Share option schemes continued

Performance Share Plan Scheme ('PSP')

Under the Performance Share Plan awards of performance shares (or nil-cost options) are made annually to certain senior managers. Awards have a life of ten years with vesting subject to achievement of performance targets and a vesting period of a minimum of three years (but may be up to five years).

Share option schemes that have been discontinued but for which options were outstanding at the year end include the following:

Executive Share Option Scheme ('ESO')

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

Performance conditions

The ESO, MTIP and PSP schemes are or were subject to performance conditions which can be found in the Remuneration Report on pages 163 to 166.

Administrative expenses include a charge of £2.4m (2022: £2.1m) in respect of the cost of providing share-based remuneration. The cost of share options is calculated by estimating the fair value of the option at grant date and spreading that amount over the vesting period after adjusting for an expectation of non-vesting.

Fair values are determined using an internal valuation model based on a modified Black-Scholes model. Expected volatility has been based on historical volatility over a period of time of the same length as the expected option life and ending on the grant date.

For options granted in the years ended 31 March 2023 and 2022, the fair value per option granted and the assumptions used in the calculation are as follows:

	Medium-Term Incentive Plan Scheme June 2022	**Performance Share Plan Scheme June 2022**	Medium-Term Incentive Plan Scheme July 2021	Performance Share Plan Scheme July 2021
Fair value at measurement date	**£18.86**	**£18.86**	£22.60	£22.60
Share price at grant date	**£19.40**	**£19.40**	£23.10	£23.10
Exercise price	**£nil**	**£nil**	£nil	£nil
Expected volatility	**47.3%**	**47.3%**	39.4%	39.4%
Expected option life (expressed as weighted average life used in the modelling)	**3 years**	**3 years**	3 years	3 years
Expected dividend yield	**0.9%**	**0.9%**	0.7%	0.7%
Risk-free interest rate	**2.1%**	**2.1%**	0.5%	0.5%

11 Share option schemes continued

The options existing at the year end were as follows:

	2023			2022
	Number of shares	Exercise Price	Period when exercisable	Number of shares
Options subsisting at the year end on unissued ordinary shares:				
Executive Share Option Schemes				
June 2015	**75,006**	**£10.28**	**15/06/18 - 14/06/25**	82,875
June 2016	**18,000**	**£7.38**	**21/06/19 - 20/06/26**	18,000
November 2016	**32,663**	**£6.27**	**29/11/19 - 28/11/26**	36,403
Total options subsisting on existing ordinary shares	**125,669**			137,278
Percentage of issued share capital	**0.2%**			0.2%
Medium-Term Incentive Plan				
September 2017	**22,253**	**£0.05**	**25/09/20 - 24/09/27**	29,490
July 2018	**28,239**	**£0.05**	**03/07/21 - 02/07/28**	48,219
July 2019	**32,622**	**£0.05**	**15/07/22 - 14/07/29**	77,024
December 2019	**1,098**	**£0.05**	**02/12/22 - 01/12/29**	1,569
September 2020	**69,010**	**£0.05**	**23/09/23 - 22/09/30**	71,136
July 2021	**56,388**	**£0.05**	**02/07/24 - 01/07/31**	58,014
September 2021	**5,394**	**£0.05**	**01/09/24 - 31/08/31**	5,394
November 2021	**2,373**	**£0.05**	**11/11/24 - 10/11/31**	2,373
June 2022	**92,015**	**£0.05**	**20/06/25 - 19/06/32**	-
Total options subsisting on existing ordinary shares	**309,392**			293,219
Percentage of issued share capital	**0.5%**			0.5%
Performance Share Plan				
September 2017	**116,853**	**£0.05**	**25/09/20 - 24/09/27**	116,853
July 2018	**115,043**	**£0.05**	**03/07/21 - 02/07/28**	115,043
July 2019	**86,032**	**£0.05**	**15/07/22 - 14/07/29**	86,032
September 2020	**74,815**	**£0.05**	**23/09/23 - 22/09/30**	74,815
July 2021	**55,806**	**£0.05**	**02/07/24 - 01/07/31**	55,806
June 2022	**70,435**	**£0.05**	**20/06/25 - 19/06/32**	-
Total options subsisting on existing ordinary shares	**518,984**			448,549
Percentage of issued share capital	**0.9%**			0.8%

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

	2023		2022	
	Weighted average exercise price	Number of options	Weighted exercise average price	Number of options
Outstanding at the beginning of the period	**£1.41**	**879,046**	£2.04	1,069,983
Granted during the year	**£0.03**	**163,687**	-	125,602
Forfeited during the year	**£0.05**	**(4,989)**	-	(27,003)
Exercised during the year	**£1.23**	**(60,423)**	£2.55	(236,875)
Lapsed during the year	**£1.44**	**(23,276)**	£6.88	(52,661)
Outstanding at the year end	**£1.19**	**954,045**	£1.38	879,046
Exercisable at the year end	**£2.14**	**527,809**	£2.71	446,883

The weighted average share price at the time of exercise of the options was £22.03 (2022: £23.29).

The weighted average remaining contractual life for the share options as at 31 March 2023 was one year (2022: one year).

The total consideration received from exercise of options in the year was £0.1m (2022: £0.1m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12 Income tax expense

	2023 £m	2022 £m
Recognised in the Consolidated Statement of Income		
Current tax expense		
Current year	**10.2**	9.0
Adjustment in respect of prior years	**0.3**	(1.0)
	10.5	8.0
Deferred tax expense		
Origination and reversal of temporary differences	**5.1**	1.2
Adjustment in respect of prior years	**(0.7)**	(0.2)
	4.4	1.0
Total tax expense	**14.9**	9.0
Reconciliation of effective tax rate		
Profit before income tax	**73.5**	47.6
Income tax using the weighted average statutory tax rate of 21% (2022: 21%)	**15.4**	10.0
Effect of:		
Tax rates other than the weighted average statutory rate	**0.3**	0.1
Change in rate at which deferred tax recognised	**1.0**	0.6
Non-taxable income and expenses	**(1.4)**	(0.3)
Tax incentives not recognised in the Consolidated Statement of Income	**–**	(0.2)
Adjustment in respect of prior years	**(0.4)**	(1.2)
Total tax expense	**14.9**	9.0
Taxation (credit)/charge recognised directly in other comprehensive income		
Deferred tax – relating to employee benefits	**(9.7)**	6.8
Taxation credit recognised directly in equity		
Deferred tax – relating to share options	**(0.7)**	(0.2)

On 5 March 2021 it was announced that the rate of UK corporation tax would be increased to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021. As such, the UK deferred tax assets and liabilities have been calculated based on the enacted rate of 25% as utilisation will occur after that date.

The Group carries tax provisions in relation to uncertain tax positions arising from the possible outcome of negotiations with tax authorities. The provisions have been calculated based on the probable outcome of those negotiations from a range of possibilities and assume that the tax authorities have full knowledge of the facts. Such provisions are a reflection of the geographical spread of the Group's operations and the variety of jurisdictions in which it carries out its activities.

13 Dividends per share

The following dividends per share were paid by the Group:

	2023 pence	2022 pence
Previous period interim dividend	–	4.1
Previous period final dividend	**13.7**	12.9
Current period interim dividend	**4.6**	4.4
	18.3	21.4

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

	2023 pence	2022 pence
Interim dividend	**4.6**	4.4
Final dividend	**14.9**	13.7
	19.5	18.1

The final dividend for the year to 31 March 2022 of 13.7 pence per share was approved by shareholders at the Annual General Meeting on 28 July 2022 and was paid on 23 August 2022. The interim dividend for the year to 31 March 2023 of 4.6 pence was approved by a sub-committee of the Board on 7 November 2022 and was paid on 13 January 2023.

The proposed final dividend of 14.9 pence per share was not provided at the year end and is subject to shareholder approval at the Annual General Meeting on 19 September 2023. It is expected to be paid on 12 October 2023, to shareholders on the register on the record date of 4 August 2023, with an ex-dividend date of 3 August 2023 and with the last date of election for the Dividend Reinvestment Plan (DRIP) being 21 September 2023.

14 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
Balance at 1 April 2021	13.8	36.5	7.7	58.0
Additions – business combinations	–	0.2	–	0.2
Additions – other	7.8	5.3	0.8	13.9
Disposals	(0.2)	(2.0)	(0.3)	(2.5)
Exchange differences	0.4	0.4	0.1	0.9
Balance at 31 March 2022 and 1 April 2022	21.8	40.4	8.3	70.5
Additions	**24.2**	**6.0**	**2.1**	**32.3**
Disposals	**(0.1)**	**(3.7)**	**(0.3)**	**(4.1)**
Exchange differences	**–**	**0.4**	**0.1**	**0.5**
Balance at 31 March 2023	**45.9**	**43.1**	**10.2**	**99.2**
Depreciation and impairment losses				
Balance at 1 April 2021	5.4	25.6	5.9	36.9
Depreciation charge for the year	0.3	3.6	0.2	4.1
Disposals	(0.2)	(2.0)	(0.2)	(2.4)
Exchange differences	–	0.2	–	0.2
Balance at 31 March 2022 and 1 April 2022	5.5	27.4	5.9	38.8
Depreciation charge for the year	**0.4**	**4.0**	**0.4**	**4.8**
Disposals	**–**	**(3.7)**	**(0.3)**	**(4.0)**
Exchange differences	**–**	**0.3**	**–**	**0.3**
Balance at 31 March 2023	**5.9**	**28.0**	**6.0**	**39.9**
Carrying amounts				
Balance at 1 April 2021	8.4	10.9	1.8	21.1
Balance at 31 March 2022 and 1 April 2022	16.3	13.0	2.4	31.7
Balance at 31 March 2023	**40.0**	**15.1**	**4.2**	**59.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15 Intangible assets

