To accelerate the **breakthroughs** that create a **brighter future for our world.**

Oxford Instruments plc
Annual Report 2024

OXFORD INSTRUMENTS

To accelerate the **breakthroughs** that create a **brighter future for our world**

Our technology and scientific expertise enables our customers to discover and bring to market exciting new advances that drive human progress.

We provide academic and commercial organisations worldwide with market-leading scientific technology and expertise across our key market segments: Materials Analysis, Semiconductors and Healthcare & Life Science.

Innovation is the driving force behind our growth and success, supporting our core purpose to accelerate the breakthroughs that create a brighter future for our world.

We hold a unique position to anticipate global drivers and connect academic researchers with commercial applications engineers, acting as a catalyst that powers real world progress.

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

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2024 HIGHLIGHTS

Robust performance sustainable growth

Robust performance and market-leading technology in structural growth markets provide an excellent platform for revenue growth and margin expansion.

Adjusted financial highlights[1]

Revenue
£470.4m
(2023: £444.7m)
+5.8%
% change constant currency +9.8%

Net cash[3]
£83.8m
(2023: £100.2m)

Cash conversion[2]
64%
(2023: 88%)

Adjusted operating profit
£80.3m
(2023: £80.5m)
(0.2%)
% change constant currency +3.7%

Adjusted basic earnings per share
109.0p
(2023: 112.7p)
(3.3%)

Adjusted operating profit margin
17.1%
(2023: 18.1%)
(100bps)

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, pages 58 to 69, and Note 2, pages 163 to 165.
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.
5. Adjusted for the impact of £23m orders from China removed from orderbook due to export licence controls.

Operational and sustainability highlights

- New CEO and leadership team develop refreshed strategy; Group to be structured in two new divisions to drive growth and margin expansion
- Withdrawal of quantum commercial activities in China, in response to geopolitical dynamics, resulted in in-year losses
- 9.8% constant currency revenue growth underpinned by strong academic funding
- Action taken to focus resources on non-sensitive areas in China and grow revenue in other regions
- Underlying book-to-bill positive at 1.03, underlying orders at constant currency down 2.5%[5] against a strong comparator
- Carbon reduction goals accelerated to achieve net zero in Scopes 1 and 2 by 2030
- £75m state-of-the-art compound semiconductor facility in Severn Beach now operational
- AA rating from MSCI for Oxford Instruments' ESG performance
- Further investment for growth includes expansion of Belfast microscopy and scientific camera facility
- 78% employee engagement score (September 2023) reflects engaged employees and supportive, inclusive culture

Statutory financial highlights

Revenue
£470.4m
(2023: £444.7m)
+5.8%

Operating profit margin
14.5%
(2023: 16.3%)
(180bps)

Basic earnings per share
87.7p
(2023: 101.6p)
(13.7%)

Operating profit
£68.3m
(2023: £72.4m)
(5.7%)

Profit before taxation
£71.3m
(2023: £73.5m)
(3.0%)

Dividend per share for the year (proposed)
20.8p
(2023: 19.5p)
+6.7%

AT A GLANCE

We are a leading provider of scientific technology and expertise to academic and commercial partners worldwide

What we do

We develop and manufacture market-leading imaging, analysis and fabrication tools that accelerate new scientific breakthroughs. Our technology and market insight place us in a unique position to anticipate global drivers and connect academic researchers with commercial applications engineers, acting as a catalyst that powers real world progress.

Materials & Characterisation

Materials imaging and analysis solutions and advanced etch and deposition systems for compound semiconductor devices

For more information / **Pages 27 to 29**

Research & Discovery

Scientific cameras, microscopy, cryogenic and superconducting magnet technology and X-ray tubes

For more information / **Pages 30 to 32**

Service & Healthcare

Customer service and support for our own products and for third-party MRI scanners in Japan

For more information / **Page 33**

From 2024 the Group will report against a new divisional structure:

Imaging & Analysis

Microscopy, cameras, analytical instruments and software

Advanced Technologies

Compound semiconductor fabrication equipment, cryogenic and superconducting magnet technology and X-ray tubes

Revenue split by sector

Materials & Characterisation	£252.2m
Research & Discovery	£142.1m
Service & Healthcare	£76.1m

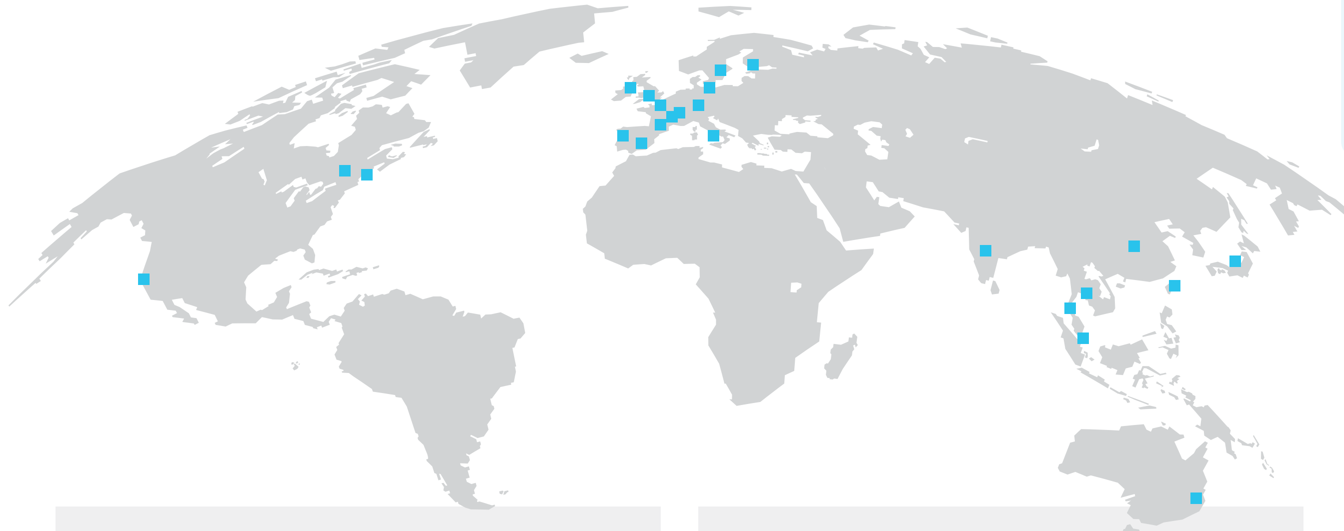
From 2024/25, we will report in a new divisional structure.

For further details / **Pages 10 to 15**

+2,000
Employees

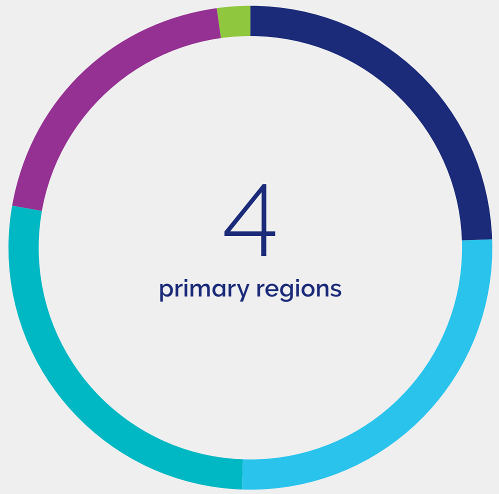
25
Base locations

23
Countries from which we operate



Where we operate

We sell products and services all over the world, employing more than 2,000 people across 25 bases in 23 countries.



Revenue by region

Europe	£116.1m
North America	£122.9m
China	£127.4m
Japan and ESEA	£94.1m
Rest of world	£9.9m

Who we work with

We work with thousands of academic and commercial organisations in three key structural growth markets.

Revenue by market

Materials Analysis	£201.0m
Semiconductor	£126.9m
Healthcare & Life Science	£90.6m
Other markets, including quantum	£51.9m

OUR PURPOSE-LED APPROACH

To accelerate the breakthroughs that create a… …brighter future for our world

Our technology and scientific expertise enables our customers to discover and bring to market exciting new advances that drive human progress.

Powering our ambition

Be the scientific instrumentation partner in every significant lab and production facility across the world

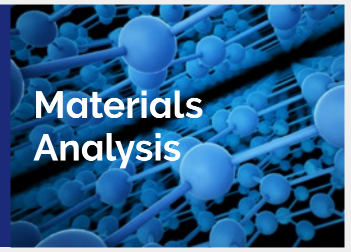
Driven by our strategy

Our strategic priorities / **Pages 22 to 23**

- Deliver strong growth through 'customer first' ways of working
- Deliver a step change in operational performance (delivery, quality, efficiency)
- Simplify the organisation, increasing collaboration and accountability
- Continue to invest in new technology and products, protecting and enhancing our core strengths
- Embed our values and ways of working so that they are lived every day

Delivering for our key end markets

Market drivers



Supporting advanced material development and sustainability progress, with improved performance from finite resources

Supporting growth in bandwidth, connectivity and faster devices; power efficiency and the greening of the economy

Supporting development of improved treatments & vaccines at lower cost, and personalised medicine & therapies

Our key end markets / **Pages 26 to 33**

Creating value for our stakeholders

Customers
Customer intimacy helps us to identify additional opportunities to deliver increased value to our customers

Shareholders
Delivering strong growth and shareholder returns promotes the long-term sustainable success of the company

Local communities
We strive to support the development of stronger communities and have a positive environmental and social impact

Employees
By working together as one team, we help and trust each other to succeed

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

Society
Our technology and scientific expertise enables our customers to discover and bring to market exciting new advances that drive human progress

Stakeholder engagement / **Pages 90 to 96**

Underpinned by 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

CHAIR'S STATEMENT

A strong platform for growth

This has been another good year for Oxford Instruments, with good financial results and progress made on many fronts. It has also been a year of transition, as we develop our new strategy and look to the future.

"The strategic work we have carried out this year has reinforced the positive impact we have on the world around us.

We are committed to protecting and enhancing our core strengths as we take the steps needed to realise the full potential of Oxford Instruments."

NEIL CARSON
Chair

I am pleased to report on a busy and purposeful year at Oxford Instruments: we delivered record revenue, welcomed our new CEO Richard Tyson, completed the significant investment in our new compound semiconductor equipment facility in the UK, gained further new colleagues with the acquisition of First Light Imaging, and developed a refreshed purpose and strategy for the Group, all while successfully navigating geopolitical and economic challenges.

We were delighted that Richard accepted the opportunity to lead us through the next stage in our growth, joining us in October 2023. Richard comes to Oxford Instruments with an excellent track record of success, having driven transformational change during his nine-year leadership of TT Electronics plc. He is an astute and strategic leader with a remarkable ability to get quickly to the heart of a challenge and find the solution. He is also people-focused, and I was pleased to see that he made it a firm priority to meet his new colleagues face to face, at all our sites, in a matter of weeks, to get their insights into Oxford Instruments.

Over the few months since he joined, Richard has led the development of a refreshed strategy for Oxford Instruments, working with the Board, with leadership teams and with colleagues around the Group to identify the steps we need to take to realise the potential of the Group, building on our strengths. As he sets out on pages 10 to 15, while we have many strengths, there are also opportunities to do some things differently and drive improved outcomes which will benefit all our stakeholders.

Our new structure (see page 12) will drive growth by facilitating the delivery of action plans that are targeted to the precise and differing needs of each division, while Group-wide we will focus on simplifying our organisation and processes, driving customer-first ways of working and delivering a step change in operational performance.

A new purpose

One of the central elements of the strategy is our commitment to protect and enhance our core strengths. Our new purpose statement neatly encapsulates both the achievements of which we are so proud and the ambition we are all striving towards:

To accelerate the breakthroughs that create a brighter future for our world.

Our technology and scientific expertise enable our customers to discover and bring to market exciting new advances that drive human progress – and we are determined to continue to do so for the long term.

Sustainability

The strategic work we have carried out has reinforced the positive impact we have on the world around us through our products and services. We want that positive impact to extend throughout our operations, from the inclusive culture we seek to build to the reduction of our carbon footprint. I am particularly pleased that this year we have committed to reach net zero in our own operations by 2030 (see page 35).

People at the heart of our success

On behalf of the whole Board, I would like to thank all our employees. The company's success is their success, generated as the result of their hard work, talent and commitment. We are enormously grateful this year, as we are each year, for the contribution of every individual and every team.

A fond farewell to Ian Barkshire

I would also like to extend sincere thanks and best wishes on behalf of the whole Board to Ian Barkshire, who retired as Chief Executive in October 2023. Oxford Instruments made significant progress during Ian's tenure: it was he who drove the development and delivery of the Horizon strategy, building the strong foundations from which we move forward today. Ian's vision to position the company in structural growth markets, founded on deep market insights, underpinned a period of remarkable growth. He can be very proud of what he and his colleagues achieved together.

Further Board changes in the year

We were delighted to welcome Hannah Nichols to the Board as a Non-Executive Director in January. Hannah brings strong financial expertise, extensive international experience and a track record of driving transformational change, both within and beyond the finance function.

I am very pleased to confirm that Hannah will take up the role of Chair of the Audit and Risk Committee following the Annual General Meeting (AGM) on 25 July 2024, at which point Mary Waldner will step down from the role in preparation for leaving the Board in February 2025, following her nine years of sterling service.

We bade farewell to Sir Richard Friend in July 2023. Richard had served for almost nine years as Non-Executive Director, and his deep insights, derived from many years' experience at the highest levels of academia, and in business, will be much missed in Board discussions.

Finally, Reshma Ramachandran will stand down as a Non-Executive Director with effect from the conclusion of the AGM, due to her appointment in a new executive role externally, which will restrict the time she is able to commit to her role with Oxford Instruments. The Board sincerely thanks Reshma for the valuable contributions she has made during her time as a Director.

Dividend

In line with our progressive dividend policy and strong trading performance in the year, the Board is proposing a final dividend of 15.9p per share (2023: 14.9p), which is subject to approval at the AGM on 25 July 2024.

Looking ahead

I am full of optimism for the future of Oxford Instruments. Visiting our state-of-the-art new facility at Severn Beach with my Board colleagues last month, and hearing from the team there how warmly they welcome the Group's new strategic direction, marked a particular milestone. I was struck by the atmosphere full of momentum, pace and energy, which I sense is replicated right around the business. I am hugely looking forward to seeing our plans come to fruition over the coming year, and the years that follow.

NEIL CARSON
Chair

10 June 2024

CHIEF EXECUTIVE OFFICER'S REVIEW

Robust financial performance and a refreshed strategy through a new lens

I am pleased to report a robust set of results for Oxford Instruments, and to set out a new strategy for the Group to enable us to fulfil our strong potential.

"Our exceptional technology, strong talent base, well-distributed regional infrastructure and choice of markets give us a strong platform from which to grow. There are significant opportunities ahead – but to address them in full we need to structure Oxford Instruments differently."

RICHARD TYSON
Chief Executive Officer

I am pleased to report a robust set of results for Oxford Instruments. We have delivered 9.8% revenue growth at constant currency, driven by a 7% increase in semiconductor revenue, reflecting our greater exposure to the compound semiconductor market, and double-digit growth in Materials Analysis and Healthcare & Life Science markets, underpinned by strong research funding.

Orders
£459.1m
(2023: £511.6m)

Revenue
£470.4m
(2023: £444.7m)

Adjusted operating profit
£80.3m
(2023: £80.5m)

Operating margin
17.1%
(2023: 18.1%)

Adjusted operating profit of £80.3m was in line with expectations, up 3.7% on a constant currency basis. Adjusted operating margin was down 100bps at 17.1% (2023: 18.1%), in line with guidance, primarily reflecting losses incurred in our quantum business as a result of ceasing certain commercial activities for these products in China and continued operational investment.

The successful transition of our compound semiconductor business to a new purpose-built facility has been a key operational highlight of the year, delivering streamlined production and increased capacity, and presenting significant opportunity to scale. A further focus has been the action we have taken in response to the shifting geopolitical landscape, pivoting to less sensitive applications in China and growing revenue in other regions. Our robust revenue growth in Europe and the rest of Asia bears out the success of this programme, which will continue into FY24/25.

Underlying order intake (excluding the pivot from China) remained robust, supported by a good performance in Europe and the rest of Asia. Underlying book to bill is positive, despite the strong revenue growth, and the orderbook provides good visibility into the year ahead. Our pipeline is strong across all geographies and markets.

A strong platform for growth

Since joining Oxford Instruments in October, I have carried out a thorough review of our business model and markets, working collaboratively with our leadership team and gathering input from across the business.

Our work confirms that **academic research** is the bedrock of Oxford Instruments' success. Representing more than a third of our revenue, it is resilient across cycles and grows steadily at 3–6% a year.

Our market-leading technology and expertise, developed over 60 years, spans all areas of fundamental research and provides unrivalled reach into academic institutions worldwide.

In recent years, by developing and leveraging our market insight, we have strengthened our position in commercial markets **applied R&D**, where the technology is used to develop new products for industrial applications (a market four times larger than the academic research market), which now represents c. 45% of our revenue. We have also started to make early inroads into the even larger **commercial production** market, representing c.20% of our revenue today. The volume potential in commercial applied R&D and production markets is significantly bigger, offering high single-digit growth underpinned by structural growth drivers requiring new technologies to support decarbonisation and productivity globally.

Our deep dive review highlights that 90% of our revenue is generated in **three primary markets – Materials Analysis, Semiconductors and Healthcare & Life Science**. All three have clear sustainability drivers with high single-digit structural growth potential. Quantum technology, a much smaller contributor to our current revenue, also represents a growth opportunity, though its trajectory is less linear.

Our strategy for the future

Our exceptional technology, strong talent base, well-distributed regional infrastructure and choice of markets give us a strong platform from which to grow. There are significant opportunities ahead – but to capture them in full and achieve industry-leading margins, we need to structure Oxford Instruments differently.

Group	Full year to 31 March 2024	Reported growth vs full year to 31 March 2023	Constant currency growth vs full year to 31 March 2023
Orders	£459.1m	(10.3%)	(2.5%[1])
Revenue	£470.4m	+5.8%	+9.8%
Adjusted operating profit	£80.3m	(0.2%)	+3.7%
Adjusted operating margin	17.1%	(100bps)	(100bps)

1. Underlying order growth is adjusted for the impact of prior year China orders removed from current year order intake due to export licence restrictions.

CHIEF EXECUTIVE OFFICER'S REVIEW continued

As we set out below, the different areas of our business fall naturally into two distinct groupings, reflecting different drivers and business models. This new structure will also facilitate targeted actions to unlock the potential in each.

Our future divisional structure

We are restructuring the business and will be creating two new divisions: **Imaging & Analysis** and **Advanced Technologies**.

*How we are **structured today**:*

Materials & Characterisation
Materials imaging and analysis solutions and advanced tech and deposition systems for compound semiconductor devices

Research & Discovery
Scientific cameras, microscopy, cryogenic and superconducting magnet technology and X-ray tubes

Service & Healthcare
Customer service and support for our own products and for third-party MRI scanners in Japan

***From 2024** the Group will report against **a new divisional structure**:*

Imaging & Analysis
Microscopy, cameras, analytical instruments and software

Advanced Technologies
Compound semiconductor fabrication equipment, cryogenic and superconducting magnet technology and X-ray tubes

Imaging & Analysis will comprise our microscopy and cameras business Andor and our materials analysis businesses Asylum Research, Magnetic Resonance, NanoAnalysis and WITec. (recent adjusted operating profit margin history 22–24%).

Advanced Technologies will comprise our compound semiconductor business Plasma Technology and our quantum-focused business NanoScience, together with the much smaller X-Ray Technology business. (recent adjusted operating profit margin history 0–4%).

Moving forward, service revenue will be reported within each respective division. We will report against the new structure at our half-year results in November 2024. The indicative and unaudited pro forma numbers under the proposed divisional structure for the full year 2024 are disclosed in the Finance Review and the annual results presentation.

The rationale for the planned reporting change is as follows.

The businesses which will form the new **Imaging & Analysis** division represent c.70% of Group revenue, and have strong existing synergies and a track record of success.

They provide similar relatively small-scale imaging and analysis equipment and software, have common business models, go-to-market strategies and margins, and they address a similar client base in their three key markets in materials analysis, semiconductors, and healthcare & life science.

In recent years, particularly since the acquisition of WITec in 2021, the Materials Analysis businesses have collaborated more closely, driving cross-selling opportunities and efficiencies. Joining forces with our scientific camera and microscopy business will facilitate further synergies and simplification. Together, they will provide an unrivalled range of microscopy, scientific cameras, spectroscopy and analytical tools and software.

Action plans for these high-performing business units are under way. It will result in improved growth and operational leverage supporting strong margins. Strategic priorities will include:

- improving sales and service channels by going to market through streamlined regional customer-facing teams and generating more whole life revenue from a better customer experience;
- greater focus to leverage maximum opportunity from the existing product portfolio and R&D programme;
- simplifying the organisation by streamlining business processes and removing duplication;
- increasing cross-selling through shared marketing initiatives;
- delivering a step change in operational performance by optimising production and enhancing performance management and value engineering; and
- increasing commercial sales through sharing of best go-to-market practice across regions and targeted key account management.

The businesses which will form our new **Advanced Technologies** division (representing c.30% of Group revenue) have a very different profile. They sell much lower volumes of larger-scale complex systems into very specialised markets (compound semiconductor and quantum) with unique growth drivers and principally separate customer bases. These businesses each require a dedicated, focused approach to leverage their well-invested base, deliver improved margins and achieve their full growth and margin potential.

Our compound semiconductor business is growing strongly. Scale is important to reap the benefits and recover the costs of our new, larger dedicated facility in Severn Beach, outside Bristol, UK. The business is poised to take advantage of the structural growth in the compound semiconductor market, which does not have the cyclicality inherent in the silicon semiconductor market. The leadership team have identified key areas of specialism within the compound semiconductor landscape where we have leading capability, or have the potential to do so.

Here, we will maximise productivity and output following the site move, taking advantage of the process and efficiency opportunities the site provides, look to optimise our supply chain, and continue to simplify our product range, in order to deliver good growth and strong margin progression. A further key focus area is customer service, which requires a step change to meet the stretching requirements of the business's growing commercial production customer base.

Our quantum business has been impacted by export restrictions which have limited our ability to sell these capabilities into China. This, combined with operational challenges, larger project timescales and strong competition in the high potential, but uncertain quantum market, has impacted performance in 2023/24.

We have already started to restructure the cost base, commenced a major operational turnaround programme in operations and refocused sales teams on Europe and the USA. This will continue at pace, focusing on value engineering, cost reduction and performance management.

While leveraging our regional sales and marketing infrastructure, the businesses in the Advanced Technologies division will operate with greater independence than their counterparts in Imaging & Analysis, enabling them to address their specialist markets in ways which will maximise their ability to grow both scale and margin and removing this complexity from the wider business. Structuring our business in these two new divisions will improve our customers' experience and facilitate the delivery of targeted action plans designed to suit the opportunities and the challenges in each, whilst supporting greater transparency of their different paths to significant value creation for investors.

We will provide a progress update on the development of the new divisions via our interim reporting in November, at which point we will report in the new divisional structure.

Group-level strategic priorities

While our action plans are targeted at divisional level, the following core priorities underpin our strategy Group-wide.

Improve our customers' experience

Further growing our reach into commercial markets requires on-time delivery paired with exceptional customer service and responsiveness, particularly in production environments, where deadlines are non-negotiable and down time is not tolerated.

More broadly, we will focus on delivering deep customer insight and best-in-class customer service through our regional teams around the world. We also see significant opportunity to extend whole-life revenue via our services proposition.

Drive a step change in operational performance and productivity

The Group's rapid growth has challenged both capacity and capabilities in some of our manufacturing facilities, opening up significant opportunities in both divisions to reconfigure production areas, design more efficient production processes and upskill colleagues to increase their productivity.

We have appointed a Chief Transformation Officer who is leading a broad-ranging transformation programme covering all aspects of operational performance and productivity, from the layout of our facilities to value engineering to reduce our cost of goods.

In addition, we have appointed a dedicated customer service lead who will focus on our after-sales support infrastructure and capabilities, and target significant improvements in our service to our customers.

Simplify our organisational structure

With significant overlap between business units and markets, the structure of Oxford Instruments had become overly complex over a number of years, making it confusing for stakeholders to understand and leading to duplication of processes internally. Consolidating our eight business units and six previous end markets into just two divisions and three core markets, supported by a simplified customer-facing regional structure, will drive efficiencies and operational gearing, and provide greater transparency of Oxford Instruments as an investment proposition.

Focus on our key strengths

We will continue to protect, invest and enhance our core strengths by investing c.8–9% of revenue annually in R&D, and working closely with our regional teams and our customers to ensure we focus our efforts on the most economically attractive opportunities, delivering strong return on capital employed.

Focusing on our core markets – materials analysis, semiconductors, and healthcare & life science – will enable us to maximise our impact in all three markets, while deriving efficiencies from this more targeted approach.