	Goodwill £m	Customer-related acquired intangibles £m	Technology-related acquired intangibles £m	Development costs acquired intangibles £m	Development costs internally generated £m	Software £m	Total £m
Cost							
Balance at 1 April 2021	101.8	29.3	91.7	1.8	48.5	4.2	277.3
Additions – business combinations	20.6	3.3	5.0	–	–	–	28.9
Additions – internally generated	–	–	–	–	0.7	0.1	0.8
Exchange differences	0.2	0.5	1.5	–	–	–	2.2
Balance at 31 March 2022 and 1 April 2022	122.6	33.1	98.2	1.8	49.2	4.3	309.2
Additions – internally generated	**–**	**–**	**–**	**–**	**0.6**	**–**	**0.6**
Disposals – other	**–**	**–**	**–**	**–**	**(12.5)**	**–**	**(12.5)**
Exchange differences	**2.0**	**1.0**	**2.8**	**–**	**–**	**–**	**5.8**
Balance at 31 March 2023	**124.6**	**34.1**	**101.0**	**1.8**	**37.3**	**4.3**	**303.1**
Amortisation and impairment losses							
Balance at 1 April 2021	21.7	22.5	63.0	1.3	43.3	2.9	154.7
Amortisation and impairment charged	–	1.8	7.5	0.2	1.9	–	11.4
Exchange differences	0.5	0.5	1.4	–	–	–	2.4
Balance at 31 March 2022 and 1 April 2022	22.2	24.8	71.9	1.5	45.2	2.9	168.5
Amortisation and impairment charged	**–**	**1.4**	**7.8**	**0.1**	**2.2**	**–**	**11.5**
Disposals	**–**	**–**	**–**	**–**	**(12.5)**	**–**	**(12.5)**
Exchange differences	**0.7**	**0.8**	**1.9**	**–**	**–**	**0.1**	**3.5**
Balance at 31 March 2023	**22.9**	**27.0**	**81.6**	**1.6**	**34.9**	**3.0**	**171.0**
Carrying amounts							
Balance at 1 April 2021	80.1	6.8	28.7	0.5	5.2	1.3	122.6
Balance at 31 March 2022 and 1 April 2022	100.4	8.3	26.3	0.3	4.0	1.4	140.7
Balance at 31 March 2023	**101.7**	**7.1**	**19.4**	**0.2**	**2.4**	**1.3**	**132.1**

During the year the Group made impairments of £0.8m (2022: nil) in respect of capitalised development costs. Further information can be found in the Finance Review section of the Strategic Report.

The following intangible assets are considered material by the Directors as they represent 97% (2022: 99%) of total acquired intangible assets:

	2023			2022
	£m	Amortisation period years	Remaining amortisation period years	£m
Trademarks – Andor	**4.7**	**15.0**	**5.8**	5.6
Technology, know-how and patents – Andor:				
– Product related	**11.9**	**12.0**	**2.8**	16.2
– Software related	**0.9**	**10.0**	**0.8**	2.0
Trademarks – WITec	**2.3**	**10.0**	**8.6**	2.5
Technology, know-how and patents – WITec	**3.6**	**5.0**	**3.6**	4.6
Technology, know-how and patents – Asylum	**2.4**	**12.0**	**1.7**	3.8

15 Intangible assets continued

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination. The carrying amount of goodwill was allocated to individual CGUs as follows:

	2023 £m	2022 £m
Materials & Characterisation		
NanoAnalysis	**10.0**	9.8
Magnetic Resonance	**2.3**	2.3
WITec	**21.5**	20.3
Research & Discovery		
Andor	**61.2**	61.3
NanoScience	**6.7**	6.7
	101.7	100.4

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

Accounting standards require an impairment test to be carried out by determining the recoverable amount of each CGU which contains goodwill. The recoverable amount is calculated as the higher of the fair value less costs to sell or the value in use of the CGU. In the Group's case, the recoverable amount is based on value in use calculations. Value in use is calculated by discounting expected future cash flows and in particular Board-approved five-year cash flow forecasts, prepared by the management of each CGU and reviewed and amended by Group management as necessary, together with 2.5% per annum growth for the subsequent 20 years. This rate was considered to be at or below long-term market trends for the Group's businesses.

Key assumptions

The key assumptions are those regarding discount rates and growth rates.

The growth rates are at or below the Group's view on long-term trends within its markets. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The post-tax weighted average costs of capital used for Materials & Characterisation and Research & Discovery in impairment testing are 12.8%-13.3% (2022: 11.6%-12.1%) and 12.8%-13.3% (2021: 11.6%-12.1%) respectively, in line with the risk associated with each of the business segments. Management has estimated these discount rates by reference to past experience and an industry average weighted cost of capital as adjusted for appropriate risk factors reflecting current economic circumstances and the risk profiles of each CGU.

Sensitivity analysis

The Group's estimate of impairments are most sensitive to changes in the discount rate and forecast growth rate. Sensitivity analysis has been carried out by reference to both of these assumptions. This demonstrated that a 170 basis point increase in the discount rate would be required in order to eliminate the headroom of £12.3m in the recently acquired WITec business – along with a 20% deterioration from the five-year forecast. Similarly, a reduction in the growth rate to -0.5% - again, along with a 20% deterioration from the five-year forecast would be required in order to result in an impairment in that business. No reasonably possible change in assumptions would result in an impairment in the other businesses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16 Deferred tax

	Property, plant and equipment £m	Inventory £m	Employee benefits £m	Intangibles assets £m	Tax losses £m	Other £m	Total £m
Balance at 1 April 2021	0.7	2.6	(0.1)	(5.7)	6.8	3.9	8.2
Recognised in income	(1.6)	1.3	(1.2)	0.6	(0.3)	0.2	(1.0)
Recognised in other comprehensive income	–	–	(6.8)	–	–	–	(6.8)
Recognised directly in equity	–	–	0.2	–	–	–	0.2
Acquired on business combination	–	(0.7)	0.1	(1.9)	–	(0.1)	(2.6)
Effect of movements in foreign exchange rates	–	–	–	–	0.2	0.1	0.3
Balance at 31 March 2022	**(0.9)**	**3.2**	**(7.8)**	**(7.0)**	**6.7**	**4.1**	**(1.7)**
Recognised in income	**(3.1)**	**0.4**	**(2.5)**	**2.0**	**(1.5)**	**0.3**	**(4.4)**
Recognised in other comprehensive income	**–**	**–**	**9.7**	**–**	**–**	**–**	**9.7**
Recognised directly in equity	**–**	**–**	**0.7**	**–**	**–**	**–**	**0.7**
Effect of movements in foreign exchange rates	**–**	**0.1**	**–**	**–**	**0.3**	**–**	**0.4**
Balance at 31 March 2023	**(4.0)**	**3.7**	**0.1**	**(5.0)**	**5.5**	**4.4**	**4.7**

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

	Assets		Liabilities		Net	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Gross assets/(liabilities)	**15.6**	14.3	**(10.9)**	(16.0)	**4.7**	(1.7)
Offset	**(3.1)**	(0.6)	**3.1**	0.6	**–**	–
Net assets/(liabilities)	**12.5**	13.7	**(7.8)**	(15.4)	**4.7**	(1.7)

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

	2023 £m	2022 £m
Deductible temporary differences	**–**	–
Tax losses	**0.3**	0.2
	0.3	0.2

The tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available in the subsidiaries concerned against which the Group can utilise the brought forward tax losses. Deferred tax is recognised on provisions made against inventory on which tax relief has not yet been granted.

No deferred tax liability has been recognised in respect of £65.3m (2022: £56.0m) of undistributed earnings of overseas subsidiaries since the majority of such distributions would not be taxable. In other cases the Group considers that it is able to control the timing of remittances so that any tax is not expected to arise in the foreseeable future.

17 Inventories

	2023 £m	2022 £m
Raw materials and consumables	**39.8**	28.6
Work in progress	**23.5**	23.2
Finished goods	**18.1**	13.5
	81.4	65.3

The amount of inventory recognised as an expense was £172.8m (2022: £147.2m). In the ordinary course of business, the Group makes impairment provisions for slow-moving, excess and obsolete inventory as appropriate. Inventory is stated after charging impairments of £1.3m in the current period (2022: £0.7m). In the current year, £nil (2022: £nil) was reversed relating to previous impairments. Impairments are included within gross profit.

Inventory carried at net realisable value is £1.7m (2022: £1.5m).

18 Trade and other receivables

	2023 £m	2022 as restated[1] £m
Trade receivables	**95.9**	78.4
Less provision for impairment of receivables	**(3.5)**	(3.6)
Net trade receivables	**92.4**	74.8
Accrued Income	**4.8**	4.2
Prepayments	**6.6**	8.5
Other receivables	**9.4**	7.3
	113.2	94.8

(1) Details of restatement of prior year numbers can be found in the accounting policies.

Trade receivables are non-interest-bearing. Standard credit terms provided to customers differ according to business and country and are typically between 30 and 60 days.

The maximum exposure to credit risk for trade and other receivables plus accrued income, by geographic region, was:

	2023 £m	2022 as restated[1] £m
UK	**17.5**	9.3
China	**16.2**	19.9
Japan	**15.8**	11.8
USA	**29.8**	16.6
Germany	**7.4**	5.9
Rest of Europe	**10.6**	10.7
Rest of Asia	**6.3**	11.4
Rest of World	**3.0**	0.7
	106.6	86.3

(1) Details of restatement of prior year numbers can be found in the accounting policies.

The ageing of financial assets comprising net trade receivables and other receivables plus accrued income at the reporting date was:

	2023 £m	2022 as restated[1] £m
Current (not overdue)	**63.1**	51.1
Less than 31 days overdue	**18.8**	13.5
More than 30 but less than 91 days overdue	**10.8**	11.2
More than 90 days overdue	**13.9**	10.5
	106.6	86.3

(1) Details of restatement of prior year numbers can be found in the accounting policies.

In both periods presented the entire provision against trade receivables and other receivables plus accrued income relates to balances more than 90 days overdue.

The movement of the Group's expected credit losses provision in respect of trade receivables and other receivables plus accrued income are as follows:

	2023 £m	2022 £m
Balance at start of year	**3.6**	2.2
Transferred in on acquisition of business	**–**	0.2
(Decrease)/increase in loss allowance recognised in the Consolidated Statement of Income during the year	**(0.1)**	1.2
Balance at end of year	**3.5**	3.6

The loss allowance is recognised in the administration and shared services line in the Consolidated Statement of Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

19 Cash and cash equivalents

	2023 £m	2022 £m
Cash balances	**112.7**	96.4
Bank overdrafts	**(11.2)**	(8.7)
Cash and cash equivalents in the Consolidated Statement of Cash Flows	**101.5**	87.7

20 Working capital movements

Reconciliation of movements in working capital

	Inventories £m	Receivables[1] £m	Payables and provisions[1] £m	Customer Deposits £m	Total £m
As at 1 April 2021 as restated[2]	58.7	76.0	(87.9)	(41.9)	4.9
Working capital movement as restated[2]	0.1	17.4	(7.2)	1.5	11.8
WITec-related flows	6.2	3.0	(6.7)	(0.3)	2.2
Exchange differences	0.3	(0.6)	0.7	(0.6)	(0.2)
FV movement on financial derivatives	–	–	(6.4)	–	(6.4)
As at 31 March 2022 and 1 April 2022 as restated[2]	65.3	95.8	(107.5)	(41.3)	12.3
Working capital movement	**15.6**	**19.6**	**(16.9)**	**(9.2)**	**9.1**
WITec-related flows	**–**	**–**	**5.3**	**–**	**5.3**
Exchange differences	**0.5**	**0.3**	**–**	**(1.6)**	**(0.8)**
FV movement on financial derivatives	**–**	**–**	**3.0**	**–**	**3.0**
As at 31 March 2023	**81.4**	**115.7**	**(116.1)**	**(52.1)**	**28.9**

(1) Receivables and payables include derivative financial instruments.
(2) Details of restatement of prior year numbers can be found in the accounting policies.

21 Financial risk management

The Group's multinational operations and debt financing expose it to a variety of financial risks. In the course of its business, the Group is exposed to foreign currency risk, interest rate risk, liquidity risk, commodity risk and credit risk. Financial risk management policies are set by the Board of Directors. These policies are implemented by a central treasury function that has formal procedures to manage foreign exchange risk, interest rate risk and liquidity risk, including, where appropriate, the use of derivative financial instruments. Commodity risk is managed locally by the operating businesses. The Group has clearly defined authority and approval limits.

In accordance with its Treasury Policy, the Group does not hold or use derivative financial instruments for trading or speculative purposes. Such instruments are only used to manage the risks arising from operating or financial assets or liabilities or highly probable future transactions.

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates. In common with a number of other companies, the Group has decided that the additional costs of meeting the extensive documentation requirements of IFRS 9 to apply hedge accounting to derivative financial instruments used for hedging exposure to foreign currency and interest rate volatility cannot be justified. Accordingly, the Group does not use hedge accounting for such derivatives.

Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of sterling (translational exposures). The Group has operations around the world which record their results in a variety of different local functional currencies. In countries where the Group does not have operations, it invariably has some customers or suppliers that transact in a foreign currency. The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies but the Group's primary exposures relate to the US dollar, the euro and the Japanese yen. To reduce uncertainty, the Group maintains a rolling hedge of forward contracts equivalent to 80% (2022: 80%) of the exposure expected to arise over the following 12 months. The remaining 20% is sold on the spot market. The fair value of outstanding currency contracts recognised as a liability as at 31 March 2023 amount to £1.2m (2022: £1.4m) and those recognised as an asset amount to £2.0m (2022: £1.0m).

Movements in the fair value of derivative financial instruments are recognised in the Consolidated Statement of Income immediately. However, in order to facilitate a more meaningful comparison of the Group's performance year-on-year, the elements of these movements that relate to hedges in respect of future sales are treated as an adjusting item in the calculation of adjusted earnings (Note 1).

The Group's translational exposures to foreign currency risks can relate both to the Consolidated Statement of Income and net assets of overseas subsidiaries. The Group's policy is not to hedge the translational exposure that arises on consolidation of the Consolidated Statements of Income of overseas subsidiaries.

21 Financial risk management continued

Interest rate risk

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates. The Group's policy is to use a mixture of revolving short and medium-term floating rate debt underpinned by longer-term fixed rate debt. The short and medium-term floating rate debt provides flexibility to reduce debt levels as appropriate. The longer-term fixed rate debt provides stability and cost certainty to the Group's financing structure.

Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk by maintaining adequate committed lines of funding from high-quality lenders. The facilities committed to the Group as at 31 March 2023 are set out in Note 24.

Credit risk

Credit risk arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial assets such as cash balances, derivative financial instruments, accrued income, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables and cash balances. The amounts recognised in the Consolidated Statement of Financial Position are net of expected credit losses, which are estimated by the Group's management based on the Group's historical experience of losses, along with consideration of any reasonably and supportable forward-looking information and expectations. Due to its wide geographic base and large number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables. The Group's experience of credit loss is minimal, which has and continues to be mitigated through receiving payment in advance of delivery or using trade guarantees provided by the Group's relationship banks. In the unusual event of a particular issue with a particular customer, a specific provision will be made if appropriate. Trade receivables are subject to credit limits and control and approval procedures in the operating companies. There has been no material change in the Group's experience of credit losses over the reporting period.

Credit risk associated with cash balances and derivative financial instruments is managed by transacting with financial institutions with high quality credit rating. In particular, a Board-approved policy sets out guidelines for which categories of institutions may be used and the maximum amount which may be invested with each institution within a particular category. Accordingly, the Group's associated credit risk is limited. The Group has no significant concentration of credit risk. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Group Consolidated Statement of Financial Position.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk by type of asset at 31 March 2023 is as shown below:

	2023 £m	2022 as restated[1] £m
Long-term receivables	**0.5**	0.0
Trade receivables	**92.4**	74.8
Other receivables and accrued income	**14.2**	11.5
Cash and cash equivalents	**112.7**	96.4
Derivative financial instruments	**2.0**	1.0
	221.8	183.7

(1) Details of restatement of prior year numbers can be found in the accounting policies.

The maximum exposure to credit risk for trade receivables is discussed in Note 18.

Other receivables include £5.8m (2022: £4.1m) in respect of VAT and similar taxes which are not past due date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

21 Financial risk management continued

Capital management

The Board considers capital to comprise share capital, reserves and the net cash or net debt position of the company. The company was in a net cash position at the year end. Total capital at the end of the current year totalled £243.8m (2022: £230.5m).

The Board's long-term objective is to have an efficient capital structure by maintaining a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. This is monitored by reference to the ratio of net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) and the Board has set itself internal limits, which are well inside any covenants the Group has with lenders. The Group maintains the right to purchase its own shares in the market; the timing of these purchases would depend on market prices. Buy and sell decisions are made on a specific transaction basis by the Board.

Each year the Board carefully considers the appropriate level of dividend payments. In doing this, the Board looks to increase dividends in line with underlying earnings, although the Board will also take into account other considerations in its decision-making process. The Board does not have a policy to pay a fixed dividend yield or to maintain a fixed rate of dividend cover but assesses both of these metrics in line with sustained earnings growth.

As set out in the Chief Executive's Review, the Group will actively manage its portfolio of businesses and products, selecting those markets with long-term growth drivers where we can maintain or grow leading positions. We will focus on those markets where nanotechnology has the potential to address some of the world's most complex and pressing challenges and where we can deliver unique solutions and service excellence. In line with the objective of maintaining a balance between borrowings and equity, the Group would seek to finance organic growth (e.g. through investment in research and development) and smaller 'bolt-on' acquisitions from operating cash flow, thus maintaining balance sheet efficiency. Larger acquisitions would be financed either by equity or a mixture of equity and debt so as to ensure the Group has a manageable ratio of net debt to EBITDA.

The Board encourages employees to hold shares in the company. As well as various share option plans (full details of which are given in Note 11), from April 2008 all UK employees have been offered the opportunity to take part in a Share Incentive Plan (SIP). Under this plan, employees are able to invest up to £1,800 each tax year in shares in the company. The company awards one additional free share (a matching share) for every five shares bought by each employee.