CHIEF EXECUTIVE OFFICER'S REVIEW continued

Capital allocation priorities

These can be summarised as follows:

- **Invest in the business**
  Our businesses are well invested, as evidenced by the capital investments we are making in new facilities at Severn Beach and Belfast. We will continue to invest c.8–9% of revenue in R&D, and make targeted operational investments to support growth.
- **Drive shareholder returns**
  We are committed to delivering strong shareholder returns, taking account of underlying earnings, dividend cover, currency movements and demands on our cash.
- **Make selective acquisitions**
  Our acquisition strategy is highly selective and disciplined. We will focus on adding capabilities in Imaging & Analysis, with a good pipeline of owner-managed businesses under consideration.
- **Maintain strong balance sheet**
  Our strong balance sheet gives us flexibility. We will continually assess the appropriateness of returns to shareholders in the context of the strategy.

Journey to growth and higher margins

We expect to deliver revenue growth and higher margins from both divisions over the medium term, with the Group capable of delivering a revenue CAGR of 5–8% and an adjusted operating profit margin of 20%+. Actions to support growth have begun. Changes in focus and sharing of best practice are expected to be implemented over the next 18 months. Operational performance improvements will require investment in the short term, meaning the margin improvement profile will not be linear. The initial efforts of the last year or so have been supplemented with a dedicated Chief Transformation Officer and we have added resources and built a more extensive change team who have started improvement actions in our Belfast facility first.

As evidenced by the recent financial performance in Advanced Technologies, specific restructuring and improvement activities are required in the short term which have been commenced and are expected to have some impact in the coming financial year.

Overall, we expect these actions to deliver good sustainable organic growth in the medium term, coupled with the opportunity to generate significant value through operating margin enhancement to 20%+.

Our anticipated mid-term outcomes can be summarised as follows:

- Organic growth of 5–8% CAGR.
- Adjusted operating margin improvement to 20%+.
- Cash conversion of over 85%.
- Continuing to invest in growth, including 8–9% on R&D.
- Strong return on capital employed (currently 29%).
- Selective acquisitions bringing complementary capabilities.

A clear purpose

We make a tremendous positive impact through our products and services – from supporting Nobel Prize-winning scientific endeavours and the development of personalised treatments for cancer to accelerating the path to decarbonisation through our extensive role in the battery ecosystem. Our technology and scientific expertise enable our customers to discover and bring to market exciting new advances that drive human progress. I am proud of the unique contribution we make. As we set out on our new strategy, I am delighted to share a new purpose for Oxford Instruments:

To accelerate the breakthroughs that create a brighter future for our world.

Our position is unique among UK-based technology companies – and it is my hope that this new purpose, which has been warmly embraced by colleagues around the world, will highlight our positive impact, and focus the energy of everyone at Oxford Instruments.

People and planet

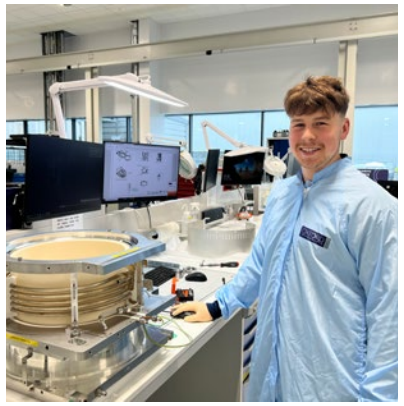
I have visited almost all our global sites since joining last autumn and have been impressed by the energy and commitment of the colleagues I have met at every level of the organisation. Our engagement scores are high, at 78%, based on the organisation-wide survey carried out last September. But there is no room for complacency, and in recent months I have led a deep dive exercise, as part of the development of our strategy, to understand our organisational culture and to drive action where there is scope to improve.

We have many strengths. Our workforce is highly skilled, with deep expertise in a wide range of disciplines, from science and engineering to marketing and sales, and our people are passionate about what we do and the impact we have. However, there are areas we need to focus on as we move forward in line with our new strategy. We are clear on our new strategic priorities, and have worked collaboratively with focus groups around the business to set out new ways of working to deliver them.

We are committed to creating a values-driven, inclusive culture. To that end, we have launched a new equity, diversity and inclusion policy, and successfully piloted new Inclusive Leadership training to be rolled out over the coming year.

Our employees have launched impact groups focused on women's issues and neurodiversity this year, adding to the network begun with our race and ethnicity and LGBTQ+ impact groups.

Our products and services have a remarkably positive impact on the world around us. We want to generate a brighter future through our own operations, too. To that end, we are accelerating our progress to net zero, in all the areas we can control. Last year, we committed to achieve a 50% reduction in Scope 1 emissions and a 70% reduction in Scope 2 emissions by 2030. Today, we are setting a new target to achieve net zero in Scopes 1 and 2 by 2030, and sooner if we can. We will continue to work with our product development teams and our supply chain to minimise our Scope 3 emissions, with the goal of accelerating our overall target to achieve net zero faster than our current target year of 2045.



Richard Tyson with colleagues in Shanghai (top left) and Belfast (above right); Richard and his Board colleagues also met apprentices on the site visit to Severn Beach (bottom left).

Summary and outlook

I am pleased with the results for the full year and the development of the business during the period. We have reported strong revenue growth of 9.8% at constant currency, with adjusted operating profit in line with expectations. I am grateful to my colleagues across Oxford Instruments for their commitment and energy through a busy year.

We have rebalanced our positions in regional markets in the face of geopolitical shifts, focusing our resources on non-sensitive areas in China, and successfully growing revenue and orders in Europe and elsewhere in Asia.

We have continued to make organic investments to support our future growth, with our state-of-the-art compound semiconductor facility now operational. Underlying order intake has remained robust, with a positive book to bill even though we had stronger growth in the second half, and the orderbook gives us good visibility into the year ahead.

I am hugely impressed with the strong platform at Oxford Instruments, anchored by our market-leading technologies and our talented and committed workforce. My work with leadership teams around the business has confirmed our view that there is significant opportunity to build on our core strengths. I have today outlined a new strategy, setting targets to improve the returns from the business in the medium term.

As part of this strategy, we are reorganising the Group into two distinct business divisions to simplify and enhance our operations. We will target growth by focusing on fewer markets and a sharpened product portfolio, tackling key areas where improvement is required and delivering a step change in operational and service performance.

We are in a strong position to improve and grow the business, putting it on a sustainable growth footing through our market-leading offering together with operational and efficiency improvements. Given our strong order book and pipeline, coupled with positive business improvement actions, we expect to make good constant currency progress in the full year ending March 2025.

RICHARD TYSON
Chief Executive Officer

10 June 2024

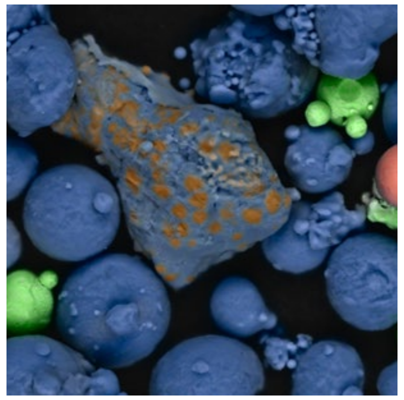
REASONS TO INVEST

Our investment case is centred around the following **key characteristics**

Our leading technology and customer-centric, market-focused strategy provide a strong platform from which to deliver sustainable growth, margin expansion and enhanced shareholder returns.

Purpose driven, with differentiated, innovative technologies providing high value add to customers

- Clear purpose to accelerate the breakthroughs that create a brighter future for our world is well aligned with global mega trends.
- Competitive advantage built on 60-year brand heritage and broad technology base spanning all scientific disciplines, placing Oxford Instruments in a unique position to anticipate global drivers and connect academic and commercial customers, acting as a catalyst that powers real world progress.
- Value-add products and services accelerating customers' progress across the technology development and production cycle.



See CEO Review /
Pages 10 to 15

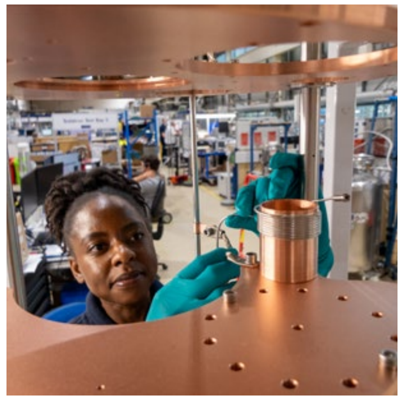
Leading positions in attractive structural growth markets

- Leadership in specialist technologies and embedded positions across three primary end markets with long-term structural growth drivers: materials analysis, semiconductors, and healthcare & life science (together, c.90% of revenues).
- Diverse commercial and academic customer base spanning the world's leading companies and scientific research communities, primarily across Asia, North America and Europe.

See Operations Review /
Pages 26 to 33

Purpose and impact commitments key to attracting high-quality talent and customers which are creating a more sustainable planet

- Strong attraction and retention of outstanding people with deep expertise, and a highly experienced management team, reflect our compelling purpose and ongoing investment in talent.
- Technologies critical to customer efforts to optimise the use of resources, advance the green transition, develop drug delivery, and sustainably power an increasingly digital world.
- Building on our strong responsible business foundations through six initiatives: progress to net zero (Scopes 1 and 2 by 2030; Scope 3 by 2045); environmental impact; operating responsibly; sustainable product stewardship; inclusive culture; and community and connection.



See Sustainability Report /
Pages 34 to 57

Track record of delivery, driving returns

- Revenue CAGR of 8.4% over the last five years, supporting strong 2023/24 ROCE of 29.1% and a progressive dividend, with growth of 6.7% in 2023/24.
- Complemented by value-accretive acquisitions; most recently, WITec and First Light Imaging.

See Finance Review /
Pages 58 to 69

Clear opportunities to accelerate growth and enhance margins

- Strong order book and pipeline provide a positive underpin for continued growth.
- Attractive opportunities to accelerate growth through existing product portfolio, new product pipeline, servicing offer, and selective M&A.
- Margin enhancement opportunities through operational and supply chain optimisation, synergies across the Group and enhanced customer experience.

See CEO Review /
Pages 10 to 15

Strong balance sheet and attractive financial profile supporting investment in growth

- High margin and cash generative with a strong balance sheet with significant net cash.
- Well positioned to invest in expanding operational capacity and infrastructure (recent investments in state-of-the-art facilities in Bristol and Belfast), new product development (8–9% of revenue annually), and selected acquisitions.

See Finance Review /
Pages 58 to 69

OUR BUSINESS MODEL

Helping to create a more sustainable future

Driven by our purpose

To accelerate the breakthroughs that create a brighter future for our world.

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 technology and scientific expertise enable our customers to discover and bring to market exciting new advances that drive human progress.

Our core activities

Fundamental research

We develop tools and systems that enable academic researchers and scientists to make new breakthroughs.

Find out more / **Pages 26 to 33**

Applied R&D

Our key enabling technologies and solutions cut the time needed to go from discovery to real world progress.

Find out more / **Pages 26 to 33**

Production and testing

Our products support today's manufacturing challenges and increase productivity.

Find out more / **Pages 26 to 33**

Driven by our strategic objectives

01. Deliver strong growth through 'customer first' ways of working
Find out more / **Pages 10 to 15**

02. Deliver a step change in operational performance (delivery, quality, efficiency)
Find out more / **Pages 10 to 15**

03. Simplify the organisation, increasing collaboration and accountability
Find out more / **Pages 10 to 15**

04. Continue to invest in new technology and products, protecting and enhancing our core strengths
Find out more / **Pages 10 to 15**

05. Embed our values and ways of working so that they are lived every day
Find out more / **Pages 51 to 55**

Our operations

Supported by our sectors

Materials & Characterisation

Find out more / **Pages 27 to 29**

Research & Discovery

Find out more / **Pages 30 to 32**

Service & Healthcare

Find out more / **Page 33**

Outcomes

Revenue

£470.4m

+9.8% at constant currency

Adjusted operating profit

£80.3m

+3.7% at constant currency

Adjusted EPS

109.0p

(3.3%)

Return on capital employed

29.1%

Underpinned by strong demand for our products and services:

- Technology leadership in three end markets with sustainable, structural growth drivers
- Customers across academic (55%) and commercial (45%) markets
- Global demand with strong positions across Asia (47% of revenue), North America (26% of revenue) and Europe (25% of revenue)

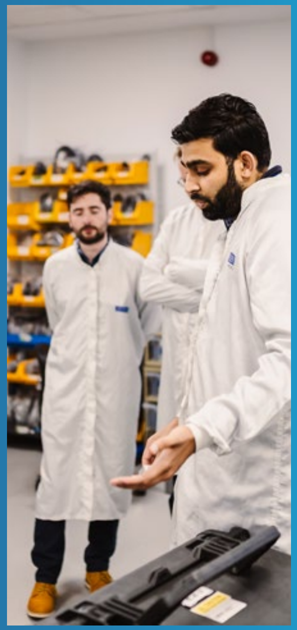
How we invest our capital:

- Organic cash investment with R&D of £39.2m and capital expenditure of £27.0m
- Shareholder distributions with full-year dividend payments of £11.4m
- Balance sheet flexibility for inorganic opportunities with net cash of £83.8m

ENGAGING WITH OUR STAKEHOLDERS

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






In November 2023 we were delighted to open our new Materials Innovation Centre at our High Wycombe manufacturing site. We welcomed local community representatives and leading experts from academia and industry, many of whom are customers of Oxford Instruments, to see demonstrations of our state-of-the-art materials analysis techniques and explore our manufacturing facility.

The Centre brings together products and software from across the Group, serving as a platform to showcase our analytical instrumentation and provide training by our technique experts. It also acts as a collaborative hub, enabling invited scientists and researchers to access both the technology and expertise housed at the Centre.

"We're very proud of the Innovation Centre. With this exceptionally well-equipped facility, we can now offer demonstrations of the technologies from all our Materials Analysis businesses in one space. This gives an excellent experience to our customers and allows us to evidence how our product suite can address multiple needs."

MATT HISCOCK
Head of Product Science, Materials Analysis

Images above show the Materials Innovation Centre launch event at High Wycombe in November 2023

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 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 are used to inform discussion and decision-making.

See pages 90 to 95 for details of how we engage with our stakeholders and page 96 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, as we strive to be the scientific instrumentation partner in every significant lab and production facility across the world.

Employees

By working together as one team, we help and trust each other to succeed. We nurture our people, celebrate their successes and support them to grow.

Shareholders

Delivering strong growth and shareholder returns promotes the long-term sustainable success of the company.

Suppliers

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

Local communities

We strive to support the development of stronger communities and have a positive environmental and social impact.

Society

Our technology and scientific expertise enables our customers to discover and bring to market exciting new advances that drive human progress.

Read about how the Board engages with our stakeholders in the Governance section / **Pages 90 to 96**

OUR STRATEGY

Our purpose:

To **accelerate** the **breakthroughs** that create a **brighter future for our world.**

Our opportunity:

Oxford Instruments holds a unique position to anticipate global drivers and connect academic and commercial researchers, acting as a catalyst that powers real world progress.

Our strategic priorities

- Deliver strong growth through 'customer first' ways of working.
- Deliver a step change in operational performance (delivery, quality, efficiency).
- Simplify the organisation, increasing collaboration and accountability.
- Continue to invest in new technology and products, protecting and enhancing our core strengths.
- Embed our values and ways of working so that they are lived every day.
- Reach net zero in our own operations by 2030 and contribute to global sustainability through our products.

Our strategy is set out in detail in the Chief Executive Officer's Review, **pages 10 to 15**

Our ways of working

- We start with the customer.
- We succeed by being focused.
- We make and keep our promises.
- We work together as one team.
- We help and trust each other to succeed.

How we'll deliver

- Create a new divisional structure, supported by a simplified customer-facing regional structure, to drive efficiencies and operational gearing, and provide greater transparency.
- Target our action plans by division, addressing the different needs and opportunities in each.
- Develop our service propositions to better serve customers and maximise whole life revenue.
- Reconfigure production areas, design more efficient production processes and upskill colleagues to increase capacity and productivity.
- Drive value engineering opportunities while delivering against customer needs.
- Focus R&D investment on customer-oriented clear growth opportunities in our core markets – materials analysis, semiconductors, and healthcare & life science.

Key medium-term performance indicators

Enhance growth, margins and returns:

- Organic growth CAGR 5–8%.
- Adjusted operating profit margin 20%+.
- Return on capital employed > 29%.
- Cash conversion > 85%.
- Selective acquisitions.

KEY PERFORMANCE INDICATORS

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

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.

Financial KPIs

Revenue growth (%)

5.8%

23/24	5.8%
22/23	21.1%
21/22	15.3%

Why we measure: To drive profitable, sustainable growth through the implementation of our strategy against its strategic plans.

Cash flow conversion (%)*

64%

23/24	64%
22/23	88%
21/22	84%

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

Adjusted earnings per share (EPS) growth (%)

(3.3)%

23/24	(3.3)%
22/23	19.5%
21/22	20.0%

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

Adjusted operating profit margin (%)

17.1%

23/24	17.1%
22/23	18.1%
21/22	18.1%

Why we measure: To assess progress towards our target of 20%+ adjusted operating profit margin.

Return on capital employed (ROCE) (%)

29.1%

23/24	29.1%
22/23	35.2%
21/22	34.7%

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

* Normalised.

Strategic KPIs

Investment in R&D (%)

8.3%

23/24	8.3%
22/23	7.8%
21/22	8.6%

What we measure: Investment in R&D as a percentage of revenue. We previously measured the proportion of revenue coming from products launched in the previous three years, which was 25% in 2023/24.

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

Value added (#)

1.52

23/24	1.52
22/23	1.55
21/22	1.57

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

2,786

23/24	2,786
22/23	1,316*
21/22	1,378

What we measure: What we measure: Carbon emissions from our own operations, Scope 1 and 2, measured using the Green House Gas Protocol methodology.

Why we measure: To track our progress towards our Scope 1 and 2 2030 net zero target.

Carbon emissions intensity (tCO_2e per £m revenue)

5.92

23/24	5.92
22/23	2.89*
21/22	3.75

What we measure: Carbon intensity = Absolute carbon emissions/Revenue.

Why we measure: To track our progress towards our Scope 1 and 2 2030 net zero target.

Non-financial KPIs

Employee engagement (%)

78%

23/24	78%
22/23	78%
20/21**	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.

Serious injuries (#)

0

2023	0
2022	0
2021	1

What we measure: Rate of serious injuries to employees for ongoing businesses.

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

Serious injuries are defined as those which are reportable under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulation) and are measured as an absolute number.

* Adjusted figure following rebaselining in 2023/24; please see pages 35 to 39.

** Prior to 2022, full surveys were carried out every two years.

OPERATIONS REVIEW

A robust performance

The Group performed well in the year, delivering strong revenue growth, and operating profit 3.7% ahead of last year at constant currency. Reported adjusted operating margin of 17.1% (2023: 18.1%) was behind the previous year as a result of trading losses attributable to prior year orders to China removed from the orderbook due to export licence restrictions, where long customer lead times meant that these could not be replaced with short-term revenue. In addition, we have continued to invest in capability and systems across the business. With underlying book-to-bill at 1.03, orderbook levels provide good visibility for the year ahead.

The Operations Review provides performance headlines at Group level, and updates from each of our three current segments: Materials & Characterisation, Research & Discovery, and Services & Healthcare.

As outlined, in the coming months we will move to a new divisional structure – Imaging & Analysis, and Advanced Technologies. Indicative and unaudited pro forma numbers under the proposed structure for the full year are disclosed in the annual results presentation. Interim reporting in November will reflect the new structure and will provide comparators to the current reporting structure.

Group performance

Orders

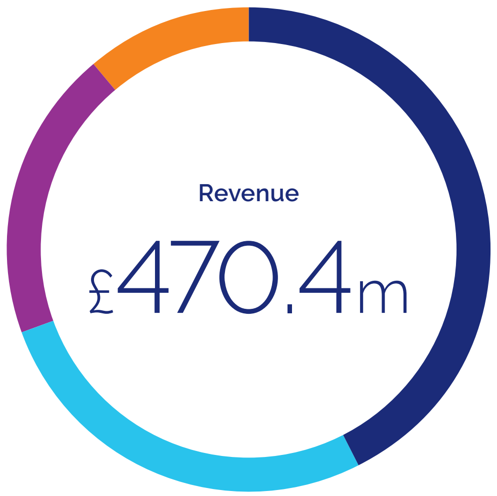
Orders intake of £459.1m (2023: £511.6m) was 2.5% below a strong comparator on a constant currency basis, and after the removal of £23m cancelled prior year orders to China from our 2024/25 order intake. Underlying book-to-bill remains positive, at 1.03. Our strong pipeline across all regions demonstrates good demand for our products and services.

Revenue

Reported revenue grew by 5.8% to £470.4m (2023: £444.7m), representing growth of 9.8% at constant currency. At constant currency, there was growth of 11.4% in Materials & Characterisation, 5.7% in Research & Discovery, and 12.6% in Service & Healthcare.

Profitability

The strong revenue performance, particularly in the second half of the year, supported full-year adjusted operating profits of £80.3m (2023: £80.5m), representing 3.7% growth on a constant currency basis.



Revenue split by end market

Materials analysis	£201.0m
Semiconductors	£126.9m
Healthcare & life science	£90.6m
Other	£51.9m

End market	% constant currency[1] growth vs full year to 31 March 2023	% of Group revenue full year to 31 March 2024
Materials analysis	14.4%	43%
Semiconductors	6.9%	27%
Healthcare & life science	10.7%	19%
Other	(0.6%)	11%

1. For definition refer to Note on page 2.

Materials & Characterisation

The Materials & Characterisation sector's products comprise:

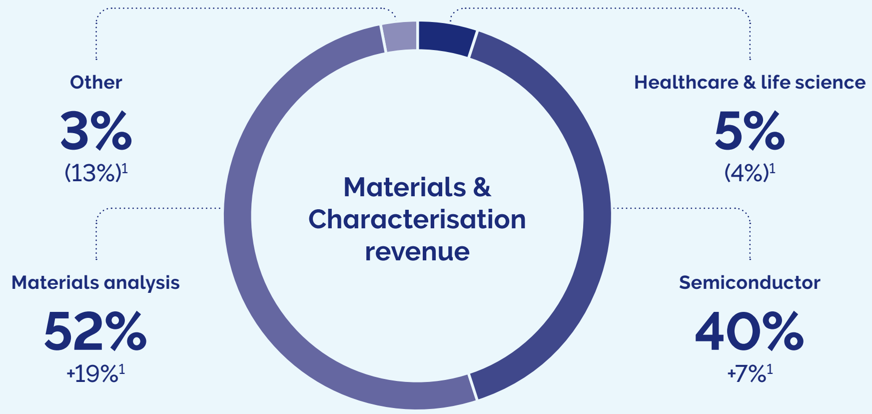
- a range of microscopy and analysis techniques and software to identify and interpret the properties of materials and samples (Asylum Research, NanoAnalysis, Magnetic Resonance and WITec, collectively known as our Materials Analysis businesses); and
- advanced etch and deposition systems for compound semiconductor devices (Plasma Technology).

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 2024	Full year to 31 March 2023	% reported growth	% constant currency[1] growth
Orders	**£245.3m[2]**	£272.8m	(10.1%)	(7.0%)
Revenue	**£252.2m**	£234.5m	+7.5%	+11.4%
Adjusted[3] operating profit	**£46.4m**	£40.5m	+14.6%	+20.2%
Adjusted[3] operating margin	**18.4%**	17.3%		
Statutory operating profit	**£41.7m**	£35.7m		
Statutory operating margin	**16.5%**	15.2%		

1. For definition refer to Note on page 2.
2. Underlying order growth is adjusted for the impact of prior year China orders removed from current year order intake due to export licence restrictions.
3. Details of adjusting items can be found in Note 2 to the full-year financial statements, pages 163 to 165.



1. Revenue growth at constant currency.

OPERATIONS REVIEW continued

Materials & Characterisation continued

Materials & Characterisation has performed strongly, with revenue of £252.2m (2023: £234.5m), up 11.4% at constant currency, with a strong second half weighting, as anticipated. Growth was driven by investment from governments and academia (up 29.9% at constant currency), with commercial revenue slightly down year-on-year (-1.7%).

Adjusted operating profit was up 20.2% on the year, at £46.4m (2023: £40.5m), generating a margin of 18.4% (2023: 17.3%).

Adjusted orders were 7.0% behind a strong comparator period at constant currency.

Regionally, our footprint is shifting as we adapt to new geopolitical dynamics, pivoting to non-sensitive areas in China, and removing some orders from the opening order book due to export licence policy. We have focused successfully on growing revenue elsewhere in Asia (most notably in Korea and Taiwan), in Europe and in the UK, and on growing commercial applications such as battery and materials analysis in China, which remains an important market for the businesses in the Materials & Characterisation segment.

Performance in North America was behind last year, primarily due to economic uncertainty and later than anticipated release of CHIPs Act funding. Internally, improvements are required to the organisation capacity and structure to capitalise on this important geographical market. A new leader has been appointed and this region will be a focus area within our updated strategy.