There were no changes to the Group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

22 Financial instruments

Fair values of financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		2023		2022 as restated[(1)]	
	Fair value hierarchy	**Carrying amount £m**	**Fair value £m**	Carrying amount £m	Fair value £m
Assets carried at amortised cost					
Long-term receivables		**0.5**		–	
Trade receivables		**92.4**		74.8	
Other receivables and accrued income		**14.2**		11.5	
Cash and cash equivalents		**112.7**		96.4	
Assets carried at fair value					
Derivative financial instruments:					
– Foreign currency contracts	2	**2.0**	**2.0**	1.0	1.0
Liabilities carried at fair value					
Derivative financial instruments:					
– Foreign currency contracts	2	**(1.2)**	**(1.2)**	(1.4)	(1.4)
Liabilities carried at amortised cost					
Trade and other payables		**(86.0)**		(77.1)	
Bank overdrafts		**(11.2)**		(8.7)	
Borrowings		**(1.3)**		(1.8)	
Lease payables		**(31.4)**		(18.4)	

(1) Details of restatement of prior year numbers can be found in the accounting policies.

22 Financial instruments continued

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the above table.

Derivative financial instruments

Derivative financial instruments are marked-to-market using market prices.

Fixed and floating rate borrowings

The fair value of fixed and floating rate borrowings is estimated by discounting the future contracted principal and interest cash flows using the market rate of interest at the reporting date.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the carrying amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine their fair value. Advances received are excluded from other payables above as these are not considered to be financial liabilities.

Lease payables

The lease liability is measured at amortised cost using the effective interest method.

Fair value hierarchy

The table above gives details of the valuation method used in arriving at the fair value of financial instruments. The different levels have been identified as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

There have been no transfers between levels during the year.

Maturity of financial liabilities

2023	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due one to five years £m	Due more than five years £m
Foreign exchange contracts	**(1.2)**	**1.2**	**1.2**	**–**	**–**
Trade and other payables	**(86.0)**	**86.0**	**86.0**	**–**	**–**
Bank overdrafts	**(11.2)**	**11.2**	**11.2**	**–**	**–**
Borrowings	**(1.3)**	**1.3**	**0.4**	**0.9**	**–**
Lease payables	**(31.4)**	**31.4**	**4.5**	**13.8**	**13.0**
	(131.1)	**131.1**	**103.3**	**14.7**	**13.0**

2022 as restated[1]	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due one to five years £m	Due more than five years £m
Foreign exchange contracts	(1.4)	1.4	1.1	0.3	–
Trade and other payables	(77.1)	77.1	77.1	–	–
Bank overdrafts	(8.7)	8.7	8.7	–	–
Borrowings	(1.8)	1.8	0.5	1.3	–
Lease payables	(18.4)	19.9	3.5	10.8	5.6
	(107.4)	108.9	90.9	12.4	5.6

(1) Details of restatement of prior year numbers can be found in the accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

22 Financial instruments continued

	Carrying amount 2023 £m	Carrying amount 2022 £m
Variable rate instruments		
Cash and cash equivalents	**112.7**	96.4
Financial liabilities	**(11.2)**	(8.7)
Fixed rate instruments		
Financial assets	**–**	–
Financial liabilities	**(1.3)**	(1.8)

Sensitivity analysis

The Group has estimated the impact on the Consolidated Statement of Income and on equity of the following changes in market conditions at the balance sheet date:

- one percentage point increase in interest rates;
- ten percentage point weakening in the value of sterling against all currencies; and
- ten percentage point strengthening in the value of sterling against all currencies.

The sensitivities above represent the Directors' view of reasonably possible changes in each risk variable, not worst-case scenarios or stress tests. The outputs from the sensitivity analysis are estimates of the impact of market risk assuming that the specified changes occur at the year end and are applied to the risk exposures at that date. Accordingly, they show the impact on the balance sheet of an instantaneous shock. The calculations include all hedges in place at the year end.

Actual results in the future may differ materially from these estimates due to commercial actions taken to mitigate any potential losses from such rate movements, to the interaction of more than one sensitivity occurring and to further developments in global financial markets. As such, this table should not be considered as a projection of likely future gains and losses.

2023	1% increase in interest rates £m	10% weakening in sterling £m	10% strengthening in sterling £m
Impact on adjusted profit (Note 1)	**0.9**	**(10.2)**	**10.2**
Impact on reported profit	**0.9**	**(7.5)**	**7.5**
Impact on equity	**0.8**	**(6.1)**	**6.1**

2022	1% increase in interest rates £m	10% weakening in sterling £m	10% strengthening in sterling £m
Impact on adjusted profit (Note 1)	0.9	(6.3)	6.3
Impact on reported profit	0.9	(4.3)	4.3
Impact on equity	0.8	(3.5)	3.5

23 Called up share capital

Issued and fully paid ordinary shares:

	2023 Number of shares	2022 Number of shares
At the beginning of the year	**57,654,455**	57,461,453
Issued for cash	**58,053**	193,002
At the end of the year	**57,712,508**	57,654,455

	2023		2022	
	Number of shares	£m	Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of 5 pence each	**57,712,508**	**2.9**	57,654,455	2.9

The holders of the ordinary shares are entitled to receive dividends as declared, a proportionate amount of capital on a winding up of the company and one vote per share at meetings of the company.

24 Borrowings

	Effective interest rate	Maturity date	2023 £m	2022 £m
Current				
Covid-19 loan at WITec	1.00%	May 2026	**0.4**	0.5
Bank overdrafts			**11.2**	8.7
At the end of the year			**11.6**	9.2

	Effective interest rate	Maturity date	2023 £m	2022 £m
Non-current				
Covid-19 loan at WITec	1.00%	May 2026	**0.9**	1.3
At the end of the year			**0.9**	1.3

The Group's undrawn committed facilities available at 31 March 2023 were £108.4m, comprising the undrawn portion of the Group's £108.4m revolving credit facilities. These facilities expire on 28 June 2025 and comprise an $80m and a €50m facility.

Bank overdrafts reflect the aggregated overdrawn balances of Group companies (even if those companies have other positive cash balances). The overdrafts are held with the Group's relationship banks.

The Group's uncommitted overdraft facilities at 31 March 2023 were £18.8m.

A reconciliation of the Group's borrowings balances is shown below.

	2023 £m	2022 £m
Balance at the beginning of the year	**10.5**	30.4
Increase in borrowings (from acquisition of WITec)	**-**	1.9
Repayment of borrowings (cash flow from financing activities)	**(0.5)**	(0.1)
Increase/(decrease) in bank overdrafts	**2.5**	(21.7)
Interest charged	**0.7**	0.5
Interest paid	**(0.7)**	(0.5)
At the end of the year	**12.5**	10.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

25 Retirement benefit obligations

The Group operates a defined benefit plan in the UK. The plan offers pensions in retirement and death in service benefit to members. Pension benefits are related to members' final salary at retirement and their length of service. The scheme has been closed to new members since 2001 and closed to future accrual since 2010.

The amounts recognised in the Consolidated Statement of Financial Position are:

	2023 £m	2022 £m
Present value of funded obligations	**225.1**	300.0
Fair value of plan assets	**(251.5)**	(351.7)
Recognised asset for defined benefit obligations	**(26.4)**	(51.7)

The reconciliation of the opening and closing balances of the present value of the defined benefit obligation is as follows:

	2023 £m	2022 £m
Benefit obligation at the beginning of the year	**300.0**	323.9
Interest on defined benefit obligation	**8.2**	6.7
Benefits paid	**(12.3)**	(11.1)
Remeasurement (gain)/loss on obligation	**(70.8)**	(19.5)
Benefit obligation at the end of the year	**225.1**	300.0

The reconciliation of the opening and closing balances of the present value of the fair value of plan assets is as follows:

	2023 £m	2022 £m
Fair value of plan assets at the beginning of the year	**351.7**	340.2
Interest on plan assets	**9.8**	7.1
Contributions by employer	**12.2**	8.0
Benefits paid	**(12.3)**	(11.1)
Administrative expenses	**(0.5)**	(0.4)
Actual return on assets excluding interest income	**(109.4)**	7.9
Fair value of plan assets at the end of the year	**251.5**	351.7

The amounts recognised in respect of the defined benefit scheme in the Consolidated Statement of Income is:

	2023 £m	2022 £m
Total defined benefit income	**(1.1)**	-

Defined contribution schemes

In the UK, employees are offered participation in the defined contribution Oxford Instruments Stakeholder Plan. The company contribution rate and employee contribution rate varies between grades and whether the individual had previously been in the defined benefit scheme. The company contribution ranges between 4% and 14% of base salary. The Group also operates a 401k defined distribution plan in the US. Details of pension schemes contributions made in respect of Directors can be found in the Remuneration Report. The total defined contribution pension scheme cost for the year ended 31 March 2023 was £6.2m (2022 - £4.8m).

Defined benefit and defined contribution pension costs are recorded in the following lines in the Consolidated Statement of Income:

	2023 £m	2022 £m
Cost of sales	**1.7**	1.7
Research and development	**1.5**	1.2
Selling and marketing costs	**1.4**	1.0
Administration and shared services	**2.1**	1.3
Financial income	**(1.6)**	(0.4)
	5.1	4.8

The Group has agreed a basis for deficit recovery payments with the trustees of the UK pension scheme. The deficit recovery payments are payable through to and including 2026 and will rise by approximately 3% per annum. The annual deficit recovery payment was £8.2m (2022: £8.0m) for the financial year. In the current year, the Directors decided to make an additional one-off payment of £4.0m to the UK pension scheme to reduce the Group's exposure.

25 Retirement benefit obligations continued

In 2018 the trustees of the UK defined benefit scheme, in consultation with the company, reduced its exposure to on-risk assets (a portfolio of market-focused asset classes, the majority being equities) with a corresponding increase in its liability-driven investments, with the objective of steering a more stable journey to being fully funded. The pension fund's gross exposure to on-risk assets fell from 85% to 45%; the majority of transactions required to make this change were completed in February 2018. As a result, the level of risk inherent in the investment strategy is now significantly lower than previously, in addition to a substantial reduction in funding level volatility. Following investment outperformance and contributions made by the Group in the year to 31 March 2022 the allocation to on-risk assets has been further reduced to 35%, with a view to further reduction in funding level volatility.

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

The Group expects to contribute approximately £8.5m to the UK defined benefit plan in the next financial year.

Remeasurement gains and losses shown in the Consolidated Statement of Comprehensive Income:

	2023 £m	2022 £m
Actual return on assets excluding interest income	**(109.4)**	7.9
Experience loss on scheme obligations	**(10.3)**	(1.6)
Changes in assumptions underlying the present value of scheme obligations:		
– Financial	**78.3**	23.5
– Demographic	**2.8**	(2.5)
Actuarial (losses)/gains recorded in the Consolidated Statement of Comprehensive Income	**(38.6)**	27.3

The table below shows the sensitivity of the Consolidated Statement of Financial Position to changes in the significant pension assumptions:

	2023 £m	Discount rate (-0.1% p.a.) £m	Inflation rate (+0.1% p.a.) £m	Life expectancy (+one year) £m
Present value of funded obligations	**225.1**	**228.2**	**227.6**	**231.2**
Fair value of plan assets	**(251.5)**	**(251.5)**	**(251.5)**	**(251.5)**
Surplus	**(26.4)**	**(23.3)**	**(23.9)**	**(20.3)**

The valuation of defined benefit liabilities is most sensitive to changes in the discount rate, inflation rate and mortality rate. The sensitivities have been calculated by running the liability calculations in full using the alternative assumptions. In each case, only the indicated assumption has changed by the amount stated. For the inflation sensitivity, the impact on the assumptions that are based on RPI inflation, such as CPI inflation and the inflation-linked pension increases, has been included.

Defined benefit scheme – UK

A full actuarial valuation of the UK plan was carried out as at 31 March 2021 which, for reporting purposes, has been updated to 31 March 2023 by a qualified independent actuary.

The major assumptions used by the actuary for the purposes of IAS 19 were (in nominal terms):

	2023 %	2022 %
Discount rate	**4.8**	2.8
Rate of increase in pensions in payment ('3LPI')	**2.3**	2.6
Rate of increase in pensions in payment ('5LPI')	**3.0**	3.4
Rate of inflation ('CPI')	**2.4**	2.8
Rate of inflation ('RPI')	**3.2**	3.5
Mortality – pre and post-retirement	**97% of S2PA tables (99% for females) future improvement in line with CMI 2021 with 1.25% long-term trend**	91% of S2PA tables (93% for females) future improvement in line with CMI 2021 with 1.25% long-term trend

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

25 Retirement benefit obligations continued

As at 31 March 2023 the weighted average duration of the defined benefit obligations was 13.5 years (2022: 17 years).

The mortality assumptions imply the following expected future lifetime from age 65:

	2023 years	2022 years
Pre-retirement – males	**23.2**	23.6
Pre-retirement – females	**25.3**	25.7
Post-retirement – males	**21.9**	22.3
Post-retirement – females	**23.8**	24.2

The assumptions have been chosen by the Directors from a range of possible actuarial assumptions, which, due to the timescales covered, may not be borne out in practice.

The assets in the plan were:

	2023 £m	2022 £m
Equities	**62.9**	61.0
Corporate and emerging market bonds	**22.1**	24.7
Gilts	**113.5**	198.8
Property	**5.4**	5.3
Insurance-linked funds	**12.2**	21.2
Credit and global loan funds	**0.1**	0.1
Hedge funds	**25.5**	31.3
Cash	**9.8**	9.3
	251.5	351.7

Where assets have no observable market price a valuation will be provided by the fund manager. The scheme's investment manager will accept that valuation if it is within the expected range of performance. Otherwise, the investment manager will query the valuation with the fund manager. Complex financial instruments are valued by the scheme's investment manager who uses financial models which take as their input the characteristics of the instrument and observable market data such as swap rates.

The UK pension scheme implements a liability hedge strategy which is designed to protect the scheme's funding level from changes in gilt yields and inflation expectations. The liability hedge strategy consists of a portfolio of gilts, gilt derivatives, interest rate and inflation swaps. At 31 March 2019, the liability hedge strategy fully covered the scheme's liabilities from changes in gilt yields and inflation expectations. However, this is not a precise match for the IAS 19 defined benefit obligation, which is based on corporate bond yields rather than gilt yields.

26 Trade and other payables

	2023 £m	2022 as restated[1] £m
Trade payables	**30.3**	29.3
Customer deposits	**52.1**	41.3
Social security and other taxes	**6.1**	5.0
Accrued expenses	**44.9**	35.1
Deferred income	**21.3**	21.2
Other payables	**4.7**	7.7
	159.4	139.6

(1) Details of restatement of prior year numbers can be found in the accounting policies. £1.3m of VAT payable balances, previously presented within Other payables at 31 March 2022, have been reclassified within Social security and other taxes.

27 Contract assets and liabilities

	2023			2022		
	Contract asset	**Contract liability**		Contract asset	Contract liability	
	Accrued income £m	**Customer deposits £m**	**Deferred income £m**	Accrued income £m	Customer deposits £m	Deferred income £m
Balance at 1 April	**4.2**	**(41.3)**	**(21.2)**	2.9	(41.9)	(16.5)
Acquired balances	**–**	**–**	**–**	0.6	(0.3)	(0.1)
Transfers in the period from contract assets to trade receivables	**(4.2)**	**–**	**–**	(2.9)	–	–
Amounts included in contract liabilities that were recognised as revenue during the period	**–**	**38.6**	**21.2**	–	31.8	16.5
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	**4.8**	**–**	**–**	3.6	–	–
Cash received in advance of performance and not recognised as revenue during the period	**–**	**(49.4)**	**(21.3)**	–	(30.9)	(21.1)
Balance at 31 March	**4.8**	**(52.1)**	**(21.3)**	4.2	(41.3)	(21.2)

Contract assets end contract liabilities are included within trade and other receivables and trade and other payables, respectively, on the face of the Consolidated Statement of Financial Position.

Payment terms for the sale of large goods typically require payment of a deposit on order, with the remaining payments due on shipment, and in some cases installation. For lower value goods, payment is typically required at shipment. Maintenance and service contracts are generally paid in full at inception. There is no financing component in the arrangements, and contracts are for specified, pre-agreed amounts with no variable element.

28 Provisions for other liabilities and charges

	Warranties £m	IP-Related claims £m	Other £m	Total £m
Balance as at 1 April 2022	3.9	0.6	3.3	7.8
Provisions made during the year	**2.9**	**–**	**0.8**	**3.7**
Provisions used during the year	**(1.4)**	**–**	**(0.7)**	**(2.1)**
Provisions released during the year	**(1.8)**	**–**	**–**	**(1.8)**
Effect of movement in foreign exchange	**–**	**–**	**–**	**–**
Balance as at 31 March 2023	**3.6**	**0.6**	**3.4**	**7.6**
Amounts falling due before one year	**3.6**	**0.6**	**3.4**	**7.6**
Amounts falling due after more than one year	**–**	**–**	**–**	**–**

Warranty provisions

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business and included within the Group companies' standard terms and conditions. Warranty commitments typically apply for a 12 month period. The provision represents the Directors' best estimate of the Group's liability based on past experience.

Intellectual property-related claims

The company has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent the Directors' best estimate of the likely outcome. The timing of utilisation of these provisions is frequently uncertain, reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent the Directors' best estimate of the future cost of settling obligations arising from past activity and reflect the Directors' assessment of the likely settlement method, which may change over time. However, no provision is made for proceedings which have been brought by other parties against Group companies unless the Directors, taking into account professional advice received, assess that it is more likely than not that such proceedings may be successful. In respect of the provision for IP-related claims the range of possible outcomes is between £nil and £0.6m.

Other provisions

Other provisions relate to various obligations including obligations in respect of onerous contracts, product-related liabilities, dilapidation provisions and provisions for other claims. £0.1m of other provisions fall due after more than one year and are expected to fall due within the next seven years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

29 Leases

The Group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation and in others to be reset periodically to market rental rates. In some jurisdictions' property leases, the periodic rent is fixed over the lease term.

The Group also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would exposes the Group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Group.