Market drivers and performance

Our key markets in Materials & Characterisation are **materials analysis** (representing 52% of revenue) and **semiconductors** (representing 40% of revenue).

In **materials analysis**, revenue was up 19% at constant currency, reflecting strong demand across a range of applications.

Our products and services address the growing structural demand to understand and improve the properties of materials across a wide range of markets. Sustainability is a key driver of growth, as researchers in both academic and commercial settings seek to make better use of the world's resources while delivering advanced capabilities that accelerate human progress.

Customers are using our equipment to develop greener alternatives, such as lighter, stronger steels, superalloys and low-carbon concrete, and safer, longer lasting batteries with a lower carbon footprint.

Our ability to image and analyse a wide range of materials at the nanoscale (that is, to billionths of a metre) enables academic scientists to drive breakthroughs in understanding. In the commercial world, we support the translation of such academic research into product development and help manufacturers to address quality control in production processes.

A good example of this end-to-end applications journey is our tailored support at every stage of the battery life cycle, from helping academic customers understand how raw materials perform right through the R&D process to quality control and failure analysis. This market continues to grow at pace, particularly in raw materials and geology, as customers invest in critical minerals analysis.

In **semiconductor**, we have delivered a strong performance overall, with constant currency revenue up 7% year on year.

Our activity in this market is split between the production of etch and deposition equipment for the rapidly growing compound semiconductor market (representing c.65% of our exposure) and the provision of imaging and analysis solutions (c.35%), primarily into the well-established silicon semiconductor market.

The drivers for these two distinct markets differ. Compound semiconductors present a particularly exciting market opportunity, with demand growing by more than 10% annually. More complex than silicon semiconductors, they are driving rapid advances in technology, enabling the production of higher performing devices, with lower energy use. Compound semiconductors are at the forefront of developments in assisted and virtual reality, 5G connectivity, power electronics, optoelectronics and hyperscale datacentres.

Our new facility (see below) is focused entirely on harnessing the growing compound semiconductor market, which is not impacted by the cyclicality typically seen in the silicon market. We are playing a key role in all the developments set out above, right across the life cycle from early-stage academic R&D to volume manufacturing, yield and quality control. A particular area of strength, and source of pricing power, is our ability to improve outcomes for the layers within devices which have the biggest impact on performance and yield.

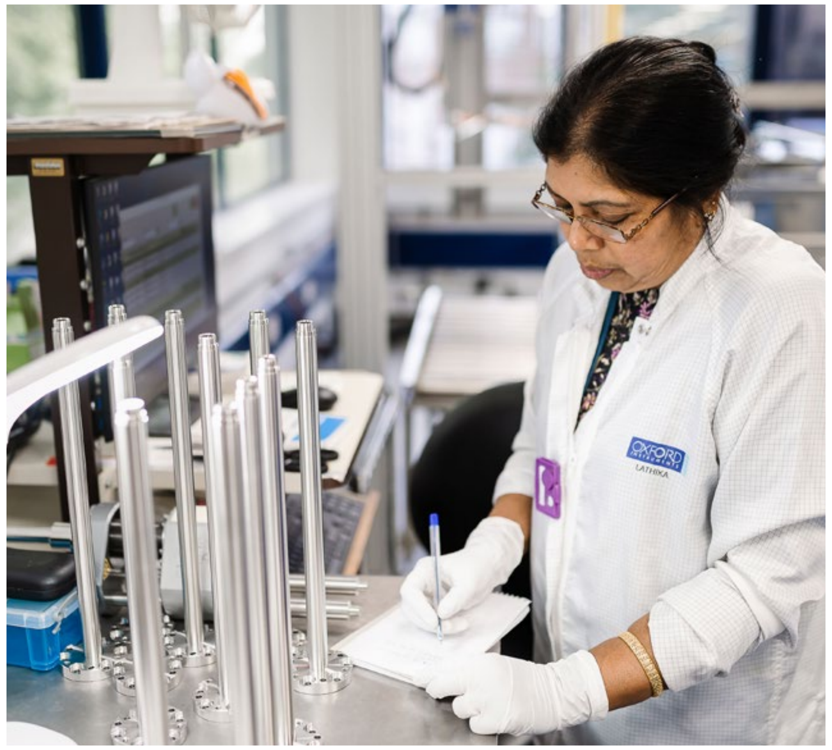
The silicon semiconductor market is extremely well established, with silicon devices present in every aspect of consumer electronics. Here, our materials analysis business' imaging and analysis tools are used to assess the properties and performance of devices at the nanoscale, supporting R&D, quality control and defect analysis as customers seek to make ever smaller devices and improve yield. This drives the remaining 35% of our semiconductor revenue.

The breadth of our offering, which supports customers at every stage of the life cycle, offers some buffer to the cyclical nature of the silicon market. There has been robust demand for our imaging and analysis suite of products in the year, despite a downturn in the wider silicon market. As we head into 2024/25, demand indicators across all applications are improving. Several Tier 1 customers have ordered systems, and the pipeline is strong across all stages of the life cycle.

Operational developments

This has been a strong year for Materials & Characterisation.

Our **compound semiconductor business** has successfully transitioned production to a new facility at Severn Beach, near Bristol. The new site triples production capacity and will more than double clean room laboratory space, taking us to world-class levels of compound semiconductor processing ability. The benefits of operating from the new facility, with its much-improved layout and process flow versus the legacy site, contributed to a strong second half performance and double-digit revenue growth for the year.



In parallel with the site move, the business has focused on streamlining both product ranges and target markets to support efficiency and future growth. A notable success in the year has been the launch of a new, faster atomic layer deposition system.

A further operational development has been on repositioning our regional focus as we pivot to less sensitive applications within China and grow our business elsewhere. We have delivered strong double-digit order growth in Europe, Asia Pacific and Japan, while China remains an important market with a healthy pipeline.

Our **materials analysis businesses** have generated double-digit revenue growth as they continue to maximise synergies and cross-selling opportunities in areas such as battery research and semiconductor applications. Two new materials analysis innovation centres were launched in High Wycombe, in the UK, and Tokyo, joining existing centres in China, the US, France and Germany, and strengthening our ability to demonstrate the breadth of our product ranges to customers.

Alongside maximising synergies between businesses, we have also focused on extending sales from academic into commercial customers. A notable example is in electron backscatter diffraction microscopy (EBSD), which we are successfully transitioning from a purely academic technique to one used by major Tier 1 commercial semiconductor customers.

Key developments in R&D include the launch of:

- Unity, a new detector for scanning electron microscopes (SEM) which combines backscattered electron and X-ray signals for the first time to deliver high resolution colour images at 'live' speed;
- Vero, a new atomic force microscope which enables more accurate and repeatable results; and
- a bespoke Raman microscope to target the semiconductor market.

We were delighted that our track record for innovation was recognised with the King's Award for Enterprise: Innovation for our Symmetry detector, which enables material properties to be studied at the nanoscale.

OPERATIONS REVIEW continued

Research & Discovery

The Research & Discovery sector's products comprise:

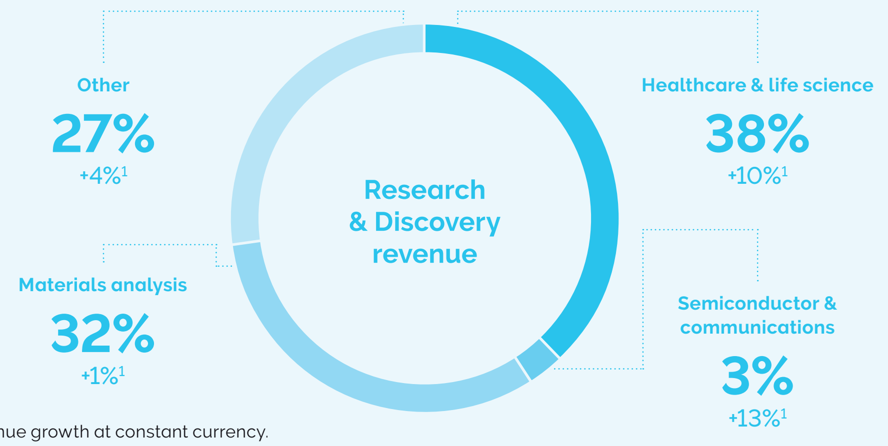
- scientific cameras, microscopy and accompanying software (Andor);
- cryogenic and superconducting magnet technology (NanoScience); and
- X-ray tubes for a wide range of applications (X-Ray Technology).

This product portfolio enables our customers to capture imaging and analytical measurements down to the atomic and molecular level, as well as to create ultra-low temperature and high magnetic field environments. Products from Research & Discovery are used in scientific research, applied R&D, and commercial environments across a wide range of fields, from accelerating developments in healthcare, life science and material science to facilitating the growing commercialisation of quantum technology.

Key highlights

	Full year to 31 March 2024	Full year to 31 March 2023	% reported growth	% constant currency[1] growth
Orders	£158.4m[2]	£160.4m	(1.2%)	(1.9%)
Revenue	£142.1m	£139.4m	+1.9%	+5.7%
Adjusted[3] operating profit	£13.6m	£18.0m	(24.4%)	(26.1%)
Adjusted[3] operating margin	9.6%	12.9%		
Statutory operating profit	£9.4m	£11.3m		
Statutory operating margin	6.6%	8.1%		

1. For definition refer to Note on page 2.
2. Underlying order growth is adjusted for the impact of prior year China orders removed from current year orderbook due to export licence restrictions.
3. Details of adjusting items can be found in Note 2 to the full-year financial statements, pages 163 to 165.



1. Revenue growth at constant currency.

With £142.1m of revenue (2023: £139.4m), Research & Discovery has delivered constant currency growth of 5.7%, primarily driven by academic funding into scientific cameras and microscopy.

The sector's performance has been adversely impacted by the removal of orders to China from the order book as we proactively pivot away from sensitive areas (notably quantum), impacting revenue and resulting in a trading loss for the quantum business. This impact, together with lower OEM life science orders, inflationary material costs and our ongoing investment to support future growth, has resulted in a 24.4% reduction in adjusted operating profit, with margin 330bps behind last year. Orders were down 1.9% at constant currency, excluding the impact of unfulfilled Chinese orders. This reflects a strong underlying demand amidst a period of transition as we rebalance our regional presence, moving away from restricted markets within China and growing our business elsewhere. Constant currency order growth of 21.7% in Europe has partially offset the reduction in China orders, and reflects our increased marketing activity in this region. North America orders were slightly down on the year (-2.4% at constant currency) due to economic uncertainty. Internally, improvements are required to the organisation capacity and structure to capitalise on this important geographical market. A new leader has been appointed and this region will be a key focus within our updated strategy.

Market drivers and performance

The primary markets served by Research & Discovery are healthcare & life science (38% of revenue) and materials analysis (32%). Quantum constituted 18% of revenue in the year.

In **healthcare & life science** revenue grew by 10% at constant currency, with strong sales of our confocal microscope systems and Imaris software. OEM orders and revenue were down year-on-year, reflecting wider destocking dynamics as customers consume inventory built up during supply chain shortages. We anticipate a stronger performance in 24/25 as OEMs restock, and with BC43 beginning to be deployed in OEM assemblies, such as in the cancer diagnostics market.

In this market, our equipment and software have a key role to play in accelerating progress towards a healthier society, as academic researchers, scientists and pharmaceutical companies seek to address the challenges of a growing and ageing population and develop new and increasingly personalised treatments and vaccines. Our advanced imaging systems, including scientific cameras and microscopes, support these developments by helping to reveal sub-cellular detail and observe real-time interactions.

In **materials analysis**, revenue was broadly flat year-on-year; however, orders have grown by 12% at constant currency, reflecting strong and growing demand.

Demand is underpinned by performance and sustainability drivers as customers look to develop stronger, higher performing materials and make better use of the earth's resources. In Research & Discovery, customers primarily use our equipment to support their understanding of the properties of new materials and enhance the capabilities of existing materials.

In **quantum technology**, revenue grew by 5.5% at constant currency. We are well placed to benefit from the growing commercialisation of quantum computing, as it evolves from a pure research discipline into practical applications in chemistry, logistics and finance. The world's largest technology companies all have quantum computing programmes as they explore the potential of this emerging discipline, with a plethora of smaller companies also active in the market.

With our range of products for quantum extending from compact refrigerators to large systems for commercial customers, we are supporting customers across the spectrum from pure academic research to early stage start-ups and a large technology company.

OPERATIONS REVIEW continued

Research & Discovery continued

Operational developments

Commitment to delivering a step change in operational performance is a key pillar of our strategy, as set out in the Chief Executive Officer's Review on pages 10 to 15. In line with this, a wide-ranging operational programme has recently begun in Belfast, which will be the pilot site, with learnings to be rolled out to other manufacturing businesses in priority order.

In Belfast, we are also investing £15m in the purchase and fit out of an additional building, adjacent to our current site, to increase capacity to support demand growth. Plans are taking shape and the facility is expected to be operational in autumn 2025.

The acquisition of First Light Imaging in January 2024 for a consideration of €15.7m (with a further earn out of up to €3m if specific performance conditions are met) will further support our imaging capabilities. First Light specialises in high-speed, low-noise scientific cameras for infrared and visible imaging, with applications in astronomy and life sciences, and its acquisition will enable us to extend our product line to existing and new customers, accelerate our R&D product roadmap and expand into adjacent markets.

In other developments, a framework order has been received for BC43 into a cancer diagnostics OEM. Separately, two new models of the BC43 have been launched, to make fluorescence, confocal and super resolution microscopy accessible to a much wider user base across different research areas and experience levels.

Significant action is required to restore profitability at our cryogenics and magnet business based in Oxford, following our exit from China for quantum products, and in order to address operational challenges. This year we have focused on restructuring our cost base, including targeted headcount reductions.

Further key developments in this business include the launch of a new, smaller cryogenic dilution refrigerator, Proteox S, ideally suited to small research laboratories. Alongside quantum applications, materials measurement is a core focus area. We are working in partnership with Lake Shore Cryotronics to create an integrated cryomagnetic measurement system with a broad range of applications in materials science.

Our X-ray tube business, based in the US, has delivered double-digit revenue growth and strong double-digit order growth.

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 2024	Full year to 31 March 2023	% reported growth	% constant currency[1] growth
Orders	**£78.6m**	£78.4m	+0.3%	+4.3%
Revenue	**£76.1m**	£70.8m	+7.5%	+12.6%
Adjusted[2] operating profit	**£20.3m**	£22.0m	(7.7%)	(2.3%)
Adjusted[2] operating margin	**26.7%**	31.1%		
Statutory operating profit	**£20.3m**	£22.4m		
Statutory operating margin	**26.7%**	31.6%		

1. For definition refer to Note on page 2.
2. Details of adjusting items can be found in Note 2 to the full-year financial statements, on pages 163 to 165.

The sector has delivered double-digit constant currency revenue growth; however, order growth was slower than the prior year. Latent demand addressed by the investments made in recent years has now largely been fulfilled, and a period of consolidation and regrouping is under way as we set ourselves up to deliver an improved operational performance from which we can maximise value potential from service. Operating profit and margin were down as a result of the investment we are making in capabilities and infrastructure in pursuit of this goal, and the continued elevated costs for liquid helium required to support MRI customers in Japan, as signalled at half year.

Revenue growth to academic customers has continued in the second half, as we grow point-of-sales service contracts for our benchtop systems and tailored life science packages for our Imaris imaging software.

Sales to academic customers account for 53% of revenue in the year (2023: 48%).

Our medium-term goal is to generate a greater proportion of Oxford Instruments' revenue from service and deliver market-leading service performance. As set out in our strategy, we see good opportunity to enhance whole-life service offerings and subsequent revenue once we strengthen our regional infrastructure, deliver cross training and share best practice.

The programmes already under way provide a good platform from which to accelerate our growth. These include:

- the implementation of fully integrated service management systems, which are nearing completion, combined with knowledge management to ensure that service colleagues have ready access to the technical information needed to support customers;
- combining our services workforce in the regions and cross training them to make the most of their skills and talent, and investing in headcount to ensure maximum customer coverage; and
- continued growth in remote connectivity for diagnostics and problem resolution, and the provision of integrated connectivity in our customer solutions and products: the launch of OI View, a digital platform which delivers real-time insights on Oxford Instruments systems' health and utilisation to a customer's phone, tablet, or PC, was a notable highlight.

Moving forward, service revenue will be reported within Imaging & Analysis and Advanced Technologies, supporting a fully integrated approach as the whole organisation aligns around 'customer-first' ways of working.

SUSTAINABILITY

Sustainability is central to Oxford Instruments, with our purpose, values, strategy and products all aligning around the positive impact we seek to have on our planet and the societies in which we operate

Through our products and services, we are working to accelerate the breakthroughs that create a brighter future for our world. And through our commitment to operating responsibly, in line with our values, we strive to operate with the highest standards and integrity.

We take a holistic approach to sustainability, ensuring that it is embedded throughout the organisation, from our Board-level Sustainability Committee, joined by all Board members, to our 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.

We are committed to building on past progress and continuing to challenge ourselves to go further. Our environmental, social and governance (ESG) strategy focuses on driving positive action across the following areas: progress to net zero and environmental impact; sustainable product stewardship; health and safety; investing in our people; culture and engagement, ethical business practices and regulatory financial compliance. We set out our progress throughout this section.

Environment

For more information / **Pages 35 to 39**

Social

For more information / **Pages 51 to 55**

Governance

For more information / **Pages 56 and 57**

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:

Introduction

We are committed to advancing our positive progress on sustainability each year. This year we have set a new level of ambition, accelerating our emissions reduction targets to reach net zero in Scopes 1 and 2 by 2030. We have also strengthened and re-baselined our data across Scopes 1, 2 and 3, providing a robust foundation from which to address our newly strengthened net zero targets. Our next steps include setting out the detail of our net zero roadmap and developing interim Scope 3 targets. Once complete, we will submit our overall carbon reduction targets to the Science Based Targets initiative (SBTi) to be validated. See opposite for more detail.

We were pleased to report a strong health and safety performance, with no serious accidents in the year, and a continued reduction in minor injuries. We have strengthened our reporting framework to support continuing reductions. Notable highlights of our social programme have included:

- the development and launch of our equity, diversity and inclusion policy;
- the publication of our first ethnicity pay gap reporting in the UK; and
- the launch of new employee impact groups focused on neurodiversity and women's issues.

Our colleagues have completed almost 14,000 training courses and we have launched a new Foundations programme to support high-potential colleagues in their early career. We continue to extend both the number of participants and the range of opportunities offered in our apprenticeship and graduate programmes. On Governance, we have continued to embed responsible practices throughout our global operations and supply chain, driving employee awareness through training and regular communications. For more on our people and governance-centred initiatives, see pages 51 to 57.

Remuneration structures are a key tool to drive sustainability-focused behaviours and positive impacts. This year, we have introduced new sustainability-related performance measures for Executive Directors. For further information, see the Directors' Remuneration Report on pages 120 to 143.

SUSTAINABILITY: ENVIRONMENT

We are proud of the role our products play in supporting decarbonisation, and we are committed to continuing to minimise our own environmental footprint

Strategy and targets

As a Group we have been proactively reducing our own environmental footprint over many years. We embarked on our environmental journey in the early 2000s, with the creation of our first employee-led Go Green teams; since then, we have dramatically reduced our carbon footprint, leaving only a relatively small footprint in our own operations.

In FY22/23 we set near-term targets of a 50% reduction in Scope 1 emissions and a 70% reduction in Scope 2 emissions, both calculated versus our FY18/19 baseline year, and set to be achieved by 2030. As the understanding of our emissions has evolved, we have taken the decision to redefine our baseline year as FY22/23. The data for this year is more mature and robust than in previous years, putting us on a stronger position to enact positive change in the most relevant areas of the business.

As set out opposite, following this rebaselining, the Board and Management Board have made the decision to accelerate our near-term emissions reduction targets. We have now set the target to reach net zero (where we add no incremental greenhouse gases to the atmosphere) across our own operations (Scopes 1 and 2) by 2030. In addition to these targets, we remain committed to delivering net zero emissions across Scopes 1, 2 and 3 by 2045, putting us five years ahead of the UK Government's commitment.

With the work undertaken to reassess our baseline year, we took the decision to delay setting near-term 2030 targets for our Scope 3 emissions. Work has been progressing to refine and improve our data collection techniques and near-term targets will be set in FY24/25. We intend that all our targets will align with, or exceed, the SBTi framework.

Once set, the near- and long-term targets will be sent for validation to SBTi. Through this process we have been incorporating sustainability considerations into our new product development stage gate process, to ensure the ongoing reduction of our products' carbon footprint through energy use, packaging and distribution, as well as increased recyclability and upgradability.

Today, our market-based carbon intensity metric for Scopes 1 and 2 stands at 5.92 tonnes CO_2e per £million revenue. This is an increase from 2.96 tonnes per £million revenue in FY22/23, primarily caused by temporarily losing access to REGO-certified renewable electricity, as described later in this section.

CASE STUDY

Go Green Teams

Go Green is a long-standing employee-led initiative, set up originally at our four UK manufacturing sites to help promote environmental sustainability. The scheme has been extended this year to cover all our major sites internationally with the goal of improving environmental performance and helping the Group to hit its accelerated net zero targets. A total of 14 highly engaged teams have now been set up, covering 24 sites. As well as delivering self-guided projects, teams have been given a workbook of suggested projects to work through, covering topics such as energy, waste, water and travel. Along with helping to identify larger site infrastructure projects, Go Green teams are driving behaviour change projects, helping to educate colleagues Group-wide to make environmentally conscious decisions.

SUSTAINABILITY: ENVIRONMENT continued

Our roadmap to net zero

We have been making significant progress towards achieving net zero across our operations. This has been strengthened this year by announcing our accelerated target to be net zero in our own operations, that is Scope 1 and 2, by 2030. This ambitious target will help us to drive positive change within the business over the coming years. In addition to this work, we will also be working to reduce our Scope 3 emissions to ensure we hit our 2045 net zero target across all Scope 1, 2 and 3 emissions. The steps we will take between now and 2045 include:

- developing a transition plan during FY24/25 to map our pathway to net zero;
- ensuring that all of our sales, service and manufacturing operations, wherever possible, are powered by electricity backed by renewable energy certificates, e.g. Renewable Energy Guarantee of Origin (REGO) scheme in the UK. Where this is not achievable we will look to move from current sites as leases come up for renewal;
- prioritising positive environmental attributes when we are looking for new sales, services or manufacturing facilities;
- looking for opportunities to reduce energy usage at each of our sites. We will continue to use and invest in energy-efficient equipment to help reduce the quantity of energy we purchase;
- early replacement of gas and oil boilers (with the Board setting a target to replace boilers at two UK sites in the next three years (see page 143));
- switching fleet vehicles to electric rather than internal combustion engines; and
- engaging with our supply chain to understand their decarbonisation strategy.

Streamlined Energy and Carbon Reporting (SECR)

We have outlined our emissions and energy usage across the whole Group, accounting for all Oxford Instrument sites. Absolute location-based Scope 1 and 2 emissions increased by 11.6% as a result of a full year reporting at our new Severn Beach site, in addition to increased electricity usage at some of our sites across Asia. Scope 1 emissions have reduced by 35% due to reduced company car and fleet usage. Scope 2 market-based emissions have increased significantly due to supply issues with our renewable energy certificates at the majority of UK sites this year. Our previous electricity supplier is exiting the industrial sector, and as it pulled back from the market, it dropped certain services, such as providing REGO-certified electricity. In response, we negotiated an early exit to our contract and have contracted with a new supplier that can provide REGO-certified electricity long term. Due to the time taken to negotiate and set up these new contracts, six months of electricity was supplied to some UK sites that was not REGO backed. The target to have 100% of UK sites using renewable electricity by April 2024 has now been met.

Progress has been made on moving global sites to use renewable electricity. The new office in Tokyo consolidated two sites and added 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, and optimising heating, ventilation and air-conditioning systems to make them more energy efficient.

In the near term, we will continue to purchase renewable energy certificates to reduce our market-based Scope 2 emissions. In the longer term we will explore further development of onsite generation and power purchase agreements (PPAs) and pursue energy efficiency opportunities.

We report our emissions and energy intensity as tonnes CO_2e/£m revenue and kWh/£m revenue. Emissions intensity has increased 5.5% this year, while energy intensity has increased 3.6%.