The Group leases assets including land and buildings, vehicles and machinery. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	Property leases £m	Other leases £m	Total £m
Cost			
Balance at 1 April 2021	13.3	1.9	15.2
Additions – business combinations	2.6	0.2	2.8
Additions – other	10.1	0.8	10.9
Disposals	(1.7)	(0.3)	(2.0)
Exchange differences	0.7	–	0.7
Balance at 31 March 2022 and 1 April 2022	25.0	2.6	27.6
Additions	**17.4**	**0.8**	**18.2**
Modifications	**(1.0)**	**–**	**(1.0)**
Disposals	**–**	**(0.5)**	**(0.5)**
Exchange differences	**1.1**	**0.1**	**1.2**
Balance at 31 March 2023	**42.5**	**3.0**	**45.5**
Depreciation and impairment losses			
Balance at 1 April 2021	6.9	1.0	7.9
Depreciation charge for the year	2.9	0.5	3.4
Disposals	(1.7)	(0.2)	(1.9)
Exchange differences	0.3	–	0.3
Balance at 31 March 2022 and 1 April 2022	8.4	1.3	9.7
Depreciation charge for the year	**4.1**	**0.5**	**4.6**
Disposals	**–**	**(0.5)**	**(0.5)**
Exchange differences	**0.3**	**–**	**0.3**
Balance at 31 March 2023	**12.8**	**1.3**	**14.1**
Carrying amounts			
Balance at 1 April 2021	**6.4**	**0.9**	**7.3**
Balance at 31 March 2022 and 1 April 2022	**16.6**	**1.3**	**17.9**
Balance at 31 March 2023	**29.7**	**1.7**	**31.4**

29 Leases continued

Lease payables

	2023 £m	2022 £m
Balance at beginning of year	**18.4**	7.5
Additions – business combinations	**–**	2.8
Additions – other	**18.1**	10.9
Modifications	**(1.0)**	–
Payments made (cash flows from financing activities)	**(5.6)**	(3.4)
Interest charge	**0.5**	0.3
Effect of movements in foreign exchange rates	**1.0**	0.3
	31.4	18.4
Amounts falling due after more than one year	**26.2**	14.9
Amounts falling due in less than one year	**5.2**	3.5

Amounts recognised in Consolidated Statement of Income

	2023 £m	2022 £m
Interest on lease payables	**(0.5)**	(0.3)
Depreciation of right-of-use assets	**(4.6)**	(3.4)

Amounts recognised in Consolidated Statement of Cash Flows

	2023 £m	2022 £m
Interest paid on lease payables	**(0.5)**	(0.3)
Repayment of lease payables	**(5.1)**	(3.4)

30 Capital commitments

Lease for new Plasma Technology site

On 28 January 2021, the Group entered into an agreement for a lease in respect of a new site for its Plasma Technology business. Practical completion occurred on 30 May 2022 and consequently the Group has entered into a 20-year lease. This resulted in a right-of-use asset and corresponding lease liability of £13.5m on this date.

Proposed lease for new Japan regional office

On 31 January 2023, the Group entered into an agreement for a lease in respect of a new office for its Japan regional office. Practical completion is expected to occur on 1 August 2023 and consequently the Group will enter into a three-year lease.

31 Contingent liabilities

In an international group of companies, a variety of legal claims arise from time to time. The Board, having taken legal advice, is of the opinion that any ongoing actions and investigations will not have a material impact on the Group's financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32 Related parties

All transactions with related parties are conducted on an arm's length basis and in accordance with normal business terms. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of key management personnel is as follows:

	2023 £m	2022 £m
Short-term employee benefits	**4.2**	3.7
Post-employment benefits	**0.1**	0.2
Share-based payment charges	**1.8**	1.6
Total	**6.1**	5.5

Key management personnel include the Executive Directors and the Management Board.

Short-term employee benefits comprise salary and benefits earned during the year and bonuses awarded for the year.

33 Exchange rates

The principal exchange rates to sterling used were:

Year-end rates	2023	2022
US dollar	**1.24**	1.32
Euro	**1.14**	1.18
Japanese yen	**165**	160

Average translation rates

2023	US dollar	Euro	Japanese yen
April	**1.28**	**1.19**	**161**
May	**1.26**	**1.18**	**163**
June	**1.24**	**1.17**	**164**
July	**1.22**	**1.18**	**164**
August	**1.19**	**1.18**	**162**
September	**1.14**	**1.15**	**161**
October	**1.13**	**1.15**	**166**
November	**1.17**	**1.16**	**169**
December	**1.20**	**1.14**	**162**
January	**1.22**	**1.13**	**159**
February	**1.22**	**1.14**	**163**
March	**1.22**	**1.14**	**165**

Average translation rates

2022	US dollar	Euro	Japanese yen
April	1.38	1.16	152
May	1.40	1.16	153
June	1.40	1.16	154
July	1.39	1.17	153
August	1.38	1.17	152
September	1.36	1.16	151
October	1.36	1.17	153
November	1.35	1.18	153
December	1.34	1.18	153
January	1.35	1.19	155
February	1.34	1.20	155
March	1.33	1.19	157

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 March 2023

	Notes	2023 £m	2022 as restated[1] £m
Assets			
Non-current assets			
Intangible assets	d	**1.3**	1.3
Tangible assets	c	**0.4**	0.4
Right-of-use assets		**0.1**	0.1
Investments in subsidiary undertakings	e	**324.6**	323.6
Trade and other receivables	f	**41.8**	35.9
Derivative financial instruments		**0.4**	–
Retirement benefit asset	j	**6.0**	11.8
Deferred tax assets	i	**2.3**	0.1
		376.9	373.2
Current assets			
Trade and other receivables	f	**20.2**	20.1
Derivative financial instruments		**7.8**	3.2
Cash and cash equivalents		**62.4**	54.8
		90.4	78.1
Total assets		**467.3**	451.3
Equity			
Capital and reserves attributable to the company's equity shareholders			
Share capital		**2.9**	2.9
Share premium		**62.6**	62.5
Capital redemption reserve		**0.1**	0.1
Other reserves		**7.6**	7.6
Retained earnings		**286.4**	271.7
		359.6	344.8
Liabilities			
Non-current liabilities			
Derivative financial instruments		**–**	0.3
		–	0.3
Current liabilities			
Bank overdrafts	h	**0.2**	0.1
Corporation tax		**0.4**	–
Derivative financial instruments		**7.2**	3.4
Trade and other payables	g	**99.9**	102.7
		107.7	106.2
Total liabilities		**107.7**	106.5
Total liabilities and equity		**467.3**	451.3

(1) Details of restatement of prior year numbers can be found in the accounting policies.

The company's profit for the financial year was £29.1m (2022: £16.3m). Other comprehensive expense in the year was £6.6m (2022: income of £4.7m). The expense will not subsequently be reclassified to statement of income.

The Financial Statements were approved by the Board of Directors on 14 July 2023 and signed on its behalf by:

Ian Barkshire
Director

Gavin Hill
Director

Company number: 775598

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2023

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
As at 1 April 2022	2.9	62.5	0.1	7.6	271.7	344.8
Profit for the year					29.1	29.1
Other comprehensive expense:	–	–	–	–		
– Remeasurement of defined benefit liability, net of tax					(6.6)	(6.6)
Total comprehensive income for the year	–	–	–	–	22.5	22.5
– Share options awarded to employees	–	–	–	–	1.4	1.4
– Share options awarded to employees of subsidiaries	–	–	–	–	1.0	1.0
– Tax credit in respect of share options	–	–	–	–	0.4	0.4
– Proceeds from shares issued	–	0.1	–	–	–	0.1
– Dividends paid	–	–	–	–	(10.6)	(10.6)
As at 31 March 2023	**2.9**	**62.6**	**0.1**	**7.6**	**286.4**	**359.6**
As at 1 April 2021	2.9	62.4	0.1	7.6	260.8	333.8
Profit for the year					16.3	16.3
Other comprehensive income:	–	–	–	–		
– Remeasurement of defined benefit liability, net of tax					4.7	4.7
Total comprehensive income for the year	–	–	–	–	21.0	21.0
– Share options awarded to employees	–	–	–	–	1.3	1.3
– Share options awarded to employees of subsidiaries	–	–	–	–	0.8	0.8
– Tax credit in respect of share options	–	–	–	–	0.1	0.1
– Proceeds from shares issued	–	0.1	–	–	–	0.1
– Dividends paid	–	–	–	–	(12.3)	(12.3)
As at 31 March 2022	2.9	62.5	0.1	7.6	271.7	344.8

Details of issued, authorised and allotted share capital are included in Note 23 to the Group Financial Statements.

Details of the Group's share option schemes are included in Note 11 to the Group Financial Statements.

Details of the Group's defined benefit pension scheme are included in Note 25 to the Group Financial Statements.

Details of dividends paid are included in Note 13 to the Group Financial Statements.

Other reserves relates to premium on shares issued as part of acquisitions made in the year to 31 March 1987.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Year ended 31 March 2023

(a) Accounting policies

Basis of preparation

Oxford Instruments plc is a company incorporated and domiciled in the UK. These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) on the historical cost basis, except that derivative financial instruments are stated at their fair value.

In preparing these Financial Statements, the company applied the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006.

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, intangible assets and investment properties;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new, but not yet effective, accounting standards; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated Financial Statements of Oxford Instruments plc include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-based Payments in respect of Group settled share-based payments; and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

As permitted by Section 408 of the Companies Act 2006, a separate statement of income for the company has not been included in these Financial Statements.

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

Going concern

The Financial Statements have been prepared on a going concern basis, based on the Directors' opinion, after making reasonable enquiries, that the company has adequate resources to continue in operational existence for the foreseeable future. Further details on the Group's going concern can be found on pages 93 and 102 to 104.

Taxation

Income tax on the statement of income for the year comprises current and deferred tax. Income tax is recognised in statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets are measured on an undiscounted basis.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors. Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
Year ended 31 March 2023 continued

(a) Accounting policies continued

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Details of the Group's interest-bearing borrowings are included in Note 24 to the Group Financial Statements.

Intra-Group lending

The company has lent funds to and from its UK subsidiaries on interest-free terms. These amounts are repayable on demand. They are stated at cost less any impairment losses.

Derivative financial instruments

The company's accounting policies for financial instruments are the same as the Group's accounting policies under IFRS, namely IAS 32 Financial Instruments: Presentation, IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. These policies are set out in accounting policy '(e) Financial instruments' in the Group accounting policies, on page 194.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Computer equipment – 4 years
- Furniture and fittings – 4 years

Depreciation methods, useful lives and residual values are reviewed at each statement of financial position date.

Intangible assets

Intangible assets represents internally developed software. Amortisation is charged to the statement of income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software – 10 years

Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

Trade and other debtors are initially recognised at fair value and subsequently stated at their amortised cost less appropriate provision for impairment. The provision for impairment of debtors is based on lifetime expected credit losses, which is then updated for any reasonable and supportable forward-looking information and expectations. Lifetime expected credit losses are calculated by assessing historic credit loss experience. The movement in the provision is recognised in the company's statement of income.

Non-financial assets

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

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in the statement of income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

(a) Accounting policies continued

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

Employee benefits

Defined contribution plans

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

Defined benefit plans

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

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the company's obligations and that are denominated in the currency in which the benefits are expected to be paid. Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the statement of income. The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The company is the sponsoring employer of a Group-wide defined benefit pension plan. The net defined benefit cost of the plan is charged to participating entities on the basis of the proportion of scheme membership attributable to each legal entity at the reporting date. The contributions payable by the participating entities are determined using an agreed ratio which has been in place for approximately ten years.

Short-term benefits

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

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Share-based payment transactions

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Year ended 31 March 2023 continued

(a) Accounting policies continued

Where the company grants options over its own shares to the employees of its subsidiaries, it recognises, in its individual Financial Statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share based payment charge recognised in its consolidated Financial Statements with the corresponding credit being recognised directly in equity. Amounts recharged to the subsidiary are recognised as a reduction in the cost of investment in subsidiary. If the amount recharged exceeds the increase in the cost of investment, the excess is recognised as a dividend.

Own shares held by ESOP trust

The policy with regard to transactions of the company-sponsored ESOP trust can be found in the Group accounting policies.

Leases

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

Foreign currencies

The company enters into forward exchange contracts and options to mitigate the currency exposures that arise on sales and purchases denominated in foreign currencies. Transactions in foreign currencies are converted into sterling at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the statement of financial position date. Exchange profits and losses arising from the above are dealt with in the statement of income.

Investments

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

Dividends on shares presented within shareholders' funds

Dividends unpaid at the statement of financial position date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the Financial Statements.

Financial guarantee contracts

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

(a) Accounting policies continued

Prior year restatement

The Directors concluded that separate value-added tax (VAT) receivable and payable balances, within the same VAT group, or within individual registrations, of group entities, including the Company, held on the Consolidated and Parent Company Statement of Financial Position at 31 March 2022 and 31 March 2021 should have been netted off with one another, rather than presented gross.

As a result, the Parent Company Statement of Financial Position as at 31 March 2022 has been restated as follows:

	2022 (as reported) £m	Restatement £m	2022 (restated) £m
Company Statement of Financial Position			
Current assets			
Trade and other receivables	22.8	(2.7)	20.1
Current liabilities			
Trade and other payables	(105.4)	2.7	(102.7)

The restatement did not result in any change to reported profit or net assets reported in the 2022 financial year.

The impact on the opening Parent Company Statement of Financial Position as at 31 March 2021 is as follows:

	2021 (as reported) £m	Restatement £m	2021 (restated) £m
Company Statement of Financial Position			
Current assets			
Trade and other receivables	20.6	(2.1)	18.5
Current liabilities			
Trade and other payables	(117.1)	2.1	(115.0)

This did not result in any change to the Company's reported profit or net assets in the 2021 financial year. The Directors considered the requirement of IAS 1.40A, for inclusion of a third statement of financial position on the face of the primary statement, and determined that such presentation would not add further to the understanding of the user of the financial statements, than the 31 March 2021 information included in this note above.

(b) Profit for the year

The company's profit for the financial year was £29.1m (2022: £16.3m). Other comprehensive expense in the year was £6.6m (2022: income of £4.7m). The expense will not subsequently be reclassified to the statement of income.

The auditor's remuneration comprised £250,000 (2022: £210,000) for the statutory audit.

The average number of people employed by the company (including Directors) during the year was 79 (2022: 79). All these individuals were involved in administration.

The aggregate payroll costs (including Directors) of these people were as follows:

	2023 £m	2022 £m
Wages and salaries	**7.3**	6.4
Social security costs	**1.5**	1.5
Other pension costs	**0.3**	0.2
	9.1	8.1

The share-based payment charge was £1.4m (2022: £1.3m). Details of the Group's share option schemes are included in Note 11 to the Group Financial Statements.

Full details of the emoluments paid to Directors can be found in the Remuneration Report on pages 144 to 173.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
Year ended 31 March 2023 continued

(c) Tangible fixed assets

	Furniture and fittings £m	Computer equipment £m	Total £m
Cost			
Balance at 1 April 2022	–	2.9	2.9
Additions	0.1	–	0.1
Disposals	–	(1.2)	(1.2)
Balance at 31 March 2023	**0.1**	**1.7**	**1.8**
Depreciation			
Balance at 1 April 2022	–	2.5	2.5
Charge for year	–	0.1	0.1
Disposals	–	(1.2)	(1.2)
Balance at 31 March 2023	**–**	**1.4**	**1.4**
Net book value			
Balance at 31 March 2022	–	0.4	0.4
Balance at 31 March 2023	**0.1**	**0.3**	**0.4**

(d) Intangible assets

	Software £m
Cost	
Balance at 1 April 2022	3.0
Additions	0.1
Balance at 31 March 2023	**3.1**
Depreciation and impairment losses	
Balance at 1 April 2022	1.7
Charge for year	0.1
Balance at 31 March 2023	**1.8**
Net book value	
Balance at 1 April 2022 and 31 March 2023	**1.3**

(e) Investments

	Investments in subsidiary undertakings £m
Cost or valuation	
Balance at 1 April 2022	342.3
Expense in respect of share options transferred to subsidiary undertakings	1.0
Balance at 31 March 2023	**343.3**
Impairment	
Balance at 1 April 2022 and 31 March 2023	**18.7**
Net book value	
Balance at 31 March 2022	323.6
Balance at 31 March 2023	**324.6**

Related undertakings of the Group

The following disclosure is provided in accordance with Section 409 of the Companies Act 2006.

As of 31 March 2023, the companies listed below and on the following pages are indirectly held by Oxford Instruments plc except for Oxford Instruments Industrial Products Holdings Limited, Oxford Instruments Nanotechnology Tools Holdings Limited and Oxford Instruments Overseas Holdings Limited, which are all 100% directly owned by Oxford Instruments plc.

The financial year end of each company is 31 March unless otherwise indicated.

All subsidiary undertakings are controlled by the Group and their results are fully consolidated in the Group's financial statements.

(e) Investments continued

Subsidiaries

Company name	Note	Address	Ownership interest	% of class held
Andor Technology Limited		7 Millennium Way, Springvale Business Park, Belfast, NI, BT12 7AL, Northern Ireland	Ordinary shares	100
Andor Technology, Inc.		300 Baker Avenue, Suite 150, Concord MA 01742, United States	Common stock	100
Bitplane AG		Zurcherstrasse 6, 8952 Schlieren, Switzerland	Ordinary shares Preference shares	100
Oxford Instruments AFM Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments America Inc		300 Baker Avenue, Suite 150, Concord MA 01742, United States	Common stock	100
Oxford Instruments Asylum Research Inc		7416 Hollister Avenue, Santa Barbara, CA 93117, United States	Common stock	100
Oxford Instruments Australia Pty Limited		C/O ECOVIS, Suite 7, 13 Hickson Road, Dawes Point, New South Wales, Australia	Ordinary shares	100
Oxford Instruments Funding Limited	1	PO Box 175, Frances House, Sir William Place, St Peter Port, GY1 4HQ, Guernsey	Ordinary shares	100
Oxford Instruments GmbH		Borsigstrasse 15a, 65205, Wiesbaden, Germany	Ordinary shares	100
Oxford Instruments Holdings 2013 Inc		300 Baker Avenue, Suite 150, Concord MA 01742, United States	Common stock	100
Oxford Instruments Holdings Europe Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX England	Ordinary shares	100
Oxford Instruments Holdings GmbH		Borsigstrasse 15a, 65205, Wiesbaden, Germany	Ordinary shares	100
Oxford Instruments India Private Limited		Plot No. A-279, Ground Floor Road No. 16A, Ambica Nagar, Wagle Industrial Estate, Thane (West), Thane, MH, 400604, India	Equity shares	100
Oxford Instruments Industrial Products Holdings Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Industrial Products Limited		Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Italia s.r.l..		Via Della Chiusa 15, 20123, Milan, Italy	Capital stock	100
Oxford Instruments KK		IS Building, 3-32-42 Higashi-Shinagawa, Shinagawa-ku Tokyo, 140-0002, Japan	Ordinary shares	100
Oxford Instruments Molecular Biotools Limited	2	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Nanotechnology Tools Holdings Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Nanotechnology Tools Limited		Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Nordiska AB		C/o TMF Sweden AB, Sergels Torg 12, 111 57, Stockholm, Sweden	Shares	100
Oxford Instruments Overseas Holdings 2008 Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Overseas Holdings Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Overseas Marketing GmbH		Borsigstrasse 15a, 65205, Wiesbaden, Germany	Ordinary shares	100
Oxford Instruments Overseas Marketing Limited		Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Private Limited		Messrs Tan Rajah & Cheah, 80 Raffles Place, #58-01 UOB Plaza 1, 048624, Singapore	Ordinary shares	100
Oxford Instruments SAS		9 Avenue du Canada, Immeuble "Le Méridien", 91940 Les Ulis, France	Ordinary shares	100
Oxford Instruments Technologies Oy		Technopolis Innopoli 1, Tekniikantie 12, Espoo, 02150, Finland	Ordinary shares	100
Oxford Instruments Technology (Shanghai) Co. Ltd		Floor 1, Building 60, 461 Hongcao Road, Xuhui District, Shanghai, China	Registered capital	100

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
Year ended 31 March 2023 continued

(e) Investments continued

Company name	Note	Address	Ownership interest	% of class held
Oxford Instruments UK 2013 Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments X-Ray Technology Inc		360 El Pueblo Road, Scotts Valley CA 95066, United States	Common stock	100
Spectral Applied Research Inc		199 Bay Street, Suite 5300, Commerce Court West, Toronto ON M5L 1B9, Canada	Common shares	100
WITec (Beijing) Scientific Technology Co. Ltd.	3	Unit 1307A, Air China Plaza Tower 1, No. 36 Xiaoyun Road, Chaoyang District, 100027, Beijing, China	Registered capital	100
WITec Pte. Ltd.	3	25 International Business Park, #03-59A German Centre, 609916, Singapore	Ordinary shares	100
WITec Wissenschaftliche Instrumente und Technologie GmbH		Lise-Meitner-Str. 6, D-89081 Ulm, Germany	Ordinary shares	100

1. UK tax resident.
2. Dormant entity.
3. Financial year end is 31 August.
4. Entity to take advantage of s479A Companies Act 2006 (s479A) audit exemption for the year ending 31 March 2023. Oxford Instruments plc will issue a guarantee pursuant to S479A in relation the liabilities of the entity.