	GHG emissions (tCO_2e)					
	2024			2023		
	UK	Global (exc. UK)	Group total	UK	Global (exc. UK)	Group total
Scope 1 fugitive emissions (tCO_2e)	1	1	2	–	49	49
Scope 1 combustion emissions (tCO_2e)	372	51	423	571	41	612
Total scope 1 (tCO_2e)	373	52	425	571	89	660
Scope 2 location-based (tCO_2e)	2,315	803	3,118	1,874	641	2,515
Scope 2 market-based (tCO_2e)	1,715	647	2,362	–	656	656
Total Scope 1 + 2 location-based (tCO_2e)	2,688	855	3,543	2,445	730	3,175
Total Scope 1 + 2 market-based (tCO_2e)	2,088	699	2,786	571	745	1,316
Upstream Scope 3 (tCO_2e)	–	–	64,857	–	–	59,199
Downstream Scope 3 (tCO_2e)	–	–	31,371	–	–	29,853
Total Scope 3 (tCO_2e)	–	–	96,228	–	–	89,052
Total Scope 1, 2 & 3 location-based (tCO_2e)	–	–	99,771	–	–	92,227
Total Scope 1, 2 & 3 market-based (tCO_2e)	–	–	99,014	–	–	90,368
Scope 1 + 2 location based GHG emissions intensity ratio (per Group turnover) £m	–	–	7.53	–	–	7.14

	Energy consumption (kWh)					
Total renewable fuels consumption (kWh)	0	0	0	0	0	0
Liquid fuel (diesel, petrol, fuel oil)	662,253	12,706	674,959	1,388,935	–	1,388,935
Gaseous fuel (natural gas)	1,091,919	261,036	1,352,955	1,240,159	223,210	1,463,369
Total non-renewable fuels consumption (kWh)	1,754,172	273,742	2,027,914	2,629,094	223,210	2,852,304
Total fuels consumption (kWh)	1,754,172	273,742	2,027,914	2,629,094	223,210	2,852,304
Consumption of purchased or acquired electricity renewable (kWh)	6,485,154	395,202	6,880,356	9,689,500	64,317	9,753,817
Consumption of purchased or acquired electricity non-renewable (kWh)	4,695,603	1,893,110	6,588,713	–	1,843,949	1,843,949
Consumption of self-generated non-fuel renewable energy (solar) (kWh)	–	255,139	255,139	–	–	–
Total electricity consumption (kWh)	11,180,757	2,543,450	13,724,207	9,689,500	1,908,266	11,597,766
Consumption of purchased or acquired heating, steam and cooling non-renewable (kWh)	–	252,243	252,243	–	153,520	153,520
Consumption of purchased or acquired heating, steam and cooling renewable (kWh)	–	64,967	64,967	–	66,852	66,852
Total renewable energy consumption (kWh)	6,485,154	715,307	7,200,461	9,689,500	131,169	9,820,669
Total non-renewable energy consumption (kWh)	6,449,775	2,419,094	8,868,869	2,629,094	2,220,679	4,849,773
Total energy consumption (kWh)	12,934,929	3,134,402	16,069,330	12,318,594	2,351,848	14,670,442
% renewable electricity from total electricity	58%	16%	50%	100%	3%	84%
Energy Intensity ratio (per Group turnover) £m	–	–	34,161	–	–	32,990

1. This section has been prepared for the reporting period of 1 April 2023 to 31 March 2024. We report on all of the material emission sources in line with an operational control approach method, as required in Part 7 under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and under the UK's Streamlined Energy and Carbon Reporting (SECR) requirements.

   Our energy consumption and emissions data is reported in accordance with the reporting requirements of the Greenhouse Gas Protocol ('GHG Protocol'), Revised Edition and the Environmental Reporting Guidelines, including the SECR guidance dated March 2019. The GHG Protocol standard covers the accounting and reporting of seven greenhouse gases (GHGs) covered by the Kyoto Protocol.

   We report on Scopes 1 and 2 GHG emissions, as well as select Scope 3 emissions, providing a detailed breakdown of the Group's emissions by type and intensity measurement.

   In our calculations, we have taken into account instances where sites generate their own renewable electricity or purchase electricity backed by contractual instruments, such as Renewable Energy Guarantee Origin (REGO). Consistent with the Greenhouse Gas Protocol, we regularly review our reporting procedures in response to changes in business structure, calculation methodologies, and data accuracy and availability. Consequently, we have restated our Scope 1 and 2 2023 emissions data to reflect updated emissions factors and data availability.

   For Scope 1 emissions, we have utilised emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2023 (provided by the Department for Environment, Food and Rural Affairs (DEFRA)). Scope 2 emissions, calculated using the GHG Protocol location-based method, have been determined using country-specific emission factors from the International Energy Agency (IEA) and DEFRA for UK sites. For Scope 2 emissions calculated using the GHG Protocol market-based method, we have used residual mix emission factors from the Association of Issuing Bodies (AIB) 2022 where applicable. In cases where residual mix emission factors were not available, we employed country-specific emission factors from the International Energy Agency (IEA) in accordance with GHG Protocol guidelines.

SUSTAINABILITY: ENVIRONMENT continued

Scope 3 emissions

During the year we re-calculated our Scope 3 emissions using data from FY22/23 and then updated our footprint for this year. Our evaluation confirmed that our value chain emissions are significantly greater than our operational carbon footprint, with our Scope 3 emissions accounting for 97.2% of our total emissions.

We calculated all applicable Scope 3 categories for our carbon footprint, with five categories not applicable to our business. In line with the Greenhouse Gas Protocol, we continue to review our reporting in light of any changes in business structure, calculation methodology and the accuracy or availability of data.

Due to recognised inherent uncertainties in calculating Scope 3, we have adopted a continuous improvement approach. We will continue to review our processes and disclose any restatements in a timely and transparent manner. Below is a description of our most material scope 3 categories for our 2023/24 Scope 3 base year footprint.

Purchased goods and services (57.2% of Scope 3) – We use purchase data by spend of raw materials, components and services. As this was our first evaluation of our purchased goods and services we have used a 'spend-based' approach which allocates emissions to an amount spent on specific commodities. While this method contains a certain degree of uncertainty, it provides a view of our hotspots in our supply chain emissions.

As more granular data becomes available we will refine this methodology and look to incorporate supplier-specific emissions.

Use of sold products (32.3% of Scope 3) – We calculate the lifetime energy use for representative products of our key product ranges, using our annual sales volume, average power use per product and estimated hours in use over life. Emissions factors for our key sales regions are applied to this data.

Upstream transportation and distribution (3.3% of Scope 3) – All inbound, intragroup and outbound logistics paid for by the Group are mapped against the transportation mode, weight and distance travelled to calculate emissions on a well-to-wheel basis.

Category	Description	Status	FY23/24 Scope 3 emissions (tCO_2e)	FY22/23 Scope 3 emissions (tCO_2e)
1	Purchased goods and services	Relevant, calculated	55,029	50,505
2	Capital goods	Relevant, included in category 1	–	–
3	Fuel- & energy-related activities	Relevant, calculated	395	296
4	Upstream transportation and distribution	Relevant, calculated	3,150	4,327
5	Waste generated in operations	Relevant, calculated	13	11
6	Business travel	Relevant, calculated	4,825	2,704
7	Employee commuting	Relevant, calculated	1,445	1,353
8	Upstream leased assets	Not relevant, not applicable	–	–
	Upstream emissions		64,857	59,199
9	Downstream transportation and distribution	Relevant, calculated	326	314
10	Processing of sold products	Not relevant, not applicable	–	–
11	Use of sold products	Relevant, calculated	31,034	29,529
12	End-of-life treatment of sold products	Relevant, calculated	11	11
13	Downstream leased assets	Not relevant, not applicable	–	–
14	Franchises	Not relevant, not applicable	–	–
15	Investments	Not relevant, not applicable	–	–
	Downstream emissions		31,371	29,853
	Total Scope 3		96,228	89,052

Environmental legislation

As a Group, we are committed to ensuring compliance with all environmental legislation in the countries where we operate. No environmental fines or penalties have been placed on the Group in the last three years.

Water and waste

Water withdrawal and waste data has been collected across the Group from sites with independent water supplies and direct control of their waste collection services. This includes all the primary UK manufacturing sites, which account for 83% of Group revenue.

Some of our operations are in regions with high or extremely high levels of water stress. However, water is not seen as a material risk due to the low volume we consume. In total the Group recorded 10,553 m³ of water withdrawal.

UK sites are sending zero waste to landfill; our waste from these sites is either recycled or used to generate electricity at energy from waste facilities. We are committed to reducing the quantity of hazardous waste we produce.

Total waste – treatment	kg	% split of waste
Recycled	82,903	38.9%
Landfill	12,656	5.9%
Energy from waste	117,743	55.2%
Total	213,302	

Hazardous vs non-hazardous	kg	% split of waste
Hazardous	615	0.3%
Non-hazardous	212,687	99.7%
Total	213,302	

Our Tubney manufacturing site and head office is set in acres of woodland

SUSTAINABILITY: TCFD STATEMENT

Task Force on Climate-related Financial Disclosures (TCFD) Statement for the year ended 31 March 2024

Introduction

In tandem with our net zero commitment, this report addresses our climate governance and describes how we integrate climate risks and opportunities into our risk management, strategic planning, and decision-making, in line with our ambition to achieve net zero emissions across Scopes 1 and 2 by 2030, and across Scopes 1, 2 and 3 by 2045.

As a global manufacturer of high-technology products, 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 key role our products and services play in the technology pathway to enable the transition from fossil fuels to a low-carbon economy. This year we have updated our climate-related risk and opportunity assessment, taking into account their impact under various timeframes and scenarios to gain a deeper understanding.

Compliance statement

For clarity around compliance of the following information with the TCFD framework, and requirements arising from Listing Rule 9.8.6R(8), we consider our disclosure to be consistent with all TCFD recommendations and recommended disclosures as detailed in 'Recommendations of the Task Force on Climate-related Financial Disclosures' (2017) and the additional guidance as set out in the 2021 Annex, 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' and with the climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, as shown in the TCFD cross reference and disclosure consistency summary below.

TCFD pillar	Recommended disclosure	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 41 and 42
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Pages 41 and 42
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 44 to 49
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Page 50
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Page 50
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 42 and 43
	b. Describe the organisation's processes for managing climate-related risks.	Page 43
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Page 43
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.	Page 50
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Pages 35 to 39
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Pages 35 to 39, 50

Governance

Board level

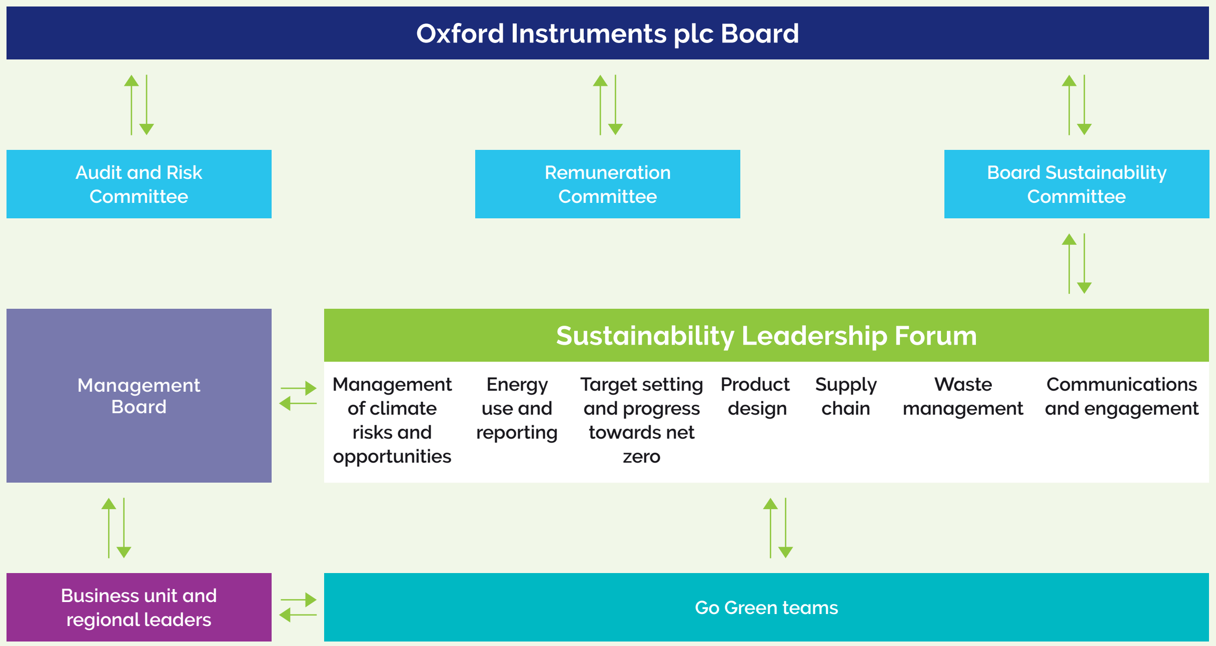
The Board of Directors has ultimate responsibility for the oversight of climate change-related issues and is supported by its Committees (primarily the Sustainability Committee, the Audit and Risk Committee and the Remuneration Committee), the Management Board, the Sustainability Leadership Forum, and the wider senior leadership team. 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. The Board engages regularly with a range of external advisers and internal subject matter experts on environmental legislation, decarbonisation and climate risk.

The Group's environmental strategy and the management of climate-related risks and opportunities is set and directed by the CEO and Management Board. Any major capital expenditure, including climate-related initiatives such as solar arrays or energy efficiency upgrades to sites, is approved by the CEO and CFO and, if required, the Board.

The Board, through its Sustainability Committee (comprising all the Non-Executive Directors), provides oversight and governance over environmental strategy, including monitoring progress to net zero targets through its review of emissions data, and assessing how these are being managed. The Sustainability Committee 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, while the Remuneration Committee is responsible for setting and overseeing climate change-related remuneration incentives, together with any other sustainability-related incentives. The current climate-related executive remuneration objectives can be found on pages 142 and 143. The Sustainability Committee in turn provides strategic guidance and oversight to the management-level Sustainability Leadership Forum (SLF) primarily through the attendance of relevant SLF members at the Committee's meetings.

Climate-related governance framework



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

SUSTAINABILITY: TCFD STATEMENT continued

Management level

The SLF is a cross-functional forum, chaired by the Chief HR Officer, with a remit across the full spectrum of sustainability, including environment, social and governance. It holds responsibility for environmental issues at a management level, including climate-related risks and opportunities and the delivery of the Group's environmental strategy. Representatives of the SLF attend Sustainability Committee as required to share strategic updates, and seek the Board's input on them. The SLF 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.

SLF members lead liaison with external consultant CEN-ESG on climate, energy and progress to net zero. In addition, members monitor the KPIs outlined in the Metrics and Target section on page 50.

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. This year our Go Green initiative (see page 35) has expanded to 14 global sites to help Oxford Instruments drive progress towards its 2030 net zero target for Scopes 1 and 2, and its 2045 overall net zero target through projects relating to energy, waste, water and travel.

Risk Management

Our process for identifying and assessing climate-related risks.

As a principal risk, climate-related risks and opportunities are identified and assessed in line with Oxford Instruments' processes for wider enterprise risk management. This allows the importance of climate-related risks and opportunities to be compared with other risks and opportunities. All physical and transition risk categories (current and emerging) outlined by the TCFD are considered by Oxford Instruments, regardless of whether they occur within our operations, upstream or downstream of the Group. Our approach to identifying and assessing risks and opportunities is set out in detail in the Risk Management section on pages 70 to 78 of the Annual Report 2024.

Relevant risks and opportunities are identified with help from external consultants, CEN-ESG, and involve collaboration with key internal stakeholders such as senior management, legal and regulatory, product management and health and safety functions. As part of this process, we carry out horizon scanning to identify potential threats, particularly regulatory changes, and any emerging risks and opportunities, which allows for better preparedness to support decision making. We consider climate-related risks and opportunities across the short, medium and long term, with these timeframes defined on page 43.

Generally, transition risks are considered at a macro level by the Group in collaboration with internal stakeholders and senior management, while physical risks are typically more granular and therefore more relevant at a business unit and site level. Any new regulatory requirements are implemented as they arise, and further actions taken as appropriate. During the year we carried out a site-level physical climate risk assessment using Munich Re's Location Risk Intelligence tool, which provides a geospatial natural hazard risk assessment and evaluation, to improve our operational risk assessment.

As with all other Group risks, climate risks and opportunities are assessed on a 4x5 matrix, which incorporates an assessment of both Likelihood (Highly Unlikely to Highly Likely) and Impact (Insignificant to Severe[1]). The financial impact of a risk is defined below.

Financial Impact[2]

Insignificant	Notable	Significant	Major	Severe
Financial impact of 250k	Financial impact of 250k–£1m	Financial impact of £1m–£2m	Financial impact of £2m–£5m	Financial impact of > £5m

1. Likelihood is a measure of the risk occurrence while impact is a measure of the combination of financial, reputational and compliance impacts. Impact is a combination of financial, reputational and compliance impact.
2. Materiality limits are set in line with the Group's financial statement materiality levels. Last year Group financial materiality was £3.68m based on 5% of profit before tax.

Through this assessment, risks are assigned a Risk Score and classified as either Low, Moderate, High or Significant. Risks that are classified as High or above are reported to the Group for further assessment. This process allows prioritisation of risks and ensures that the significance and scope of climate-related risks are considered in relation to non-climate-related risks.

Climate-related risks scored as High or above are reflected in the Group risk register which is reported to the Audit and Risk Committee on a quarterly basis. Risks below this threshold are still monitored and considered for future review.

The decision to tolerate, transfer or treat a risk is determined by the outcome of the Risk Score; higher scoring risks need to be managed to bring the risk impact back in line with the Group's appropriate risk appetite. Action plans for each risk are outlined in the risk register including mitigating actions and who is responsible for these actions.

Additional information regarding each risk and opportunity has been elaborated upon, including an assessment of their implications, including but not limited to financial and reputational implications, strategic responses, associated costs, and the variability within climate-related scenarios, where feasible.

This detailed analysis, coupled with evaluations of impact and likelihood, facilitates the determination of appropriate risk responses, such as mitigation, acceptance, or control. Consequently, resources can be allocated effectively to address the most consequential climate-related impacts, while other risks necessitate additional scrutiny or are deemed acceptable within the Group's customary risk tolerance.

Strategy

Climate-related risks and opportunities

Our approach to managing climate-related risks and leveraging opportunities is incorporated into our business strategy. This year we have performed a new climate scenario assessment of climate-related risks and opportunities. Two separate climate risk assessments have been carried out to reflect the contrast between transitional and physical climate risks.

Both these risk assessments involved a Group-wide review of operations and value chain to gain an understanding of how climate can impact our revenue, assets and other aspects of our company. An external consultant, CEN-ESG, was engaged to facilitate engagement with key stakeholders within the Group such as procurement, product development and senior management in tandem with horizon scanning of external industry risks and a desktop review of other climate initiatives.

Transition risks and opportunities

The TCFD defines transition risks in four categories (Policy and Legal, Market, Technology, and Reputation) and transition opportunities in five categories (Resource Efficiency, Energy Source, Products & Services, Markets and Resilience). These categories were considered as part of the transition risk assessment. Risks and opportunities identified in these categories were ranked, with only the most significant being reported below. Short, medium and long-term time horizons defined below were used as part of this assessment to identify the impact of climate on our business strategy.

Impact time horizon	Year from	Year to	Rationale
Short term	2024	2027	In line with the existing risk management time horizon and specific business plan strategy.
Medium term	2027	2035	Encompasses Oxford Instruments' near-term emission targets.
Long term	2035	2050	Encompasses the Group's net zero by 2045 target, the UK Government's net zero by 2050 target and the useful life of the organisation's assets.

The following International Energy Agency climate scenarios have been used to perform scenario analysis on our transition risks and opportunities.

- **Net Zero 2050 (NZE)**: a narrow but achievable pathway for the global energy sector to achieve net zero CO_2 emissions by 2050. This scenario meets the requirement for a 'below 2°C' scenario and is used as a positive climate pathway. NZE also informs the decarbonisation pathways used by the Science Based Targets initiative (SBTi).
- **Stated Policies Scenario (STEPS):** representing projections based on the current policy landscape and is used as a base case pathway. Global temperatures rise by around 2.5°C by 2100 from pre-industrial levels, with a 50% probability.

SUSTAINABILITY: TCFD STATEMENT continued

Transition risks and opportunities

Transition risks identified

● **Significant risk/opportunity** Report to Group
● **High risk/opportunity** Report to Group
● **Moderate risk/opportunity** Do not report to Group mitigation plan expected to be in place
● **Low risk/opportunity** Do not report to Group

Risk	Risk description	Risk type	Potential impact on the business	Response/actions we are taking and how they are managed	KPIs	NZE scenario 2027	NZE scenario 2035	NZE scenario 2050	STEPS scenario 2027	STEPS scenario 2035	STEPS scenario 2050	Scenario Implications
Current and emerging environmental regulation and increasing reporting requirements	Increased exposure to environmental regulation – such as regulation on Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS).	Policy and legal	Rise in material prices for switching to compliant products or disruption to production if unable to react in sufficient time. Could also result in component/process obsolescence.	We have product compliance processes in place to manage the regulatory environment. 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. Further, our new product development process considers environmental regulation.	• Frequency of horizon scanning for new regulation	Moderate	High	High	Low	Moderate	High	The pace and magnitude of regulation would increase more substantially under NZE – but no foreseen long-term change in risk exposure between NZE and STEPS given our mitigation processes.
	The global regulatory landscape for ESG issues is changing rapidly. Failure to keep up with emerging regulation could increase costs of compliance.	Policy and legal	Penalties for non-compliance with regulation. Further, cost of compliance could increase through being late to address regulation.	Oxford Instruments has 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. Further, we implement any new regulatory requirements as they arise. Our certified ISO 14001 systems at our four UK manufacturing sites support our mitigation of climate risk.	• Percentage of sites with ISO 14001 certification	Moderate	High	High	Low	Moderate	High	The pace and magnitude of regulation would increase more substantially under NZE – but no foreseen long-term change in risk exposure between NZE and STEPS given our mitigation processes.
Price inflation in the value chain	Value chain exposure to carbon pricing impacts. Globally, there is an increase in carbon pricing mechanisms – both policy and market instruments – for example Carbon Border Adjustment Mechanism (CBAM) within the UK and the EU. Our suppliers may be exposed to carbon pricing within their own operations.	Policy and legal	Potential of higher supply chain costs through increased raw material prices.	Our target is to achieve net zero emissions by 2045. We are in the process of assessing our Scope 3 emissions – including supply chain. This will be an essential input into the development of our net zero target, transition plan and ability to identify key levers to reduce supply chain emissions. We are also engaging with our key suppliers on their carbon footprint to identify our carbon hotspots and mechanisms to reduce this.	• Scope 3 – category 1, 4 emissions • Global carbon prices	Low	Moderate	Net risk = zero; company plans to be net zero by 2045	Low	Low	Net risk = zero; company plans to be net zero by 2045	Exposure is likely to be greater under NZE due to the higher cost of carbon and increased global implementation of carbon pricing mechanisms.
	Global supply chains are implementing more expensive production methods and changing raw materials to facilitate decarbonisation, although the extent to which increased costs will be passed on is largely unknown.	Market	Potential of higher supply chain costs.	Oxford Instruments maintains close relationships with key suppliers. 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.	• Percentage of supply chain spend with decarbonisation dialogue • Percentage of suppliers engaged to collect emissions data	Moderate	Moderate	Moderate	Low	Moderate	Moderate	Change is more rapid under NZE compared with STEPS. Pricing implications under NZE are also more significant.
Increasing stakeholder, regulatory and reporting expectations	Key stakeholders are demanding sustainability performance from Oxford Instruments.	Reputation	Reputational damage that could result in loss of customers and shareholders and reduced access to capital.	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. Plans to develop a transition plan will also reduce exposure to this risk.	• Rating agency scores	Low	Moderate	Moderate	Low	Moderate	Moderate	Higher expectations of stakeholders in short to medium term under NZE. Oxford Instruments' emissions targets will even out risk exposure under both scenarios in the medium to long term.

* Materiality limits are set in line with the Group's financial statement materiality levels. Last year Group financial materiality was £3.68m based on 5% of profit before tax.