(f) Trade and other receivables

	2023 £m	2022 as restated[(1)] £m
Amounts falling due after one year:		
Amounts owed by subsidiary undertaking	**41.8**	35.9
Amounts falling due within one year:		
Amounts owed by subsidiary undertaking	**18.5**	17.8
Other receivables	**0.3**	0.9
Prepayment and accrued income	**1.4**	1.4
	62.0	56.0

(1) Details of restatement of prior year numbers can be found in the accounting policies.

Amounts owed by subsidiary undertakings are interest-free, unsecured and repayable on demand.

The company has no immediate intention to recall £41.8m (2022: £35.9m) of these balances in the short term and so these amounts are classified as amounts falling due after more than one year.

(g) Trade and other payables

	2023 £m	2022 as restated[(1)] £m
Amounts falling due within one year:		
Trade payables	**0.3**	3.1
Amounts owed to subsidiary undertaking	**85.7**	94.5
Tax, social security and sales-related taxes	**1.7**	1.5
Accruals and deferred income	**12.2**	3.6
	99.9	102.7

(1) Details of restatement of prior year numbers can be found in the accounting policies.

Amounts owed to subsidiary undertakings are interest-free and repayable on demand.

(h) Bank overdraft

	2023 £m	2022 £m
Bank overdraft	**0.2**	0.1
At the end of the year	**0.2**	0.1

(i) Deferred tax asset

	2023 £m	2022 £m
Balance at 1 April	**0.1**	1.7
Statement of income debit	**(0.8)**	(0.1)
Other comprehensive income credit/(debit)	**3.0**	(1.5)
Balance at 31 March	**2.3**	0.1

The amounts of deferred tax assets are as follows:

	Recognised	
	2023 £m	2022 £m
Excess of depreciation over corresponding capital allowance	**0.4**	0.5
Employee benefits - pension and share scheme	**1.9**	(0.4)
	2.3	0.1

The company recognises deferred tax assets only to the extent that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

On 5 March 2021 it was announced that the rate of UK corporation tax would be increased to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021. As such, the UK deferred tax assets and liabilities have been calculated based on the enacted rate of 25% as utilisation will occur after that date.

(j) Pension commitments

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

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

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

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

Details of the scheme, its most recent actuarial valuation and its funding can be found in Note 25 to the Group Financial Statements. The contributions paid by the company to the Oxford Instruments Pension Scheme were £2.8m (2022: £1.8m).

(k) Guarantees

The company has given a guarantee to the pension scheme in respect of the liability of its UK subsidiaries to the pension scheme. The guarantee is for the excess of 105% of the liabilities of the scheme, calculated on the basis of Section 179 of the Pensions Act 2004, over the assets of the scheme.

The company and its UK subsidiaries have entered into a cross-guarantee for £10.0m (2022: £10.0m) in respect of bank overdraft facilities, of which £nil (2022: £nil) was drawn at the year end.

(l) Commitments

At 31 March 2023, capital commitments contracted were £nil (2022: £nil) and authorised were £nil (2022: £nil).

(m) Related party transactions

The company has a related party relationship with its Directors and Executive Officers and with its wholly owned subsidiary companies.

Transactions with key management personnel are disclosed in the Remuneration Report on pages 144 to 173. There were no other significant transactions with key management personnel in either the current or preceding year.

HISTORICAL FINANCIAL SUMMARY

Consolidated Statement of Income	2019 £m	2020 £m	2021 as restated[2] £m	2022 as restated[2] £m	**2023 £m**
Revenue from continuing operations	314.0	317.4	318.5	367.3	**444.7**
Adjusted operating profit from continuing operations[1]	47.7	50.5	56.7	66.3	**80.5**
Other operating income	–	–	–	–	**–**
Acquisition-related costs	–	–	(0.4)	(0.4)	**–**
Restructuring costs	–	(0.2)	–	–	**–**
Restructuring costs - relating to associate	(0.3)	–	–	–	**0.4**
Past service cost on defined benefit pension scheme	(0.3)	0.6	–	–	**–**
WiTec post-acquisition gross margin adjustment	–	–	–	(1.7)	**(0.5)**
Restructuring costs	–	–	–	–	**(0.4)**
Intellectual property litigation costs	–	–	–	–	**(0.5)**
Share of impairment recognised by associate	0.6	–	–	–	**–**
Inventory impairment	–	(0.4)	–	–	**–**
Profit on disposal of associate	–	6.5	–	–	**–**
Impairment of capitalised development costs	–	(7.1)	(1.3)	–	**(0.8)**
Amortisation of acquired intangibles	(8.8)	(8.7)	(8.4)	(9.5)	**(9.3)**
Fair value movement on financial derivatives	(1.5)	(1.4)	6.4	(6.4)	**3.0**
Operating profit from continuing operations	37.4	39.8	53.0	48.3	**72.4**
Net financing (costs)/income	(3.1)	(1.0)	(0.8)	(0.7)	**1.1**
Profit before taxation from continuing operations	34.3	38.8	52.2	47.6	**73.5**
Income tax expense	(6.5)	(6.8)	(10.4)	(9.0)	**(14.9)**
Profit for the year from continuing operations	27.8	32.0	41.8	38.6	**58.6**
Adjusted profit before tax from continuing operations	45.5	49.5	55.9	65.9	**82.0**

Consolidated Statement of Financial Position	2019 £m	2020 £m	2021 as restated[2] £m	2022 as restated[2] £m	**2023 £m**
Property, plant and equipment	24.2	21.8	21.1	31.7	**59.3**
Right-of-use assets	8.8	8.2	7.3	17.9	**31.4**
Intangible assets	152.5	135.5	122.6	140.7	**132.1**
Investment in associate	4.6	–	–	–	**–**
Long-term receivables	0.3	–	–	–	**0.5**
Deferred and current tax	7.1	2.7	3.9	(5.4)	**(2.9)**
Inventories	60.8	58.8	58.7	65.3	**81.4**
Trade and other receivables	79.4	72.0	76.0	95.8	**115.2**
Trade and other payables	(118.0)	(128.6)	(121.4)	(141.0)	**(160.6)**
Lease payables	(3.0)	(2.1)	(2.6)	(3.5)	**(5.2)**
Net assets excluding net cash	216.7	168.3	166.6	201.5	**251.2**
Cash and cash equivalents	74.6	119.5	128.0	96.4	**112.7**
Bank overdrafts	(39.4)	(24.1)	(30.4)	(8.7)	**(11.2)**
Bank borrowings	(28.5)	(27.9)	–	(1.8)	**(1.3)**
Net (debt)/cash	6.7	67.5	97.6	85.9	**100.2**
Lease payables	(6.0)	(6.5)	(4.9)	(14.9)	**(26.2)**
Provisions	(8.7)	(8.4)	(9.4)	(7.8)	**(7.6)**
Retirement benefit obligations	(6.5)	30.7	16.3	51.7	**26.4**
Net assets employed/capital and reserves attributable to the company's equity holders	202.2	251.6	266.2	316.4	**344.0**

Consolidated Statement of Income	2019 £m	2020 £m	2021 as restated[2] £m	2022 as restated[2] £m	**2023 £m**
Cash flows from continuing operations					
Net cash from operating activities	40.8	55.2	42.0	49.1	**66.5**
Net cash generated from/(used in) investing activities	(9.2)	6.0	(5.1)	(45.6)	**(36.4)**
Net cash used in financing activities	(22.1)	(11.4)	(30.5)	(15.7)	**(16.6)**
Net (decrease)/increase in cash equivalents from continuing operations	9.5	49.8	6.4	(12.2)	**13.5**
Per ordinary share	pence	pence	pence	pence	**pence**
Earnings – continuing	48.6	55.9	72.8	67.1	**101.6**
Adjusted earnings[1]	62.3	70.2	78.6	94.3	**112.7**
Dividends	14.4	-	17.0	18.1	**19.5**
Employees					
Average number of employees	1,579	1,585	1,619	1,878	**2,027**

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

(2) Details of restatement of prior year numbers can be found in the accounting policies.

COMPANY INFORMATION

Company name:
Oxford Instruments plc

Company number:
00775598

Registered office address:
Tubney Woods, Abingdon,
Oxon
OX13 5QX

Type:
Public Limited Company

Website:
www.oxinst.com

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