SUSTAINABILITY: TCFD STATEMENT continued

Transition risks and opportunities continued

Transition opportunities identified

- Significant risk/opportunity: Report to Group
- High risk/opportunity: Report to Group
- Moderate risk/opportunity: Do not report to Group mitigation plan expected to be in place
- Low risk/opportunity: Do not report to Group

Opportunity	Opportunity description	Opportunity type	Potential impact on the business	Response/actions we're taking and how they are managed	KPIs	NZE scenario			STEPS scenario			Scenario Implications
						2027	2035	2050	2027	2035	2050	
Investment in R&D for a low-carbon economy	The transition to a low-carbon economy requires significant investment in R&D for more sustainable technologies. Innovation and development in technology areas such as batteries are critical for the transition to a low-carbon economy.	Products and services	Increased revenue	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, efficient power switching, and semiconductor equipment, help customers address these challenges.	• Low-carbon market segments growth • Industry investment in low-carbon R&D	Moderate	High	Significant	Low	High	High	Under NZE, there is significant investment in renewables and alternative technologies. Slower change under STEPS.
	In-house R&D and our new product development process has the potential to address the need for products with sustainability credentials, e.g. energy-efficient products.	Products and services	Increased revenue	Our new product development process takes environmental considerations into account. Developments in our semiconductor equipment are implicitly geared towards energy efficiency as well as our water-saving alternative to the standard chemical mechanical planarization (CPM) process used to create a smooth surface on semiconductor wafers.	• Internal R&D investment • Scope 3 category 11, 12 emissions	Moderate	Moderate	High	Low	Low	Moderate	Under NZE, there is significant investment in renewables and alternative technologies. Slower change under STEPS.
	Proactive collaboration with suppliers to drive low-carbon innovation helps improve the sustainability credentials of our product portfolio.	Products and services	Increased revenue	We have been working with key suppliers to embed material and energy efficiencies into the products we purchase.	• Number of suppliers carbon data obtained from Scope 3 – category 1, 11 emissions	Low	Moderate	Moderate	Low	Low	Moderate	Under NZE, more significant investment in renewables and alternative technologies. Slower change under STEPS.
Services that facilitate the reduction of carbon emissions and deliver value for customers	Remote Services Solutions is a developing service across the Group. This service area not only provides an area for growth but also allows for reduction of emissions in our own operations and for our customers.	Products and services	Increased revenue and decreased transport cost and emissions	Almost all our products are already shipped with remote connectivity and we are building business system infrastructure to enable remote service capabilities.	• Revenue from remote services	High	High	High	Moderate	High	High	Slightly increased exposure under NZE due to additive effect of organisation seeking carbon reduction opportunities.
	Local sourcing and strategic placement of services delivers efficiency to customers and allows Oxford Instruments to reduce logistics travel.	Resource efficiency	Decreased transport cost and emissions	We are engaging in strategic building of capabilities and services to deliver efficiency to customers. Load optimisation in logistics is also part of this strategy. We continue to look for opportunities in this area.	• Scope 3 – category 4, 9 emissions	Low	Low	Moderate	Low	Low	Moderate	Slightly increased exposure under NZE due to additive effect of organisation seeking carbon reduction opportunities.
Operational energy and carbon reductions	Obtaining renewable electricity through renewable electricity certificates (RECs) and power purchase agreements (PPAs) reduces reliance on local grid and helps to reduce Scope 2 emissions as an interim measure whilst exploring opportunities to reduce energy usage.	Energy source	Reduced costs and Scope 2 emissions. Renewable electricity can also provide operating cost savings and reduce operational exposure to carbon pricing.	Our current renewable energy programme utilises REGO-certified or REGO-equivalent certifications of renewable electricity. We make use of solar arrays on our Severn Beach and Scotts Valley manufacturing sites, along with our Tokyo office. We are investigating adding additional renewable generation capacity to suitable sites.	• Scope 2 market-based emissions • Percentage of renewable electricity out of total electricity	Low	Moderate	Moderate	Low	Low	Low	Greater availability of supply under NZE. STEPS lags slightly, reduced availability of REC.
Resource efficiency	Internally Oxford Instruments can implement resource efficiency programmes to improve waste, water use and energy savings.	Resource efficiency	Reduced costs and emissions	Group-wide, we are continually looking for opportunities to embed resource efficiency into our operations. Opportunities can be small, such as reducing waste or water usage, or part of larger capital projects, e.g. replacement of boilers at our Tubney head office and manufacturing site, and all-electric heating at our new site in Severn Beach. We seek to invest in long-term, alternative technologies as they become suitable and economically feasible.	• Scope 1 and Scope 2 (location-based) emissions • Total waste • Total water	Low	Moderate	Moderate	Low	Low	Low	Greater exposure under NZE due to more investment in resource efficient products and services.

SUSTAINABILITY: TCFD STATEMENT continued

Physical risks

The frequency of physical climate-related impacts is expected to increase in the future through an increased frequency and severity of extreme weather events. Oxford Instruments has used Munich Re's Location Risk Intelligence tool to assess the Group's sites and key suppliers' current and future risk exposure to climate-related disruptions. Sites have been assessed for both acute and chronic physical risks, including potential risks such as drought stress, tornados, storms, sea level rise and flooding events among other hazards.

Particular attention has been paid to the four UK manufacturing sites (Severn Beach, Tubney Woods, High Wycombe and Belfast) as they contribute roughly 80% of Group revenue. Due to the nature of physical climate-related risks manifesting more over the long term, different time horizons have been used from those used to assess the transition risks and opportunities. These are: 2030 (short term), 2050 (medium term) and 2100 (long term).

The following scenarios have been used for the physical risk assessment:

- **RCP 2.6** is an optimistic scenario whereby atmospheric concentrations of greenhouse gases lead to a global temperature rise of less than 2˚C by the end of the century relative to the pre-industrial period (1850–1900).
- **RCP 8.5** is a pessimistic high emissions scenario, consistent with a future with no policy change to reduce emissions and leading to a global temperature rise of around 4˚C by 2100.

Significant risk/opportunity Report to Group
High risk/opportunity Report to Group
Moderate risk/opportunity Do not report to Group mitigation plan expected to be in place
Low risk/opportunity Do not report to Group

Physical risks identified

Opportunity	Opportunity description	Opportunity type	Potential impact on the business	Response/actions we're taking and how they are managed	KPIs	2.6 Scenario 2030	2.6 Scenario 2050	2.6 Scenario 2100	8.5 Scenario 2030	8.5 Scenario 2050	8.5 Scenario 2100	Scenario Implications
Flooding	One manufacturing site is projected to be a Zone 50 (2% chance each year of a flood event) site under all future scenarios from 2030 onwards. A further manufacturing site is located in a Zone 100-year return period for storm surges (1% chance of occurring each year).	Acute	Increased costs and decreased revenue through decreased manufacturing output, delayed production times and damage to site infrastructure, equipment, or inventory.	Oxford Instruments' sites are insured for asset/property damage as well as business interruption. Each site has a business continuity plan and emergency response measures in place to deal with significant events. At our new Severn Beach facility, the building was constructed on a 1.5m raised platform to mitigate flooding risk exposure.	• Number of days operations are disrupted due to flooding events • Revenue loss from site disruption • Insurance premiums	Low	Low	Moderate	Low	Low	Moderate	Minimal change in exposure between RCP2.6 and 8.5.
Wildfire	One manufacturing site is currently at a high-risk level and projected to remain high against future scenario projections. A further manufacturing site increases from medium to high risk across all projections including the most optimistic scenario by 2030.	Acute	Increased costs and decreased revenue through disrupting manufacturing output such as road closures, evacuation orders, restricted access, or damage to site infrastructure.	Oxford Instruments' sites are insured for asset/property damage as well as business interruption. Each site has a business continuity plan and emergency response measures in place to deal with significant events.	• Number of days operations are disrupted due to fire events • Revenue loss from site disruption • Insurance premiums	Low	Low	Low	Low	Low	Moderate	Increased exposure under RCP8.5, particularly in the long-term 2100 projections.
Supplier disruption from extreme weather	Increasing extreme weather events can cause supply chain disruptions or site shutdowns. Analysis indicates low physical risk for our key suppliers currently. However, two of our key suppliers are at increasing risk of river flooding and sea level rise across both scenarios in the long term.	Acute	Decreased revenue	Business interruption insurance provides a degree of cover in the event that supply chain issues cause significant disruption to production.	• Number of days our operations are disrupted due to supply chain issues resulting from extreme weather events	Low	Low	Moderate	Low	Low	Moderate	Minimal change in exposure between RCP2.6 and 8.5.

SUSTAINABILITY: TCFD STATEMENT continued

Impact on 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 accelerating breakthroughs, 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.

Although there is not a dedicated climate-related R&D budget, our existing R&D expenditure incorporates climate change. Our products are designed to address our structurally growing markets in advanced materials development and semiconductors, which both have a key role to play in decarbonisation and addressing the impacts of climate change. In terms of the direct impact of our products, considerations are incorporated into the Group's New Product Development 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. In addition to R&D considerations, the costs of planned climate initiatives are included within each business unit's annual budget plans of capital expenditure requests. For example, when purchasing new offices and manufacturing sites we always take environmental considerations into the procurement process.

Resilience of the organisation's strategy to climate change

The scenarios used in our climate scenario analysis are explained in more detail above. They have been selected to provide contrasting scenarios which allow us an understanding of how resilient the Group is under different situations and temperature pathways. Our identified climate-related risks and opportunities, and action plans to address these, highlight that in aggregate our overall climate risk exposure is moderate. We believe, given our current mitigation plans, that we can incorporate climate risks into our business-as-usual activities and that the Group is financially resilient to climate change. Therefore, we do not currently envisage any additional significant capital expenditure or changes to business strategy as a result of climate change that sits outside of our normal planning. Please see page 156 of our financial statements where the impacts of climate have been considered.

The outputs of the scenario analysis we have carried out can be found on pages 43 to 49. The limitations of this scenario analysis are:

- scenarios often only provide high level global and regional forecasts;
- not all risks are easily subject to scenario analysis;
- scenario analysis requires analysis of specific factors and modelling them with fixed assumptions;
- impacts are to be considered in the context of the current financial performance and prices;
- impacts are modelled to occur in a linear fashion when, in practice, dramatic climate-related impacts may occur suddenly after tipping points are breached;
- the analysis considers each risk and scenario in isolation when, in practice, climate-related risks may occur in parallel as part of a wider set of potential global impacts; and
- carbon pricing is informed by the Global Energy Outlook 2023 report from the International Energy Agency.

Metrics and targets

Climate-related metrics

We disclose our Scope 1, 2 and 3 emissions in line with the Greenhouse Gas (GHG) Protocol A Corporate Accounting and Reporting Standard, with additional guidance from the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the GHG Protocol Technical Guidance for Calculating Scope 3 Emissions. This covers the accounting and reporting of the seven greenhouse gases covered by the Kyoto Protocol. An operational control approach was adopted, with all material emissions sources reported.

We also disclose a wide range of metrics to help us to track our progress across a number of climate-related and sustainability-related areas. This includes electricity consumption, GHG emissions intensity and water and waste usage. The specific metrics used to track our climate-related risks and opportunities are identified on pages 37 to 39. Please see the environment section, pages 35 to 39 for further information, and for this year's SECR reporting, the primary means by which we report our progress and track our impact.

Climate-related targets

As set out in the environment section, 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. This year we are also pleased to announce further ambition on our Scope 1 and 2 net zero targets, with a new target to be net zero in Scopes 1 and 2 by 2030. In the coming months we are planning on setting ambitious Scope 3 targets and also to have our Scopes 1, 2 and 3 targets validated by the SBTi. We subsequently also plan to publish a net zero plan that will detail our costed actions to achieve these targets.

SUSTAINABILITY: SOCIAL

Social: We believe that businesses have a valuable contribution to make to society

We are acutely aware of our responsibility to our employees, the communities that we impact and the generations to come.

Our social sustainability agenda

Our social sustainability agenda comprises six key subject areas, as follows:

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

Culture, values and engagement

We strive to create an open, inclusive and values-driven culture, where colleagues feel able to share their views in a two-way dialogue with senior leaders.

Our Chief Executive Officer and the leaders of our business units and regional teams based around the world hold regular in-person and virtual briefing meetings where employees are encouraged to, and do, ask a wide range of questions. The Board discusses current workforce issues regularly with management, and meets a broad range of employees, for example at site visits by the Chair and Non-Executive Directors. We also gather our people's views annually through our global engagement survey, monitoring a range of cultural KPIs and taking action on opportunities for improvement at business unit, regional and Group level.

Our overall engagement score in our 2023 global survey, completed by 86% of employees, was maintained at 78%, comparing favourably with external benchmarking[1].

This year, we have carried out an extensive piece of engagement work led by Chief Executive Officer Richard Tyson and the Management Board, focused on our culture and ways of working (see page 95). Informed by employee focus groups, this has resulted in a new articulation of how we work together, which will support the delivery of our strategy (see pages 10 to 15 and 22 to 23). Both the strategy and the ways of working (summarised below) have been rolled out to all employees via a global roadshow led by the Chief Executive Officer, and are being fully integrated via leadership interactions with teams and ongoing internal communications.

Our ways of working

- We start with the customer
- We succeed by being focused
- We make and keep our promises
- We work together as one team
- We help and trust each other to succeed

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.

1. Gallup 2023 research indicating an average global engagement rating of 23% across a range of sectors www.gallup.com/394373/indicator-employee-engagement.aspx

SUSTAINABILITY: SOCIAL continued

Equity, diversity and inclusion

We are committed to creating a diverse and inclusive culture. We use the term equity, rather than equality, as not everyone is starting from the same place, has the same challenges or requires the same level of support. Equity, therefore, refers to giving everyone what they need to be successful, and reflects our focus on equality of outcomes. At Oxford Instruments, we want to encourage everyone to achieve their potential by actively 'levelling the playing field' wherever needed. We seek to develop and sustain a supportive and collaborative working environment where difference is recognised, valued and celebrated. 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 equity, diversity and inclusion targets, and our working practices, but will ensure that we are not in conflict with legislative frameworks.

Our approach to equity, diversity and the prevention of discrimination is overseen by the Board Sustainability Committee. Our global Equity, Diversity and Inclusion policy, covering 100% of our operations, and publicised to all colleagues via our intranet, sets out our expectations in this area, www.oxinst.com/corporate-content/diversity-and-inclusion.

We have identified several key areas of focus, including gender, ethnicity, disability and sensitive medical conditions, family responsibilities, 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 (BITC) and the Business Disability Forum as part of our continual drive to improve our awareness and understanding of best practice in diversity and inclusion for businesses. In 2024, we signed up to the BITC Race at Work charter to underline our commitment to improving equity of opportunity in the workplace. 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 a women's group and a neurodiversity group; these join existing impact groups focused on race and ethnicity and LGBTQ+ issues and have been enthusiastically adopted by both members and allies of each community. During the year we have successfully piloted new inclusive leadership training, with a wider roll out planned for 2024/25.

We are committed to eliminating our gender pay gap. We monitor, measure and take action globally,. Our external data reporting is focused on our UK workforce and is published in our Gender and Ethnicity Pay Gap Report www.oxinst.com/corporate-content/gender-pay-report. The gap for our Oxford Instruments Nanotechnology Tools entity in the UK, representing 758 employees in 2023, currently stands at 10.4% (median).

We are also committed to addressing the gender balance of our workforce, with targets of 30% female employees overall by 2030 and 40% female leadership by the end of 2025. A particular area of focus is on increasing the diversity of our management board, which is being actively addressed.

We continue to build on the work we have done so far to establish balanced recruitment shortlists (that is, shortlists including candidates from groups which are underrepresented in our workforce, including women). We only engage executive search firms who have signed up to the Voluntary Code of Conduct on gender diversity.

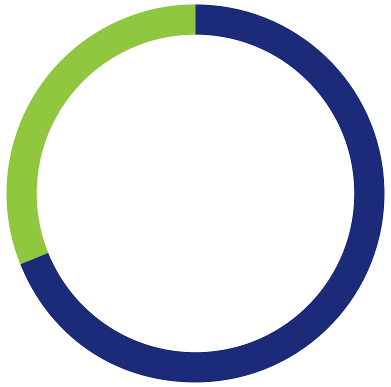
Our inclusive approach to recruitment includes the use of technology to ensure that the language used in job advertisements is free from gender bias. We operate a hybrid working policy which helps employees to balance work and personal commitments. We also offer support and, where appropriate, special leave, for those with caring needs for dependents.

Following the reconfiguration of our internal employee data portals to include the Office for National Statistics ethnicity categories, some 90% of UK employees and 78% of employees globally have provided data on their ethnicity. This year, for the first time, we have reported on our UK ethnicity pay data. This indicates that 10% of our UK workforce identify as being part of an ethnic minority group, and that on average, these colleagues are paid slightly more than their peers (1.4% mean and 1.7% median).

We are committed to using 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. The Parker Review recommends that we devise and work towards a specified target for the percentage of our senior management team to be from ethnic minorities by the end of 2027. As an international company, we recognise the importance of ensuring we have strong ethnically diverse leadership role models and a diverse decision-making team that reflects our customer base and the communities in which we operate.

CEO Richard Tyson makes his Pride pledge

New employees in FY23/24 by gender



This year we have taken steps to broaden the ethnic diversity of our wider senior leadership team which, as of the date of the Annual Report, comprises 14 persons, of whom 14% are Asian. There are 102 direct reports of this team, of whom 22% identify as belonging to an ethnic minority group. In that context, we will be seeking to maintain and improve the ethnic diversity of this cohort (ie, our wider senior leadership team and their direct reports) on a year-on-year basis, within a target range of 20% to 25%.

Our Gender and Ethnicity Pay Gap Report provides more information on all these areas: www.oxinst.com

Gender split

	Male	Female
Global Oxford Instruments	73%	27%
Plc Board	50%	50%
Management Board	92%	8%
Managers	76%	24%
Employees	72%	28%

Gender split by region

	Male	Female
UK	77%	23%
Europe	68%	32%
Asia	68%	32%
America	69%	31%

Targets:

Objective	Target (with date if applicable)	Progress to date
Balanced shortlists for recruitment	100%	End of 2023/24: 82%
Ethnic minority representation on the Board	1 person of colour	Met
Women on the Board	By end of 2023/24: 40% women in line with FTSE Women Leaders target	Met
Women as a proportion of senior leadership	By end 2025: 40% women	34% (2023: 31%)
Women as a proportion of total Oxford Instruments population	By end 2029/30: 30% women	Currently 27% (2023: 26%)

Three cohorts undertook the Oxford Instruments Leadership Programme during the year

Team-building at the Foundations early careers programme

SUSTAINABILITY: SOCIAL continued

Health, safety and wellbeing

We are **committed to fostering a healthy, safe and productive work environment** for our entire workforce, and to driving continuous **improvement** in our health and safety (H&S) performance.

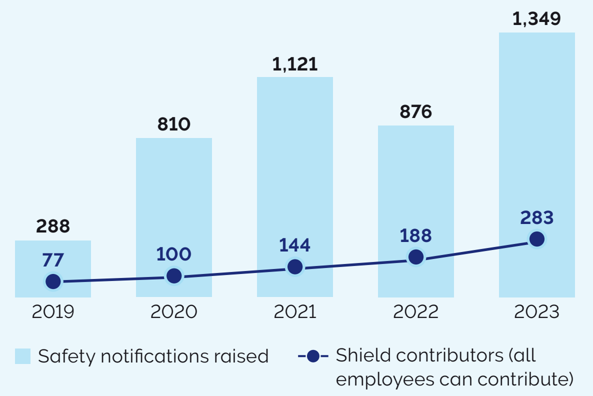
The Board is responsible for oversight of our approach to H&S, supported by the Sustainability Committee.

Our six-step strategic framework, rolled out in 2023/24, supports continuous improvement via six key areas of management.

Overall, our management 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.

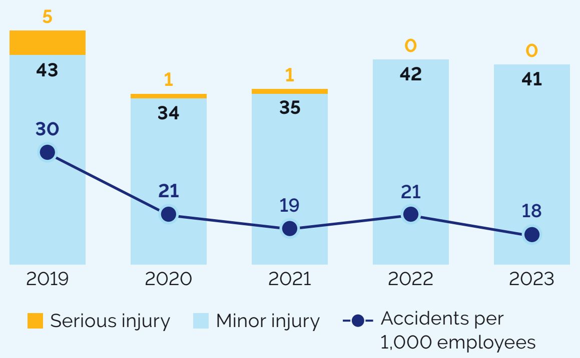
Recognising that our entire workforce has a role to play in creating a safe working environment, this year we have enhanced the Shield incident reporting system through which we record, manage and monitor accidents and safety observations, and to which all employees have access. The system has supported our improved performance since its introduction in 2019.

Increasing health and safety awareness



We have achieved our objective of increasing H&S awareness and reducing the actual number and severity of incidents. Our accident frequency trend remains on a downward trajectory, with no serious incidents and a decrease in minor accidents reported in 2023. There have been no employee or contractor fatalities in the five-year reporting period from 2019 to 2023. While our H&S performance compares favourably with industry standards, we remain vigilant and prioritise global safety through our Push for Zero initiative, which aims for a sustained reduction in accidents over time.

Health and safety five-year performance



Our structured H&S management systems, subject to external audits as required, underpin our commitment to safe work practices. At our primary manufacturing facilities in the UK, representing 83% of revenue, we maintain ISO 45001 certification. The effectiveness of our management systems is further supported by a robust internal audit programme across all operational domains.

During the 23/24 financial year more than 1,000 employees have received H&S training. This figure comprises training renewals and onboarding of new joiners. This year, we have launched an Institution of Occupational Safety and Health (IOSH)-accredited training programme globally, across all business units and regions. Over a 24-month period, training will be provided to executive team members and eligible members of our management, production and services workforce, further enhancing their H&S competency and awareness.

We support our employees and their families by providing an increasing range and number of opportunities to enhance their wellbeing, including readily accessible support services on a wide range of topics from financial wellbeing to mental health and health assistance programmes.

We strive to empower individuals coping with mental health challenges or disabilities to thrive in their professional roles, encouraging colleagues to seek assistance when needed, via our team of Mental Health First Aiders and through the provision of independent and confidential digital platforms and services, accessible to employees globally.

We are proud to support our local community groups and charities alongside being inclusive of our people and culture through the celebration of events and achievements.

Employee turnover rates

Year	Turnover
2023/24	12%, of which 9% was voluntary
2022/23	11%, of which 9% was voluntary
2021/22	14%, of which 11% was voluntary
2020/21	8%, of which 6% was voluntary
2019/20	15%, of which 7% was voluntary
2018/19	14%, of which 10% was voluntary

Employee numbers

	Full time	Part time	Contract workers
2023/24	2,090	144	69
2022/23	1,894	134	86
2021/22	1,662	126	70
2020/21	1,518	107	100
2019/20	1,448	114	70

All employees are guaranteed a fair salary and other employment benefits in accordance with their role and responsibilities. We ensure compliance with minimum wage legislation and strive to offer competitive compensation packages suitable for each position and our business needs.

All employees, regardless of location, are entitled to legally required benefits such as annual leave, sick leave, maternity leave and standard working hours. A number of employee benefit changes have been implemented over the last year to improve the competitiveness, attractiveness and cost-effectiveness of our total remuneration propositions. These include the doubling of the potential award under the growth incentive plan available to all employees not in another bonus scheme to £1,000 (or equivalent). We also have achieved Living Wage accreditation in the UK. In addition, all UK-based employees have access to our Share Incentive Plan scheme after six months' service. Furthermore, in compliance with UK regulations, all UK employees have the option to enrol in our workplace pension scheme.

Investing in our people

Our people and their capabilities are core to what makes us a great company. We are committed to being the company where the best people in our sector want to work, and to training our people and enabling their career development and employability.

We provide a range of opportunities for our employees across technical, commercial, operational and business support functions to gain knowledge, skills and experience. This includes challenging assignments, learning from colleagues and targeted training. Colleagues have completed almost 14,000 online training courses in FY23/24, pursuing more than 750 different courses.

We continue to strengthen our Oi Academy, which offers development programmes, core skills training courses and e-learning opportunities. We also offer a broad range of secondments, career breaks, apprenticeships and support towards external qualifications.

This year, three cohorts (35 employees) have undertaken our bespoke Oxford Instruments 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 delivered Management Essentials training to 61 managers Group-wide, and relaunched programmes focused on Project Management Fundamentals and Project Leadership. We have also piloted a new Foundations programme for emerging talent, designed to give aspiring leaders a variety of tools and techniques to allow them to work effectively as they progress their career at Oxford Instruments.

We have a robust system of regular feedback. 100% of our employees have undergone an evaluation process in the year, embedded through our annual performance review, which also encompasses career development with a focus on training opportunities.

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.

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. 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 (see page 35) drives action to be more environmentally friendly, both as a business and as individuals.

When we arrange gifts, celebrations, events and activities for our teams we aim to support the small, independent businesses near our sites. We also participate in a range of charity outreach activities, including raffles, marathon sponsorships, pub quizzes and coffee mornings.

SUSTAINABILITY: GOVERNANCE

Governance: Upholding high ethical standards

Inclusive, innovative, trusted and purposeful

We are wholly committed to conducting our business responsibly and holding ourselves to high ethical standards. Our strong values (see page 51) underpin everything we do; from how we work with each other and our customers to how we trade with suppliers. Every representative of Oxford Instruments is expected to behave in a way which is consistent with these values.

Our approach to governance is summarised in our Code of Conduct, which is updated regularly, issued to all new joiners and communicated regularly to existing employees. All colleagues, customers and suppliers also have round-the-clock access to our widely publicised and independent whistleblowing hotline, Safecall (www.safecall.co.uk/en/clients/oxinst/), should they encounter any behaviour not in keeping with our ethical standards.

Our governance sustainability agenda comprises eight key areas

Our overarching governance sustainability agenda, set out below, is overseen by our Board Sustainability Committee, (see pages 117 to 119); with the exception of anti-bribery and anti-corruption, sanctions, export control and customs, and financial sustainability and tax transparency, which are overseen by the Audit and Risk Committee (see pages 110 to 116).

1 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, refreshed this year, which all new joiners must complete to pass their probationary period, and which all employees must retake annually; we also maintain a detailed policy document, www.oxinst.com/investors-content/compliance/anti-bribery-and-corruption.

No one has been dismissed during FY23/24 as a result of having committed bribery.

2 Sanctions, export control and customs

We review our Sanctions Policy regularly (most recently in May 2024) to align with UN, UK, EU and US sanctions.

We are committed to adhering to both the letter and the spirit of export controls governing our activities, and engage regularly with the UK Government's Export Control Joint Unit and its equivalents in other jurisdictions. In response to geopolitical shifts, we have pivoted our regional focus towards less sensitive applications and customers in China this year, and exited the quantum market in the country.

3 Inside information and share dealing

As a listed company on the London Stock Exchange, Oxford Instruments and its employees must comply with the relevant laws relating to inside information and share dealing, including the UK Market Abuse Regulation, as well as our internal Share Dealing Policy. We ensure that there are adequate procedures, systems and controls in place to identify, manage and disclose inside information and also support our employees and anyone working on our behalf with understanding their obligations.

4 Supply chain responsible sourcing

We operate our business in compliance with all applicable laws and regulations and expect our suppliers to do the same. The overarching standards we expect from our suppliers, covering all operations, are set out in our Supplier Quality Manual, which incorporates our Code of Conduct for Representatives and Suppliers. www.oxinst.com/assets/uploads/documents/OI_COC_REPS_SUPPLIERS.pdf.

In addition, as part of our supplier contracts, suppliers are required 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' Supplier Quality Manual, which incorporates our Code of Conduct for Representatives and Suppliers.

We are committed to avoiding the use of controversial materials and proactively eliminating the use of so-called 'conflict minerals', i.e. minerals sourced from mines in the Democratic Republic of Congo and adjoining countries which support or fund conflict from products and the supply chain. Our conflict minerals policy covers all operations. 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 has been extended and updated in 2024 to collect information on product environmental compliance, quality and sustainability.

5 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. We require our suppliers to guarantee the applicable national statutory minimum living wage.

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.

We have an established Whistleblowing Procedure for employees to report any concerns, and further guidance is also made available in our Global Human Rights Policy. In addition, we have extended the availability of our Whistleblowing hotline to all our suppliers and representatives.

Our global Code of Conduct sends a clear message to our employees, business partners, investors and other stakeholders about our business principles and ethics.

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.

6 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 it, including templates, guidance and training for colleagues. 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.

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.

7 Data protection, data privacy and data security

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

Our marketing teams work closely with our legal teams to ensure our marketing activities are compliant with the European General Data Protection Regulation (GDPR), UK GDPR and related privacy legislation in other territories. We have invested in high-quality CRM and marketing business systems infrastructure that have enabled us to enhance our security and controls.

Our legal team develops compliance programmes around the world to ensure we can respond quickly to any changes made in the data protection legislation and guidance from regulators.

This year we reduced our internal IT vulnerabilities significantly as a result of upgrading or decommissioning approximately 100 IT systems globally. We also conducted several phishing exercises and rolled out mandatory training for individuals who were identified as requiring additional assistance.

8 Financial sustainability and tax transparency

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 Conduct 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.

Our Group Tax Strategy is available on our website at oxinst.com.

FINANCE REVIEW

Robust growth and investment for the future

We delivered a robust financial performance as we invest for the future, with growth in revenue and with adjusted operating profit broadly in line with last year. Our underlying book-to-bill is positive at 1.03, and our orderbook at £302m provides good visibility for the year ahead.

"We delivered a good constant currency financial performance with growth in revenue and adjusted operating profit. We continue to invest in resources and infrastructure across the business to support future growth. Our balance sheet remains strong to support organic and non-organic 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 believe that these represent a more consistent measure of underlying performance. Adjusted items exclude the amortisation and impairment of acquired intangible assets; transaction costs; other significant non-recurring items; and the mark-to-market movement of financial derivatives. All of these are included in the statutory figures. Note 2 on pages 163 to 165 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 decreased by 10.3% to £459.1m (2023: £511.6m), 7.0% down at constant currency. Underlying orders at constant currency fell by 2.5% after adjusting for £23.0m of prior year orders cancelled due to UK export licence rejections and our commercial decision to withdraw from the China quantum market. Orders were lower against a strong comparator period and a slowdown in life-science OEM orders. Nevertheless, our underlying book-to-bill was a positive 1.03. At the end of the year, the Group's order book was £301.5m (31 March 2023: £319.6m), down 5.7% on a reported basis and 3.5% at constant currency.

Reported revenue increased by 5.8% to £470.4m (2023: £444.7m). Revenue, excluding currency effects, increased by 9.8%, with the movement in average currency exchange rates over the year reducing reported revenue by £17.8m. This strong growth was broadly equally split between price and volume.

Adjusted operating profit was broadly flat at £80.3m (2023: £80.5m). Adjusted operating profit, excluding currency effects, increased by 3.7%, with a currency headwind in the year of £3.2m. Adjusted operating margin fell to 17.1% (2023: 18.1%), reflecting trading losses incurred in our quantum business as a result of ceasing commercial activities in China and continued operational investment.

Statutory operating profit of £68.3m (2023: £72.4m) includes the amortisation of acquired intangibles of £9.1m (2023: £9.3m) and a charge of £0.7m (2023: credit of £3.0m) relating to the movement in the mark-to-market valuation of uncrystallised currency hedges for future years. Other adjusting non-recurring items totalled £2.2m (2023: £1.8m).

Adjusted profit before tax grew by 1.6% to £83.3m (2023: £82.0m), representing a margin of 17.7% (2023: 18.4%).

Statutory profit before tax decreased by 3.0% to £71.3m (2023: £73.5m), impacted by the mark-to-market non-cash charge on financial derivatives against a credit last year. This represents a margin of 15.2% (2023: 16.5%).

Adjusted basic earnings per share fell by 3.3% to 109.0p (2023: 112.7p). Basic earnings per share were 87.7p (2023: 101.6p), a decrease of 13.7%.

Cash from operations of £59.4m (2023: £72.9m) represents 47% (2023: 58%) cash conversion. During the year, we incurred expenditure of £14.1m on the construction of our new semiconductor systems facility near Bristol and facility expansion in Belfast; cash conversion on a normalised basis that excludes this expenditure was 64%, primarily due to an increase in inventories. Net cash after borrowings decreased from £100.2m on 31 March 2023 to £83.8m on 31 March 2024, with consideration paid on the acquisition of First Light Imaging in January 2024.

In March 2024, we entered into a new revolving credit facility. This provides for approximately £200m of committed facilities. This represents total headroom of just around £284m.

FINANCE REVIEW continued

Consolidated Statement of Income

The Group Consolidated Statement of Income is summarised below.

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m	Change
Revenue	470.4	444.7	+5.8%
Adjusted operating profit	80.3	80.5	(0.2%)
Amortisation of acquired intangible assets	(9.1)	(9.3)	
Non-recurring items	(2.2)	(1.8)	
Mark-to-market of currency hedges	(0.7)	3.0	
Statutory operating profit	68.3	72.4	(5.7%)
Net finance income[1]	3.0	1.1	
Adjusted profit before taxation	83.3	82.0	+1.6%
Statutory profit before taxation	71.3	73.5	(3.0%)
Adjusted effective tax rate	24.4%	20.7%	
Effective tax rate	28.9%	20.3%	
Adjusted earnings per share – basic	109.0p	112.7p	(3.3%)
Earnings per share – basic	87.7p	101.6p	(13.7%)
Dividend per share (total)	20.8p	19.5p	+6.7%

1. Net finance income for 2023 includes a non-cash charge of £0.4m against the unwind of discount on WITec contingent consideration.

Orders and revenue

Total reported orders fell by 10.3% (7.0% at constant currency) to £459.1m. Underlying orders at constant currency, excluding prior year orders of £23.2m removed due to UK export licence rejections, fell by 2.5%.

Materials & Characterisation reported orders fell by 13.7% (10.6% at constant currency), with orders impacted by a strong comparator period, particularly in China for our portfolio of electron microscope analysers and atomic force microscopes. Furthermore, orders were depressed by £9.9m of prior year orders removed as a result of UK export licence restrictions. In Research & Discovery, orders declined by 9.5% (6.5% at constant currency). Primarily due to a cessation of commercial activities in the China quantum market, we removed £13.3m of prior year orders; in addition, we experienced weak order intake from our life science OEM customers. Service & Healthcare orders increased by 0.3% (+4.3% at constant currency).

Reported revenue of £470.4m (2023: £444.7m) increased by 5.8% (+9.8% at organic constant currency).

Reported revenue grew by 7.5% for Materials & Characterisation (+11.4% at constant currency), with strong growth across the portfolio of product ranges, including electron microscope analysers, atomic force microscopes, Raman systems and our compound semiconductor processing systems.

Research & Discovery reported revenue grew by 1.9% (+5.7% at constant currency), supported by shipments of our optical imaging and microscopy products and X-ray tubes. Growth in these products was partially offset by lower revenue from our cryogenic systems resulting from a significant number of order cancellations as we retrench from the quantum market in China due to UK export licence restrictions. With long customer lead times in this segment, this foregone revenue could not be replaced in-year.

Revenue from service of our own products, including revenue from our MRI service business in Japan, grew by 7.5% reported (+12.6% at constant currency).

The book-to-bill ratio (orders received to goods and services billed in the period) for the year was 0.98 (2023: 1.15). After the exclusion of prior year orders cancelled due to UK export licence restrictions, underlying book-to-bill was 1.03, supported by a good order performance in Europe and the rest of Asia.

On a geographical basis, revenue grew by 10.7% in Europe (+11.2% at organic constant currency), supported by additional deliveries of compound semiconductor processing systems and optical imaging and microscopy products.

Reported revenue for North America decreased by 5.7% (1.5% at constant currency) with fewer shipments of our semiconductor processing systems.

Asia remains our largest region by revenue, with China constituting 58% of regional revenue and 27% of total Group revenue. Asia delivered revenue growth of 10.1% (+15.7% at constant currency), with strong demand for our electron microscope analysers and atomic force microscopes, Raman systems and semiconductor processing systems.

Geographic revenue growth

£m	2023/24 £m	2023/24 % of total	2022/23 £m	2022/23 % of total	Change £m	% growth	% growth at constant currency
Europe	116.1	25%	104.9	24%	+11.2	10.7%	11.2%
North America	122.9	26%	130.3	29%	(7.4)	(5.7%)	(1.5%)
Asia	221.5	47%	201.2	45%	+20.3	10.1%	15.7%
Rest of World	9.9	2%	8.3	2%	+1.6	19.3%	26.5%
	470.4		444.7		+25.7	5.8%	9.8%

The total reported order book declined by 5.7% (3.5% at constant currency). During the year £23m of orders were removed due to UK export licence restrictions. We have also seen lower lead times for our products, closer to more normalised levels. The order book, at constant currency, compared to 31 March 2023, decreased by 11.3% for Materials & Characterisation, against a strong comparator period. Research & Discovery grew by 1.3% at constant currency, with lower demand for our imaging and microscopy products due to life science OEM weakness, offset by good demand from North America for cryogenic systems for the quantum market, as well as good growth from our X-ray tubes business. Continued focus on own product service resulted in growth of 7.9% (+11.0% at constant currency) from Service & Healthcare.

£m	Materials & Characterisation	Research & Discovery	Service & Healthcare	Total
Revenue: 2022/23	234.5	139.4	70.8	444.7
Constant currency growth	26.7	7.9	8.9	43.5
Currency	(9.0)	(5.2)	(3.6)	(17.8)
Revenue: 2023/24	252.2	142.1	76.1	470.4
Revenue growth: reported	7.5%	1.9%	7.5%	5.8%
Revenue growth: constant currency	11.4%	5.7%	12.6%	9.8%

Gross profit

Gross profit grew by 5.3% to £242.4m (2023: £230.2m), representing a gross profit margin of 51.5%, a decrease of 30 basis points against last year due to a small increase in raw material costs and stock provisioning.

Adjusted operating profit and margin

Adjusted operating profit was broadly flat at £80.3m (2023: £80.5m), representing an adjusted operating profit margin of 17.1% (2023: 18.1%). At constant currency, adjusted operating profit margin was 17.1%, a reduction of 100 basis points. The lower operating margin reflects losses incurred in our quantum business as a result of ceasing commercial activities in China, as well as continued investment in operations, IT and infrastructure.

Reported Materials & Characterisation adjusted operating profit increased by 14.6% (+20.2% at constant currency) with reported margin increasing by 110 basis points to 18.4% (2023: 17.3%). We have seen strong demand across the portfolio of businesses encompassing electron microscope analysers, atomic force microscopes, Raman systems and compound semiconductor processing systems.

Within Research & Discovery, our imaging and microscopy business did not see a rise in profitability despite an increase in revenue. A shortfall in life science OEM orders against a backdrop of operations and sales, marketing and R&D investment has put a brake on short-term profit growth. Furthermore, an increase in material costs and stock provisioning due to an inventory build-up resulting from lower than expected order demand and previous high levels of electronic purchases to protect output and mitigate cost inflation, also impacted profitability. Our cryogenic business has a high exposure to quantum markets and experienced a large trading loss as a result of ceasing commercial activities in China. Long customer lead times meant that we were unable to replace foregone production slots within the financial year as we pivot away from markets in China for our product range. We saw strong growth of 20% at constant currency from our X-Ray Technology business. As a result, adjusted operating profit for the segment declined by 24.4% (26.1% at constant currency) and reported margin fell to 9.6% (2023: 12.9%).

Service & Healthcare reported adjusted operating profit fell by 7.7% (2.3% at constant currency) due to a significant increase in helium costs under MRI service contracts and higher than expected spare parts usage. Margin decreased by 440 basis points to 26.7% (2023: 31.1%).

FINANCE REVIEW continued

Transaction and translation currency effects (including the impact of transactional currency hedging) have reduced reported adjusted operating profit by £3.2m when compared to blended hedged exchange rates for the prior period.

£m	Materials & Characterisation	Research & Discovery	Service & Healthcare	Total
Adjusted operating profit: 2022/23	40.5	18.0	22.0	80.5
Constant currency growth	8.2	(4.7)	(0.5)	3.0
Currency	(2.3)	0.3	(1.2)	(3.2)
Adjusted operating profit: 2023/24	**46.4**	**13.6**	**20.3**	**80.3**
Adjusted operating margin[1]: 2022/23	17.3%	12.9%	31.1%	18.1%
Adjusted operating margin[1]: 2023/24	18.4%	9.6%	26.7%	17.1%
Adjusted operating margin[1] (constant currency): 2023/24	18.6%	9.0%	27.0%	17.1%

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.

Divisional change (indicative and unaudited)

For FY25 we are changing our organisational structure to two divisions: Imaging & Analysis, and Advanced Technologies. Our Materials Analysis businesses, Andor and Japan MRI will form the Imaging & Analysis division, with Plasma Technology, NanoScience and X-Ray Technology comprising the Advanced Technologies division. We will report under the new divisional structure for the 2024/25 interims. For comparative purposes, we show the FY23 and FY24 pro forma results on an indicative and unaudited basis below.

£m	Imaging & Analysis	Advanced Technologies	Total
Revenue: 2023/24	327.9	142.5	470.4
Adjusted operating profit: 2023/24	80.1	0.2	80.3
Adjusted operating margin[1]: 2023/24	24.4%	0.1%	17.1%

1. Adjusted margin is calculated as adjusted operating profit divided by revenue.

£m	Imaging & Analysis	Advanced Technologies	Total
Revenue: 2022/23	308.3	136.4	444.7
Adjusted operating profit: 2022/23	75.1	5.4	80.5
Adjusted operating margin[1]: 2022/23	24.4%	4.0%	18.1%

1. Adjusted margin is calculated as adjusted operating profit divided by revenue.

Statutory operating profit and margin

Statutory operating profit declined by 5.7% to £68.3m (2023: £72.4m), representing an operating profit margin of 14.5% (2023: 16.3%). Statutory operating profit is after the amortisation and impairment of acquired intangible assets; transaction costs; other significant non-recurring items; and the mark-to-market of financial derivatives. The decline in profit was largely driven by a charge on the mark-to-market of financial derivatives.

Adjusting items

Amortisation of acquired intangibles of £9.1m (2023: £9.3m) relates to intangible assets recognised on acquisitions, being the value of technology, customer relationships and brands.

Non-recurring items within operating profit total £2.2m (2023: £1.8m). We recorded net income of £2.9m on settlement of a third-party IP patent dispute. This was offset by acquisition costs of £1.0m, CEO dual running costs of £2.0m (incorporating six months of overlap and buy-out compensation costs) and one-off costs of £1.7m relating to the move of our semiconductor processing business to a new site. Finally, we recorded a charge of £0.4m reflecting past service costs on our defined benefit pension scheme as a consequence of removing the pension increase exchange option for deferred members.

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 Income Statement as foreign exchange and excluded from our calculation of adjusted profit before tax. In the year this amounted to a charge of £0.7m (2023: credit of £3.0m). The net asset movement for derivative financial instruments over the year reflects: (i) the crystallisation of forward contracts that were hedging the 23/24 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 forward contracts that will mature over the next 12 months.

Net finance income

The Group recorded net interest income of £3.0m (2023: £1.1m) due to an increase in interest income on our net cash balance. In addition, we recorded an increase in interest on lease liabilities owing to an increase in right-of-use assets.

Adjusted profit before tax and margin

Adjusted profit before tax increased by 1.6% to £83.3m (2023: £82.0m). The adjusted profit before tax margin of 17.7% (2023: 18.4%) was below last year due to a decrease in the adjusted operating margin, partially offset by an increase in net finance income.

Reconciliation of statutory profit before tax to adjusted profit before tax	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Statutory profit before tax	**71.3**	73.5
Add back:		
Amortisation of acquired intangible assets	9.1	9.3
Non-recurring items in operating profit (Note 2)	2.2	2.2
Mark-to-market of currency hedges	0.7	(3.0)
Adjusted profit before tax	**83.3**	82.0

Statutory profit before tax and margin

Statutory profit before tax decreased by 3.0% to £71.3m (2023: £73.5m). Statutory profit before tax is after the amortisation and impairment of acquired intangible assets; transaction costs; other significant non-recurring items; and the mark-to-market of financial derivatives. The statutory profit before tax margin of 15.2% (2023: 16.5%) was below last year due to a lower operating margin and the charge from the mark-to-market valuation movement on financial derivatives.

Taxation

The adjusted tax charge of £20.3m (2023: £17.0m) represents an effective tax rate of 24.4% (2023: 20.7%). The increase primarily reflects a rise in the UK rate of corporation tax to 25%. The tax charge of £20.6m (2023: £14.9m) represents an effective tax rate of 28.9% (2023: 20.3%). The increase in the effective tax rate is due to the increase in the UK tax rate, expenditure not deductible for tax purposes and the impact of prior year adjustments. We expect the adjusted effective tax rate to increase in 2024/25 to approximately 25.1%.

FINANCE REVIEW continued

Earnings per share

Adjusted basic earnings per share decreased by 3.3% to 109.0p (2023: 112.7p); adjusted diluted earnings per share decreased by 3.4% to 107.5p (2023: 111.3p). Basic earnings per share declined by 13.7% to 87.7p (2023: 101.6p); diluted earnings per share declined by 13.8% to 86.5p (2023: 100.3p).

The number of undiluted weighted average shares increased to 57.8 million (2023: 57.7 million).

Currency

The Group faces transactional and translational currency exposure, most notably against the US dollar, euro and Japanese yen. For the year, approximately 17% of Group revenue was denominated in sterling, 52% in US dollars, 20% in euros, 9% 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	81.0	(91.5)
US dollar	243.3	115.3
Euro	93.5	31.5
Japanese yen	42.1	23.1
Chinese renminbi	5.2	0.9
Other	5.3	1.0
	470.4	80.3

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 2024, the Group had currency hedges in place extending up to 18 months forward.

For the full year 2024/25, our assessment of the currency impact is, based on hedges currently in place and forecast currency rates, a headwind of £8.4m to revenue and £6.2m to profit. Forecast currency rates on unhedged positions for the full year are GBP:USD 1.28; GBP:EUR 1.17; GBP:JPY 200. The headwind to operating profit is due to stronger sterling currency rates on hedged transactional US dollar, euro and Japanese yen exposures against hedged currency rates achieved in 2023/24. In addition, we face stronger sterling currency rates on unhedged transactional and translational US dollar, euro and Japanese yen exposures against actual currency rates achieved in 2023/24. 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 2025/26, based on the above currency assumptions, we would expect currency effects to have a neutral impact to revenue and operating profit.

Acquisition of First Light Imaging SAS

On 9 January 2024, the Group completed the purchase of 100% of the share capital in First Light Imaging SAS for an initial consideration of €15.7m. Additional consideration of €3.0m may be paid after a period of one year if specific conditions on trading performance are met.

Acquisition of FemtoTools AG

On 7 June 2024, the Group agreed to purchase 100% of the shared capital of FemtoTools AG for an initial consideration of CHF 17m, subject to certain closing conditions which are expected to be satisfied within four weeks of signing these financial statements. Additional consideration of up to CHF 7m is conditional on trading performance over a period of 33 months.

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. The Board remains confident in the long-term performance of the business and has proposed a final dividend of 15.9p (2023: 14.9p) per share. This results in a total dividend of 20.8p (2023: 19.5p) per share, growth of 6.7%. An interim dividend of 4.9p per share was paid on 12 January 2024. The final dividend will be paid, subject to shareholder approval, on 20 August 2024 to shareholders on the register as at 12 July 2024.

Consolidated Statement of Cash Flows

The Group Consolidated Statement of Cash Flows is summarised below.

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Adjusted operating profit	80.3	80.5
Depreciation and amortisation	11.0	10.8
Adjusted[1] EBITDA	91.3	91.3
Working capital movement	(24.7)	(9.1)
Non-recurring costs	(2.2)	–
Equity settled share schemes	3.0	2.4
Pension scheme payments above charge to operating profit	(8.0)	(11.7)
Cash from operations	59.4	72.9
Interest	2.2	0.4
Tax	(16.1)	(5.7)
Capitalised development expenditure	(0.7)	(0.6)
Net expenditure on tangible and intangible assets	(26.5)	(32.1)
Acquisition of subsidiaries, net of cash acquired	(13.4)	(4.8)
Dividends paid	(11.4)	(10.6)
Proceeds from issue of share capital	–	0.1
Payments made in respect of lease liabilities	(4.8)	(5.6)
Decrease in borrowings	(1.8)	(0.5)
Net (decrease)/increase in cash and cash equivalents	(13.1)	13.5

1. Adjusted EBITDA is defined as Adjusted operating profit before depreciation and amortisation of capitalised development costs.

FINANCE REVIEW continued

Cash from operations

Cash from operations of £59.4m (2023: £72.9m) represents 47% (2023: 58%) cash conversion. Cash conversion on a normalised basis was 64%, which excludes capital expenditure relating to our new semiconductor systems facility and facility expansion in Belfast. 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 2024 £m	Year ended 31 March 2023 £m
Cash from operations	59.4	72.9
Add back/(Deduct):		
Pension scheme payments above charge to operating profit	8.0	11.7
Non-recurring costs	2.2	–
Capitalised development expenditure	(0.7)	(0.6)
Expenditure on tangible and intangible assets	(26.5)	(32.1)
Repayment of lease payables	(4.8)	(5.6)
Adjusted cash from operations	37.6	46.3
Cash conversion % (adjusted cash from operations/adjusted operating profit)	47%	58%
Cash conversion % (normalised[1])	64%	88%

1. Cash conversion calculated on a normalised basis excludes expenditure in the year of £14.1m (2023: £24.7m) on the new semiconductor systems facility in Bristol and site expansion in Belfast.

Working capital increased by £24.7m, with inventories increasing by £26.3m. Approximately half the inventory increase was due to higher raw materials from customer OEM overstocking within our optical imaging business leading to an unexpected decline in orders against an already-planned production cycle, raw material investment ahead of the move to the new semiconductor systems facility in Bristol, and the impact of UK export licence restrictions to China which resulted in an increase in finished goods. A quarter of the increase related to investment in work-in-progress on a one-off quantum-related long-term contract, additional demo stock (principally for our newer life science products), higher levels of service stock within our regions, and additional safety stock to limit operational risk. The remaining increase supports the revenue growth that the business has delivered over the year.

Interest

Net interest received was £2.2m (2023: £0.4m), the improvement reflecting the higher interest income received on our net cash balance.

Tax

Tax paid was £16.1m (2023: £5.7m). In the prior year the Group benefited 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 £39.2m, equivalent to 8.3% of sales (2023: £34.8m, 7.8% 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 2024 £m	Year ended 31 March 2023 £m
R&D expense charged to the Consolidated Statement of Income	39.1	36.7
Depreciation of R&D-related fixed assets	(0.2)	(0.3)
Amounts capitalised as fixed assets	0.2	–
Amortisation and impairment of R&D costs capitalised as intangibles	(0.6)	(2.2)
Amounts capitalised as intangible assets	0.7	0.6
Total cash spent on R&D during the year	39.2	34.8

Net cash and funding

Net cash

Cash from operations in the year was partially offset by an increase in capital expenditure and payment of initial consideration for the acquired First Light Imaging business, resulting in a decrease in the Group's net cash position at 31 March 2024 to £83.8m (31 March 2023: £100.2m).

The Group invested in tangible and intangible assets of £26.5m, of which £11.7m relates to payments associated with the new semiconductor systems facility in Bristol and £2.4m against the facility expansion in Belfast. For the financial year ended 31 March 2025, we expect payments of approximately £7m to complete the facility in Bristol and expenditure of approximately £10m on the Belfast expansion.

Movement in net cash	£m
Net cash after borrowings as at 31 March 2023	100.2
Cash generated from operations	59.4
Interest	2.2
Tax	(16.1)
Capitalised development expenditure	(0.7)
Net expenditure on tangible and intangible assets	(26.5)
Acquisition of subsidiaries, net of cash acquired	(13.4)
Dividend paid	(11.4)
Payments made in respect of lease liabilities	(4.8)
Foreign exchange & other	(5.1)
Net cash after borrowings as at 31 March 2024	83.8

Net cash including lease liabilities	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Net cash after borrowings	83.8	100.2
Lease liabilities	(33.4)	(31.4)
Net cash and lease liabilities after borrowings	50.4	68.8

FINANCE REVIEW continued

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 fallen to 29.1% (2023: 35.2%), with the change principally reflecting an increase in assets from the acquisition of First Light Imaging SAS and the large investment in the new semiconductor systems facility in Bristol which has increased property, plant and equipment, as well as a higher level of inventories at the year end.

Return on capital employed	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Adjusted operating profit	80.3	80.5
Amortisation of acquired intangible assets	(9.1)	(9.3)
Adjusted operating profit after amortisation of acquired intangible assets	71.2	71.2
Property, plant and equipment	80.5	59.3
Right-of-use assets	32.4	31.4
Intangible assets	137.9	132.1
Long-term receivables	1.3	0.5
Inventories	108.4	81.4
Trade and other receivables	114.7	113.2
Non-current lease payables	(28.6)	(26.2)
Trade and other payables	(166.2)	(159.4)
Current lease payables	(4.8)	(5.2)
Current provisions	(6.4)	(7.6)
Capital employed	269.2	219.5
Average capital employed	244.4	202.1
Return on capital employed (ROCE)	29.1%	35.2%

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 was lower than the previous year due to an increase in property assets and leases, and higher working capital.

Return on invested capital	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Adjusted operating profit	80.3	80.5
Taxation	(20.3)	(17.0)
Adjusted operating profit after taxation	60.0	63.5
Total equity	365.7	344.0
Net cash after borrowings (including lease liabilities)	(50.4)	(68.8)
Invested capital	315.3	275.2
Average invested capital	294.3	262.1
Return on invested capital (ROIC)	20.3%	24.2%

Funding

On 19 March 2024, the Group entered into a new four-year unsecured multi-currency revolving facility agreement, with two extension options. The facility has been entered into with four banks and comprises a euro-denominated multi-currency facility of €95.0m (£81m) and a US dollar-denominated multi-currency facility of $150.0m (£118m).

Debt covenants are net debt to EBITDA less than 3.0 times and EBITDA to interest greater than 4.0 times. As at 31 March 2024 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 2024 was £16.1m (2023: £26.4m). The value of scheme assets fell to £239.7m (2023: £251.5m) due to a fall in value of the scheme's gilt holdings and other liability matching assets. Scheme liabilities decreased to £223.6m (£225.1m), principally due to a decrease in the inflation-linked assumptions.

Pension recovery payments above charge to operating profit total £8.0m (2023: £11.7m). In the comparative 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 cash contributions into the scheme are expected to continue until 2025, 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 Officer'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.

The Going concern statement is set out on page 81 in the Risk Management section of the Strategic Report.

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

10 June 2024

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 throughout the organisation. Day-to-day management of this process has been delegated by the Board to the Executive Directors, as detailed in the Audit and Risk Committee Report on pages 110 to 116. Our risk management and internal control systems have been in place throughout the financial year and up to the date of approval of this Annual Report, and are subject to annual review by the Audit and Risk Committee. In respect of the year ended 31 March 2024, the Board considered that these processes remained effective. A summary of our risk management framework and process can be found below and on pages 72 to 73.

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 Audit and Risk Committee throughout the year. On pages 73 to 78 we provide an overview of the major risks and uncertainties faced by the Group. All business units follow a standard process for risk identification and reporting. The process is further described on page 72. On a regular basis, each business unit reviews and updates its risk register which is then consolidated and assessed in the context of the wider Group and reported to the Chief Executive Officer. If a material risk changes or arises, a review of the adequacy of the mitigating actions taken is completed with the Chief Executive Officer.

The Board and Audit and Risk Committee also consider any risks which may impact delivery against our strategic objectives at a Group level, and consider the approach to managing and mitigating these risks.

Priorities during financial year ended 31 March 2024

During the year ended 31 March 2024 our priorities included continuing to strengthen the Group's internal audit provision by engaging external expertise to support and enhance the delivery of our internal audit plan, developing and commencing execution of a Group-wide compliance training programme and working to enhance the risk management and internal control structures associated with our enterprise resource planning (ERP) system. During the year ahead, we will focus further on our plans to adopt the changes we consider necessary to comply with the revised UK Corporate Governance Code as published in January 2024.

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 frontline and assurance activities.

Further information regarding the scope of internal audit and assurance activities is set out on page 71.

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 110 to 116.

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

Our internal control framework includes central direction, oversight and risk management of the key activities within the Group. It 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, and are subject to separate review by subject matter experts where required (e.g. trade compliance and health and safety).

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 Annual Report.

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 Officer, 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. Day-to-day responsibility for the management of the Group is delegated to the Management Board. 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 largely report to their own operational head, there is also a well-established and acknowledged functional reporting relationship to the Chief Financial Officer;
- the Board reviews strategic issues and options both as part of the annual strategic planning process and on an ongoing basis throughout the year. 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. See the Audit and Risk Committee Report on pages 110 to 116, for more information;
- the Board and its Committees receive regular updates on trade compliance, sustainability, business ethics, health and safety, treasury, tax, insurance and litigation, amongst other topics;
- 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) are subject to enhanced approval requirements;
- 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
- as regards the UK pension scheme, the Group nominates half of the Trustee Directors of the scheme's Corporate Trustee; 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 continued

Risk management process

The diagram below summarises our methodical approach to risk management. The principal risks and uncertainties detailed on pages 73 to 78 are identified, reported and monitored through this 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.

Risk review
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 73 to 78.

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, Assurance and Trade Compliance 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. A formal review of emerging risks is conducted annually, with the outputs shared and discussed with the Audit and Risk Committee as part of its review of the Group risk register and principal risks and uncertainties.

During the latest review the Audit and Risk Committee considered whether generative artificial intelligence ('Generative AI') may represent an emerging risk. They concluded that whilst this presents significant risks and opportunities for the Group, these are already contemplated by some of our other principal risks, such as new product introduction and legal and regulatory compliance, and therefore it is not necessary to consider it a principal risk in its own right.

The Committee also considered management's proposal to add operational transformation as a new principal risk, which was identified as part of the emerging risk review. It is disclosed as principal risk 2 and further details are set out on page 74. The Committee agreed with management's assessment that operational transformation constitutes a principal risk, because delivering future improvements in operating margins partly depends upon realising efficiency gains from the operational transformation programme, and considers the detailed disclosure to be appropriate.

Principal risks and uncertainties

Principal risks are reported and discussed at every meeting of the Audit and Risk Committee. We generally consider that principal risks are those which 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 annually. Risks relating to the use of generative AI were identified but were not considered to represent a principal risk to the Group.

Four risks which were separately identified in the Report and Financial Statements 2023 have now been combined into two risks, as their nature and potential impacts were considered to be similar. Market risk and the risk of adverse movements in long-term foreign currency are considered to be part of macroeconomic risk. Risks relating to disruption from a global pandemic or disaster have been incorporated into business interruption risk. The Board no longer considers risks relating to the funding of the Group's defined benefit pension scheme to be a significant risk and it is no longer identified nor disclosed as a principal risk.

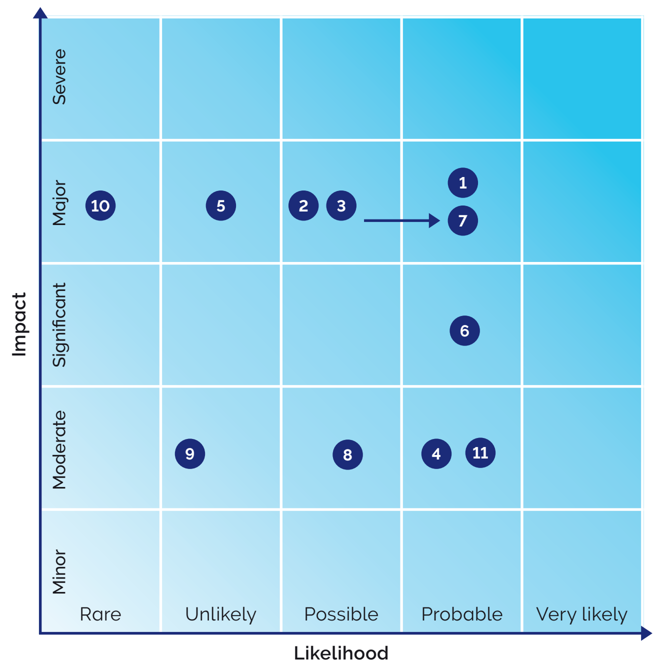
Principal risks and uncertainties matrix

Our principal risks and uncertainties are mapped onto a probability and impact matrix, so that we can meaningfully assess their relative importance. The arrows used in this matrix indicate the change in the risk by comparison to the prior year's assessment. Our methodology 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.

In the simplified version of this matrix shown here, the most significant risks are positioned in its top right quadrant and the least significant in the bottom left. It shows that, based on our assessment, the likelihood of the Cyber/Information technology risk materialising has increased compared to the prior year, due to external factors, while the residual risk for all existing risk categories remains the same as the prior year.

Our assessment of the operational transformation risk is that should it materialise, the impact is likely to be major, while the likelihood is considered to be possible.

The risk management process identified 11 principal risks. Across pages 73 to 78 we have summarised each risk, explained why it is relevant for the Group, set out the potential consequences should it materialise and detailed the risk mitigation mechanisms. The arrows indicate the change (up for an increased risk, down for a decreased risk). A static risk is depicted by an equals symbol. Risks are managed at Board level and are not assigned an individual risk owner.



Key:
1 Geopolitical
2 Operational transformation
3 Supply chain
4 Routes to market
5 New Product Introduction (NPI)
6 Macroeconomic
7 Cyber/information technology
8 Legal and regulatory compliance
9 People and capability
10 Business interruption
11 Climate change

1 Geopolitical

Context: The Group operates in global markets and is required to comply with relevant regulations including, but not limited to, sanctions, embargoes 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, may result in major obstacles to trade with specific customers or end users in key markets. Events such as conflicts and regime change can trigger changes in foreign policy objectives relating to sanctions, trade embargoes, export licensing and trade tariffs. Further, as a consequence of such restrictions, affected nations may seek to reduce reliance on imports in strategic technologies through the development of domestic competition and/or implement protectionist measures. This risk is particularly relevant to the export of certain technologies to China for end uses in both quantum computing and advanced semiconductor manufacturing. With manufacturing operations in the UK, the US, Germany and France, the Group is exposed to changes in the sanctions, embargoes and export controls imposed by those jurisdictions.

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 volumes may impact research and development (R&D) investment decisions due to adverse impacts on business cases.
- Lower net pricing to markets adversely affected by tariffs, reducing contribution margins.
- Increases to input costs and lower gross margins.
- Counter measures by countries affected, such as restrictions on supply of key raw materials and investment in domestic alternatives, the latter leading to longer term reduction in export opportunities to specific markets.

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: =

Unchanged | Increased | Reduced

RISK MANAGEMENT continued

2 Operational transformation

Context: Following our latest strategy review an operational transformation programme is in progress that aims to improve operating efficiencies. Business plans include revenue growth and operating margin improvements that are, in part, dependent on realising those efficiencies in production, service and support functions.

Risk

- The programme may fail to generate operational efficiencies intended to improve operational gearing through measures such as lead time reduction and reduced overheads in relative terms.

Possible impact

- Lower sales volumes than planned due to higher lead times.
- Higher costs of production leading to lower gross margins.
- Higher overhead costs leading to lower operating profit.

Control mechanisms

- CEO and steering group oversight of operational excellence programme.

Mitigation

- Programme headed by Chief Transformation Officer with a proven track record in operational improvement with dedicated support in key areas such as manufacturing and strategic sourcing.

Change in the year: New

3 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. Disruption may be triggered by global events such as conflict, natural disaster, or a pandemic.

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: Unchanged

4 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 insight 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: Unchanged

5 New Product Introduction (NPI)

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

Risk

- Failure of the Group's R&D programme 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 deep market knowledge 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: Unchanged

Unchanged Increased Reduced

RISK MANAGEMENT continued

6 Macroeconomic

Context: Macroeconomic factors such as recession, inflation and government budget priorities may affect demand or place upward pressure on key elements of the cost base such as labour and materials. A high proportion of the Group's revenue is in foreign currencies, notably US dollars, while the cost base is predominantly denominated in GBP.

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.
- Long-term strengthening of sterling against key foreign currencies.

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.
- Reduction in reported revenue and earnings.

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

Mitigation
- Ability to address inflationary pressures through price management reviews.
- Reviews of key drivers of financial performance.
- Reviews of supply chain currency base.
- Active review of net exposure in key currencies.

Change in the year: Unchanged

7 Cyber/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.
- Data privacy breach.

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: Increased

8 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 training, communications and monitoring programmes for key compliance risks.

Change in the year: Unchanged

9 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: Unchanged

Unchanged Increased Reduced

RISK MANAGEMENT continued

10 Business interruption

Context: Business units' production facilities are typically located at a single site and are dependent on availability of parts sourced from global supply chains.

Risk
- Sustained disruption to production arising from a major incident at a site.
- Hiatus in production due to shortage of supply.

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
- Business continuity plans for all manufacturing sites.
- Contractual protection to limit financial consequences of delayed delivery.
- Group strategic sourcing programme.

Mitigation
- Business continuity 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: Unchanged

11 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 40 to 50.

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.
- Reduction in sales volumes if we fail to meet customers' environmental expectations/requirements.
- Reputational damage or loss of investment arising from failure to anticipate or address climate risk.
- Increased freight and packaging costs.

Control mechanisms
- Sustainability Committee and management-level Sustainability Leadership Forum.
- 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: Unchanged

Unchanged Increased Reduced

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 2024 to 31 March 2027 (the 'Viability Assessment Period').

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 and is consistent with the approach taken since the introduction of the requirement to prepare a viability statement in 2016, in line with the UK Corporate Governance Code.

Scenario testing

The viability assessment process is informed by the potential impact of the principal risks and uncertainties and the likelihood of them arising. This led to the application of four sensitivities against management's base-case forecasts to quantify the potential impact of risks materialising. Further detail regarding the key risks and uncertainties which have been considered in this assessment are set out in the Risk Management section on pages 70 to 79.

The process and methodology used for the Viability Assessment is consistent with prior years.

The below table outlines the risk areas and their potential impact and explains the nature of the scenario testing performed.

RISK AREA
1. Geopolitical, operational transformation, supply chain, routes to market, macroeconomic

Potential impact of risk	Explanation
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 – use of detailed budget revenue (after Group contingency) Year 2 – no revenue growth for any business Year 3 – same as for Year 2

RISK AREA
2. Operational transformation, supply chain, macroeconomic, climate change

Potential impact of risk	Explanation
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. Considers the potential impact of incremental overheads that could arise in the principal areas of expenditure such as staff costs, logistics and facilities costs, including energy. In years 2 and 3 of the viability assessment period, the impact is simulated by applying a 200 basis points reduction in the gross margin year-on-year (cumulatively 400 basis points). No specific additional charges for recurring overheads have been included relating to inflation risk compared to the baseline scenario. This is because, in a scenario of stagnant revenue growth (scenario 1), the baseline assumptions for inflationary increases are considered sufficient as they include a reasonable year-on-year increase throughout the Viability Assessment Period when compared to Bank of England forecast inflation.

VIABILITY STATEMENT continued

RISK AREA 3. Legal and compliance, Cyber/Information technology, New Product Introduction, macroeconomic, people and capability	
Potential impact of risk	**Explanation**
Additional non-recurring overhead costs	Additional non-recurring overheads have been applied, representing a contingency for the potential impact of a significant one-off charge totalling £15m. As timing is unpredictable, it has been spread evenly over the three years.

RISK AREA 4. Business interruption	
Potential impact of risk	**Explanation**
Increased working capital	The financial impact of major disruption to the Group's manufacturing operations is mitigated through business interruption insurance. Consequently, for the purposes of this assessment, the sensitivity applied relates to increased working capital requirements only and was applied broadly at a Group level. In each year, the additional working capital requirements in the baseline forecasts have been doubled to quantify the impact of this sensitivity.

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 are reflected in the inflationary cost sensitivities that have been applied to direct costs, 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 and the criteria used to assess viability in aggregate 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 £200m. 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 downside case, a base case and an upside case. The base 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 generally 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. The only exception is the application of additional working capital requirements set out in sensitivity 4 above.

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 £116m (7% of the Baseline total) and operating profit by roughly £96m 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. The Baseline revenue for year 1 already includes a Group contingency.

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. Further, the calculations show that the Group would continue to generate a positive net cash flow in every year of the Viability Assessment Period, leading to additional headroom. Consequently, the Group would maintain 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 £200m, 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, as set out subsequently.

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 10 to 82. The Finance Review on pages 58 to 69 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 accounting policies note, has performed an assessment up to 30 June 2025, as well as an assessment of longer-term viability up to 31 March 2027 as noted in the viability statement. 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. For further information, see the accounting policies on page 155.

Approval

The Strategic Report was approved by the Board on 10 June 2024.

RICHARD TYSON
Chief Executive Officer

10 June 2024

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
Environment		
Health and Safety Policy Environmental Policy Supplier Due Diligence and Audit Procedures	Sustainability Report: pages 34 to 57 Sustainability Committee Report: pages 117 to 119 Task Force on Climate-related Financial Disclosures (TCFD) Statement: pages 40 to 50	www.oxinst.com/investors-content/sustainability www.oxinst.com/investors-content/compliance/environmental-policy 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 Share Dealing Policy	Engaging with our stakeholders: pages 20 and 21 Sustainability Report: pages 34 to 57 How we engage with our stakeholders: pages 90 to 96 Board Leadership and Company Purpose: page 89 Sustainability Committee Report: pages 117 to 119	www.oxinst.com/corporate-content/health-and-safety www.oxinst.com/CBCE www.oxinst.com/corporate-content/employees www.oxinst.com/investors-content/compliance/crisis-management-policy www.oxinst.com/corporate-content/diversity-and-inclusion www.oxinst.com/careers
Social matters		
Export Control Policy Privacy Policy Code of Conduct Group Sanctions Policy Group Export Controls	Sustainability Report: pages 34 to 57 Community engagement: page 92 and 93 Sustainability Committee Report: pages 117 to 119	www.oxinst.com/corporate-content/privacy www.oxinst.com/CBCE www.oxinst.com/investors-content/compliance/group-sanctions-policy www.oxinst.com/investors-content/compliance/group-export-controls-policy
Human rights		
Global Human Rights Policy Modern Slavery Statement Gender & Ethnicity Pay Gap Report Privacy Policy	Ethics – human rights: page 57	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 Whistleblowing Policy Share Dealing Policy Supplier Code of Conduct Conflicts of Interest Policy Supplier Due Diligence and Audit Procedures	Ethics – anti-bribery and corruption: page 56 Supplier engagement: pages 92 and 93	www.oxinst.com/investors-content/compliance/anti-bribery-and-corruption www.oxinst.com/investors-content/compliance/business-malpractice-procedure www.oxinst.com/CBCE
Additional disclosures: – Business model – Principal risks – Non-financial KPIs		
Group Tax Strategy	Investment case: pages 16 and 17 Business Model: pages 18 and 19 Strategy: pages 22 and 23 KPIs: pages 24 and 25 Principal Risks: pages 72 to 78 Audit and Risk Committee Report: pages 110 to 116	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
10 June 2024

Governance

CHAIR'S OVERVIEW

Governance highlights

- Richard Tyson joined the Board as Chief Executive Officer on 1 October 2023, following a robust appointment process.
- Hannah Nichols joined the Board as a Non-Executive Director, effective 1 January 2024, and will take up the role of Chair of the Audit and Risk Committee with effect from the conclusion of the AGM on 25 July 2024.
- Redeveloped the company's strategy and purpose, with a strong recognition that these are crucial underpins which will guide the organisation as it strives to fulfil our ambitions and to achieve even more for all of our stakeholders.
- Received strong shareholder support for our new Directors' Remuneration Policy at our AGM on 19 September 2023.
- Gained meaningful insights through our 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 2024. 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.

Board composition and succession planning

It is imperative that our Board's composition encompasses the necessary skills, knowledge and experience to provide effective leadership, and our Nomination Committee actively keeps under continuous review the constitution of the Board and its Committees. There have been a number of changes to the Board during the year and up to the date of signing the Annual Report, as follows:

- As noted in the Report and Financial Statements 2023, after having served on the Board for almost nine years, Professor Sir Richard Friend stepped down as a Non-Executive Director of the company with effect from 28 July 2023.
- On 1 October 2023, Ian Barkshire retired as Chief Executive Officer and was succeeded in this role by Richard Tyson. As noted in the Report and Financial Statements 2023, the Board is thankful for the tremendous contribution Ian has made and he can look back on his long career with Oxford Instruments with immense pride. Richard has joined us from global electronics company TT Electronics plc, where he was Chief Executive Officer, and we have been delighted with the actions he has taken so far, as he leads us into the next phase of our growth.
- 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 acted to ensure smooth succession for the role of Audit and Risk Committee Chair, which Mary currently fulfils. We also remained mindful of the Board's diversity policy. As a result, we were pleased to appoint Hannah Nichols as a Non-Executive Director with effect from 1 January 2024. Hannah's strong financial expertise, extensive international experience and track record of driving transformational change, both within and beyond the finance function, will complement the current range of expertise and experience on our Board and mean that she is well equipped to take up the role of Chair of the Audit and Risk Committee. She will do so with effect from the conclusion of the AGM to be held on 25 July 2024.
- Reshma Ramachandran will stand down as a Non-Executive Director with effect from the conclusion of the AGM, due to her appointment in a new executive role externally, which will restrict the available time which she can commit to her role with the company. The Board sincerely thanks Reshma for the valuable contributions she has made during her time as a Director.
- Mary Waldner will stand down as a Non-Executive Director in February 2025 in line with best practice, as set out above. She will step down from the role of Chair of the Audit and Risk Committee with effect from the conclusion of the AGM, with Hannah Nichols taking up this role, as noted above.

Further information regarding the work of the Nomination Committee can be found on pages 106 to 109.

Strategy and purpose

One of the most important areas of focus for the Board during the year was the redevelopment of our strategy and purpose. As noted earlier in the Annual Report, these are considered crucial underpins which will guide us as we strive to fulfil our ambitions and to achieve even more for all of our stakeholders. The Group's new strategy is founded on developing focused, customer-first ways of working, simplifying our organisation and processes, and making a step change in operational performance, while protecting our investments in products and technology – the foundation of our existing success. At the core of our strategy and future plans, is our newly articulated purpose, which is to accelerate the breakthroughs that create a brighter future for our world, as our technology and scientific expertise enables our customers to discover and bring to market exciting new advances that drive human progress.

For more information, see Our Purpose-led Approach on pages 6 to 7, Our Strategy on pages 22 to 23 and the case study: 'Guiding our ambitions: Our new strategy and purpose' on page 95.

New Directors' Remuneration Policy

We were delighted to receive strong shareholder support for our new Directors' Remuneration Policy at our AGM on 19 September 2023, with a supporting vote of 98.04%. When developing the new policy, our Remuneration Committee engaged with our major shareholders and other key stakeholders and also 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. During the year, the Committee shifted its focus to ensuring the appropriate operation of the policy, with particular consideration given to the remuneration policies for our wider workforce.

For information regarding the implementation of the Directors' Remuneration Policy and the work of the Remuneration Committee, see pages 120 to 143.

Employee engagement

The Board was again pleased to participate in its formal programme of employee engagement activity this year. We strongly believe that this strengthens the Board's understanding of employees' perspectives and helps to ensure that they are considered as part of our decision-making processes. The Board plays a role in shaping the programme each year and we aim to meet with employees across a broad range of roles, sites and stages in their career. This year our programme included, amongst other things, a full-Board site visit to our new compound semiconductor site at Severn Beach and a dedicated session on remuneration hosted by Alison Wood in her capacity as Chair of the Board's Remuneration Committee. After each of these events the Board discusses, as a specific agenda item at the next Board meeting, the insights gained and determines any appropriate actions. We look forward to participating in our programme of engagement activity for 2024/25.

To find out more about our approach to stakeholder engagement, please see the 'Engaging with our stakeholders' section on pages 20 to 21 and the 'How we engage with our stakeholders' section on pages 90 to 95.

Annual General Meeting

The 2024 Annual General Meeting (AGM) of Oxford Instruments plc will be held at Ashurst LLP, London Fruit & Wool Exchange, 1 Duval Square, London, E1 6PW at 11.00am on Thursday 25 July 2024.

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.

As usual, 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

10 June 2024

BOARD OF DIRECTORS

Neil Carson
Chair

Appointed to the Board:
1 December 2018

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 Sustainability Committee and Chair of the Remuneration Committee of Shell plc.

Director of The Goldsmiths' Company Charity.

Committee membership:

N R S

Richard Tyson
Chief Executive Officer

Appointed to the Board:
1 October 2023

Executive

Independent: No

Richard has a track record of business leadership in the advanced technology sector spanning more than 30 years. In his previous role as Chief Executive Officer at TT Electronics plc from 2014 to 2023, Richard transformed, reshaped and refocused the business, delivering product innovation, building the group organically and through acquisition, and delivering strong growth in revenue, profits and margin. Richard previously held senior roles at defence group Cobham plc, where he was a member of the executive committee and led the aerospace and security division, and at Goodrich Aerospace. Richard is a fellow of the Royal Aeronautical Society and a Governor of St Swithun's Independent School for Girls in Hampshire. Richard is a graduate of the Executive Senior Leadership programme at Henley Business School, and holds a diploma from the Chartered Institute of Marketing and a BSc in Management Sciences from The University of Manchester.

Senior Independent Director of Videndum plc.

None

Gavin Hill
Chief Financial Officer

Appointed to the Board:
9 May 2016

Executive

Independent: No

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.

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

None

Alison Wood
Senior Independent Director

Appointed to the Board:
8 September 2020

Non-Executive

Independent: Yes

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.

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

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

A N R S

Mary Waldner
Non-Executive Director

Appointed to the Board:
4 February 2016

Non-Executive

Independent: Yes

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.

Chief Financial Officer of Lloyd's Register.

Non-Executive Director and Chair of the Audit Committee of Senior plc.

A N R S

Sir Nigel Sheinwald
Non-Executive Director

Appointed to the Board:
22 September 2021

Non-Executive

Independent: Yes

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).

Non-Executive Director of Invesco Ltd.

Senior Adviser to the Universal Music Group.

Chair of the Royal Institute of International Affairs (Chatham House).

Visiting Professor at King's College, London.

A N R S

Committee Membership

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

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

BOARD OF DIRECTORS continued

Reshma Ramachandran
Non-Executive Director

Appointed to the Board:
1 September 2022

Non-Executive

Independent: Yes

Skills and experience:
Reshma is currently the Chief Transformation Officer and a member of the Executive Board at APCOA Parking AG. Prior to that she worked as the Senior Vice President & Group Head of Transformation at Adecco Group AG. She has also previously held senior roles at ABB Ltd, Alstom Power (a General Electric company) and Accenture Management Consulting. She holds a bachelor's and master's degree in Technology and is an alumnus of the Indian Institute of Technology Madras, India. Additionally she holds a master's 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:
Chief Transformation Officer and member of the Executive Board of APCOA Parking AG.

Non-Executive Director of ISS A/S.

Senior advisor at Boston Consulting Group LLC.

Committee membership:
A N R S

Hannah Nichols
Non-Executive Director

Appointed to the Board:
1 January 2024

Non-Executive

Independent: Yes

Hannah is currently Chief Financial Officer of Hill & Smith PLC, a leading provider of sustainable infrastructure products and services and a constituent of the FTSE 250 index on the London Stock Exchange, a role she has held since September 2019. She holds a Classics degree from the University of Cambridge and is a qualified chartered accountant. Hannah is an experienced financial professional; prior to her current executive role she had a successful 14-year career at BT Group plc, latterly serving as Chief Financial Officer, Asia, Middle East and Africa for BT Global Services, based in Singapore. She has also held a number of commercial roles at Cable & Wireless plc and qualified as a chartered accountant at Arthur Andersen.

Chief Financial Officer of Hill & Smith PLC.

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.

Changes to the Board and its Committees

During the financial year and up to the date of signing of the Annual Report, the composition of the Board changed as follows:

- Richard Friend stepped down as Non-Executive Director on 28 July 2023.
- Ian Barkshire stepped down as CEO and Executive Director on 1 October 2023.
- Richard Tyson was appointed as CEO and Executive Director on 1 October 2023.
- Hannah Nichols was appointed as a Non-Executive Director on 1 January 2024.

Upcoming changes to the Board are as follows:

- Reshma Ramachandran will step down as a Non-Executive Director on 25 July 2024.
- Mary Waldner will step down from the role of Chair of the Audit and Risk Committee with effect from 25 July 2024 and will step down from the Board on 4 February 2025.
- Hannah Nichols will take up the role of Chair of the Audit and Risk Committee with effect from 25 July 2024.

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 84 to 143, and each Director's biographical information is set out in the Board biographies on pages 86 to 88.

Purpose, strategy and stakeholders

Our core purpose is to accelerate the breakthroughs that create a brighter future for our world. Our technology and expertise enable our customers to discover and bring to market exciting new advances that drive human progress.

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. Read more about the Board's work on redefining the company's purpose and resetting its strategy on page 95.

For more information on our purpose, see pages 6 and 7 and for more information on our strategy, see pages 22 and 23.

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 20 to 21 and 90 to 95.

CORPORATE GOVERNANCE STATEMENT
for the year ended 31 March 2024

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 2024.

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 2024, the Board considers that it has complied with the provisions of the Code.

Whilst the specific disclosures required by Disclosure Guidance and Transparency Rule 7.2 are covered in more depth throughout the Annual Report, 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 70 to 72.
- Share capital information can be found in the Directors' Report on page 145.
- Details of the composition of the Board and its Committees can be found on pages 86 to 88.
- Our Board diversity policy is described on page 108.

The Board notes the publication of the revised UK Corporate Governance Code in January 2024 and its work in the year ahead will include planning to adopt the necessary changes it considers appropriate in order to comply with the revised Code.

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

10 June 2024

HOW WE ENGAGE WITH OUR STAKEHOLDERS

The Board remains **committed to developing its understanding** of the views of its key stakeholders

Our approach to engagement

On pages 20 and 21 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 Annual Report, 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 20 and 21**

Stakeholder and why we value them	What matters to them	How we engage	Outcomes of our engagement	Board decisions where stakeholders were considered
Customers We put our customers' needs at the centre of our conversations and decision making. 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.	• Our technology and scientific expertise enable our customers to discover and bring to market exciting new advances that drive human progress. • 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 make ground-breaking discoveries, accelerate their applied R&D and increase productivity in high-tech manufacturing. • 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 continued to refine our service offering with digital connectivity helping to maintain productivity through remote access and service.	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 strategy / **pages 22 and 23**
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 meet or exceed our customers' expectations.	• Development and progression opportunities. • Health, safety and wellbeing. • Equity, diversity and inclusion. • Understanding how they contribute to our strategy and success. • Clarity of expectation on how recognition and remuneration structures align with accountabilities.	• The Board was delighted to again participate in a formal programme of employee engagement activity this year, which included sessions focused on executive remuneration, the ways of working which will enable our colleagues to deliver our strategy, and a full-Board site visit to our new compound semiconductor site at Severn Beach. • We maintain an engaging and structured approach to connecting with our employees, with regular sessions for all employees 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. • We continue to promote our 'Push for Zero' health and safety programme and Shield reporting system.	• 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 2024/25. • The Remuneration Committee reviewed the wider workforce remuneration landscape and related policies, and considered these when setting Executive Director and Management Board remuneration. • We have continued to promote observation reporting, aiming to ensure 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 / **pages 34 to 57** and the Sustainability Committee Report / **pages 117 to 119** Setting Executive Director and Management Board remuneration. See the Directors' Remuneration Report / **pages 120 to 143**

HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

Stakeholder and why we value them	What matters to them	How we engage	Outcomes of our engagement	Board decisions where stakeholders were considered
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 Annual Report 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 which was approved by shareholders at the 2023 AGM. • Our externally appointed IR specialist increases the bandwidth available to meet and inform a broader range of new shareholders.	• 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. Their feedback proved particularly insightful in helping to shape the sustainability-related performance metrics for Executive Director remuneration.	Developing and delivering against our strategy See our strategy / **pages 22 and 23** Implementation of the Directors' Remuneration Policy. See the Directors' Remuneration Report / **pages 120 to 143** Consideration and decisions relating to our wider sustainability agenda, from diversity and inclusion to setting net zero targets. See the Sustainability Report / **pages 34 to 57** and the Sustainability Committee Report / **pages 117 to 119**
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.	• It is crucial to provide our suppliers with 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. • The Board remained mindful of potential supply chain challenges and where appropriate, will be briefed as regards any necessary work to mitigate the impacts of these challenges.	• 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. We have also appointed a Chief Transformation Officer whose remit includes supply chain best practice. • 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 / **pages 34 to 57** and the Sustainability Committee report / **pages 117 to 119**
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.	• 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 and causes. • We are committed to minimising emissions.	Decisions relating to our wider sustainability agenda, from community impact to supporting next-generation talent. See the Sustainability Report / **pages 34 to 57** and the Sustainability Committee Report / **pages 117 to 119**

HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

Stakeholder and why we value them	What matters to them	How we engage	Outcomes of our engagement	Board decisions where stakeholders were considered
Society Through our stated purpose – to accelerate the breakthroughs that create a brighter future for our world – 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.	• Our technology and scientific expertise enable our customers to discover and bring to market exciting new advances that drive human progress. • 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.	• Our sites and grounds are well maintained and sensitive to the local environment and wildlife. • We continue to develop new products and services, as set out in the operational review on pages 26 to 33. • Our Sustainability Committee has continued to keep under review the progress being made across its wider remit, including our work towards achieving 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 / **pages 34 to 57** Information on the work of the Sustainability Committee can be found on / **pages 117 to 119**

PRINCIPAL DECISION CASE STUDY

Guiding our ambitions: our new strategy and purpose

A key area of focus during the year was the redevelopment of our strategy and purpose. These are crucial underpins which will guide us as we strive to fulfil our ambitions and to achieve even more for all of our stakeholders, especially our customers, employees and shareholders. The process was consultative and collaborative from the outset and throughout, with the executive team and Board taking a range of views from different stakeholders on the status quo and the business's strengths and challenges, before developing the Group's future strategy. The Management Board participated in a series of full-day workshop sessions, and focus groups were held with a wide cross-section of employees representing different businesses, regions and functions. Interviews with external stakeholders including customers, brokers and corporate advisers also played a key role in shaping the strategy.

At the core of our strategy and future plans, is our newly articulated purpose, which is to accelerate the breakthroughs that create a brighter future for our world, as our technology and scientific expertise enables our customers to discover and bring to market exciting new advances that drive human progress.

This reflects in particular how our scientific and technical expertise is the beating heart of our organisation. In redefining our purpose and as a particular consideration in our decision making, we have sought to ensure that we have not lost sight of the science, technology and innovation which has been at the core of the company and its success since its inception, whilst now reflecting that we are the enabler which can help to accelerate and unlock progress across critical areas spanning healthcare, sustainability and global connectivity.

The Group's new strategy (see pages 10 to 15 and 22 to 23) is founded on developing focused, customer-first ways of working, simplifying our organisation and processes, and making a step change in operational performance, while protecting our investments in products and technology – the foundation of our existing success. It sets out a pathway which will enable us to achieve greater value for all our stakeholders, improving our delivery to customers, delivering higher returns to shareholders, and providing career development opportunities for our employees.

SECTION 172(1) STATEMENT

During the year to 31 March 2024, 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 90 to 95.

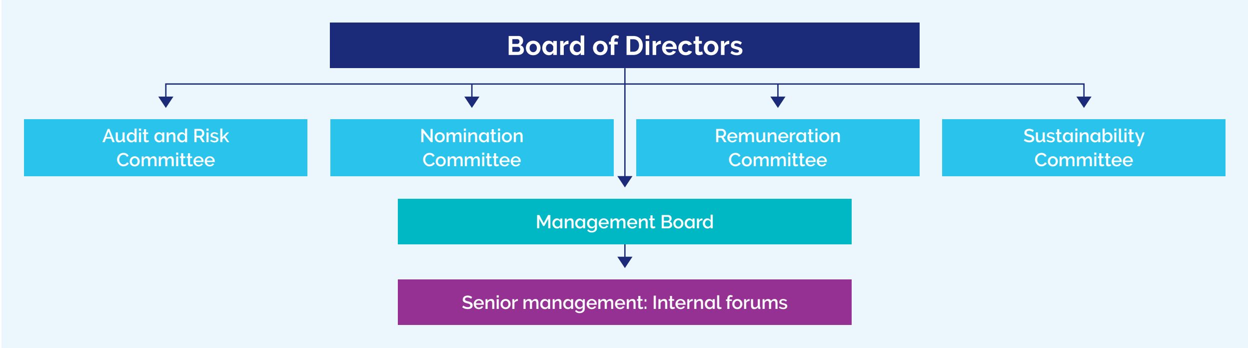
Additional information demonstrating how the Board has had regard to the factors set out in Section 172(1) of the Companies Act 2006

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	6 and 7
	Our strategy	22 and 23
	Risk management	70 to 78
Interests of employees	Employee engagement	90 and 91
	Our purpose-led approach	6 and 7
	Sustainability	34 to 57
Fostering business relationships with suppliers, customers and others	Engagement with suppliers	92 and 93
	Engagement with customers	90 and 91
	Supply chain practices	56
Impact of operations on the community and the environment	Sustainability	34 to 57
	Our purpose-led approach	6 and 7
Maintaining a reputation for high standards of business conduct	Our purpose-led approach	6 and 7
	Compliance	56 and 57
	Anti-bribery and anti-corruption	56
	Human rights and modern slavery	57
	Privacy and data protection	57
	Data security	57
	Whistleblowing	114 and 115
	Export Control Policy	56
Acting fairly between members	Shareholder engagement	92 and 93
	Shareholder information	144

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.



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.

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 Annual Report.
- 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.

Management Board

- Responsible for the day-to-day running of the business of the Group, where delegated by the Chief Executive Officer.
- Focuses on Group-wide performance, strategy and risk management.
- Meets at least monthly.

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 via the Sustainability Leadership Forum.

Responsibilities of the Chair, Chief Executive Officer and Senior Independent Director

The responsibilities of the Chair, Chief Executive Officer 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 Officer

- 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.

DIVISION OF RESPONSIBILITIES continued

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 2024, of those which they were required and eligible to attend.

This includes all customary meetings as well as ad hoc meetings scheduled 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 Annual Report, 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	9/9	N/A	3/3	7/7	5/5
Richard Tyson[1]	3/3	N/A	N/A	N/A	N/A
Gavin Hill	9/9	N/A	N/A	N/A	N/A
Alison Wood	8/9	7/8	3/3	6/7	5/5
Mary Waldner	9/9	8/8	3/3	7/7	5/5
Sir Nigel Sheinwald	9/9	8/8	3/3	7/7	5/5
Reshma Ramachandran	8/9	7/8	2/3	6/7	4/5
Hannah Nichols[2]	2/2	2/2	2/2	1/1	1/1

1. Appointed to the Board on 1 October 2023.
2. Appointed to the Board on 1 January 2024.

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 102.

Stakeholder engagement

The Board is committed to developing its understanding of the views of its key stakeholders. As noted earlier in this Annual Report, 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 20 and 21 regarding 'Engaging with our stakeholders' and pages 90 to 95 regarding 'How we engage with our stakeholders' for more information, including the Board's Section 172(1) statement.

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 within this Annual Report.

Stakeholders considered key:
1 Customers 2 Employees 3 Shareholders 4 Suppliers 5 Local communities 6 Society

Key areas of focus and discussion	Stakeholders considered
Theme: Strategy, performance and operations	
Annual dedicated strategy review session and across a range of meetings, particularly in the latter half of the year, with a focus on the redevelopment of our strategy and purpose	1 2 3 4 5 6
Regularly reviewed business development activities and the acquisition proposal pipeline, including approval of the acquisitions of First Light Imaging SAS, which was completed in January 2024 and FemtoTools AG, which was agreed on 7 June 2024, subject to certain closing conditions which are expected to be satisfied within four weeks of signing this Annual Report	1 2 3 4 6
Monitored performance and provided challenge relating to key areas within operations in the broadest sense, including health and safety, operational excellence, human resources, innovation and business development. Considered in particular the ongoing operational improvement-related work	1 2 4
Reviewed and approved individual capital expenditure projects, including that relating to the extension of our production capacity in Belfast to meet growing Life Science demand	2 3 5
Theme: Finance, reporting, risk management and controls	
Monitored progress against the 2023/24 financial plan and reviewed and approved the 2024/25 financial plan	1 2 3 4 5 6
Considered and approved the Annual Report, half-year results and trading updates, as well as the proposed interim and final dividend payments	3
Increased the multi-currency facility available to the Group	3
Monitored the outputs from the formal process which identifies, evaluates and reports on risks and opportunities across the Group	1 2 3 4 5 6
Theme: 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	2 3 6
Continued focus on organisational capability and succession planning within senior leadership teams and across the organisation	2
Completed the recruitment process for a new Non-Executive Director with the capability to take up the role of Chair of the Audit and Risk Committee in due course, resulting in the appointment of Hannah Nichols, effective 1 January 2024	2 3
Concluded the succession process regarding our change of Chief Executive Officer, with Richard Tyson succeeding Ian Barkshire as Chief Executive Officer with effect from 1 October 2023	2 3
Theme: Governance and responsible business	
Presented the new Directors' Remuneration Policy for approval at our AGM on 19 September 2023 and received strong shareholder endorsement with a supporting vote of 98.04%	2 3
Consideration of views of key stakeholders and impact of decisions on them, including reviews of shareholder feedback as collated by external advisers	1 2 3 4 5 6
Full-Board site visit to our new compound semiconductor site at Severn Beach, including dedicated workforce engagement activities, strategy deep-dive session and a full site tour	1 2 3 4 5 6
Reviewed and discussed the outcomes of the internal Board performance review and agreed an action plan for 2024/25. Reviewed progress against the 2023/24 internal Board evaluation action plan	3
Regular meetings without the Executive Directors present	3
Regular meetings with BDO LLP, both with and without the Executive Directors present	3
Maintained oversight of our progress towards achieving our net zero targets	1 2 3 4 5 6
Monitored progress against the targets and measures which aim to advance the social and governance pillars of our sustainability strategy	1 2 3 4 5 6
Oversight of the Group's sustainability-related narrative reporting and external disclosures, including our Task Force on Climate-related Financial Disclosures Statement, the integrated Sustainability Report and our standalone Sustainability Report	3

DIVISION OF RESPONSIBILITIES continued

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 Code, 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 Annual Report.

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 86 to 88. 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. 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 Tyson was previously 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 and remuneration, both at Oxford Instruments plc and TT Electronics plc. 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 Annual Report.

Director	Change in commitment	Effective date of change
Alison Wood	Resigned as Non-Executive Director and Chair of the Remuneration Committee of the British Standards Institute (non-listed).	August 2023
Gavin Hill	Appointed as Non-Executive Director and Chair of the Audit Committee of BMT Group Limited.	April 2023
Nigel Sheinwald	Resigned as Senior Adviser to Tanium, a cyber-security company.	June 2023
Reshma Ramachandran	Appointed as Non-Executive Director of ISS A/S.	April 2023
	Appointed as Chief Transformation Officer and member of the Executive Board of APCOA Parking AG.	October 2023
	Appointed as Senior advisor at Boston Consulting Group LLC.	August 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 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 Officer 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.

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 2023 AGM, all Directors on the Board at that time were reappointed by shareholders with majority votes ranging from 95.91% to 99.87%.

On 1 October 2023, Richard Tyson was appointed to the Board as an Executive Director in his capacity as Chief Executive Officer and on 1 January 2024, Hannah Nichols was appointed to the Board as a Non-Executive Director. Both Richard and Hannah will stand for election for the first time at the company's 2024 AGM. Hannah will also take up the role of Chair of the Audit and Risk Committee with effect from the conclusion of the AGM.

Reshma Ramachandran will not submit herself for re-election by shareholders and will stand down as a Non-Executive Director with effect from the conclusion of the AGM, due to her appointment in a new executive role externally, which will restrict the available time which she can commit to her role with the company.

The Board sincerely thanks Reshma for the valuable contributions she has made during her time as a Director.

Mary Waldner joined the Board in February 2016, and will stand down as a Non-Executive Director in February 2025, when she will have served as a Non-Executive Director for nine years, in line with best practice. She will step down from the role of Chair of the Audit and Risk Committee with effect from the conclusion of the AGM, with Hannah Nichols taking up this role, as noted above.

Each of the other Directors will retire from office at the AGM and each has agreed to submit himself or herself for re-election by shareholders.

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 who intend to stand for appointment at the AGM.

The biographical information of each Director, their initial appointment dates and the reasons for their respective election or re-election, where applicable, can be found on pages 86 to 88. More information regarding the Board and the Director performance review process is set out on pages 102 and 103.

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: visits to our sites, one-to-one sessions with the Executive Directors, sessions with all members of the Management Board, meetings with various functional and regional heads, and the opportunity to meet with a range of employees across the business.

COMPOSITION, SUCCESSION AND EVALUATION continued

The case study on page 103 provides an illustration of our induction programme in practice, following the appointment of Hannah Nichols as a Non-Executive 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 98.

Board composition

The Board, via the Nomination Committee, keeps under continuous review its composition and that of its committees. Its review considers the balance of the Directors' skills and experience as well as their tenure, independence, time commitment and diversity. The Nomination Committee also carries out a formal, in-depth review of Board and committee composition at least annually.

For more information regarding the recent and anticipated changes to the Board's composition, see the Nomination Committee Report on pages 106 to 109.

Annual Board Performance Review

The Board recognises the need to continually monitor and improve its performance. It carries out internal or externally facilitated Board performance reviews annually, in order to obtain feedback to help to improve its effectiveness.

Internal Board evaluation 2022/23: Progress

The Board completed an internally facilitated performance review 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:

- as part of their work on the redevelopment of the company's strategy and purpose, considered the current and anticipated macro backdrop impacting the Group;
- developed and delivered a smooth succession plan for the role of Chair of the Audit and Risk Committee, with the appointment of Hannah Nichols as a Non-Executive Director on 1 January 2024 who will take up the role with effect from the conclusion of the 2024 AGM. Hannah has been completing a robust handover with the current Audit and Risk Committee Chair, Mary Waldner, who will be stepping down from the Board in February 2025;

Induction of Richard Tyson as Chief Executive Officer

Richard Tyson was appointed to the Board with effect from 1 October 2023 and since joining, has immersed himself in getting to know the business at first hand, meeting key stakeholders including customers, shareholders and colleagues around the world.

"I'm really grateful for the very warm welcome I've had everywhere I've been. I've also come away from every visit impressed by the talent and commitment of our teams, the strength of our product ranges and the brilliant ideas coming through for new product development. I can also see huge potential for us to be even more effective in the years to come, with opportunities to simplify the way we operate that will deliver efficiencies that we can reinvest back into the business."

Highlights from Richard's first few months as he immersed himself into the business included:

- embarking on multiple visits to all of our major sites around the world, including those across the UK, China, Germany, Japan and the US, which provided opportunities to:
  - see our advanced technology in action;
  - meet with and hear from a wide range of colleagues across our organisation;
  - gain a first-hand insight into the working practices at our sites; and
  - assess our strategy in action; helping to shape his views on the future of the organisation;
- building strong working relationships with members of the Board and developing his understanding of their views on the opportunities for and challenges facing the business; and
- developing a robust framework to support him in delivering his role, ranging from expanding the Management Board to engaging external advisers to support robust and well-informed decision making.

- continued to progress the workforce engagement programme through meeting and hearing from a range of employees at various levels and roles, primarily as part of the full-Board site visit to our new compound semiconductor site at Severn Beach and through a dedicated session on remuneration hosted by Alison Wood in her capacity as Chair of the Remuneration Committee; and
- facilitated Director development opportunities across a range of topics including sustainability, corporate governance and the evolving legal landscape. Also received briefings on matters relevant to the Group's business, including operational updates.

Internal Board Performance Review 2023/24: Process

This year, the Board completed an internally facilitated performance review. 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; and
- Board discussed and agreed actions to be implemented.

Internal Board Performance Review 2023/24: Outcomes and actions

The internal Board performance review 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:

- enhancing the Board's approach to risk management;
- continuing to advance the formal workforce engagement programme to provide meaningful insights for both the Board and our colleagues; and
- providing even further director development opportunities, relevant to the business.

Induction of Hannah Nichols as Non-Executive Director

Hannah Nichols was appointed to the Board with effect from 1 January 2024 and, since joining, has undertaken a full and formal induction, tailored to her individual needs.

"I am delighted to have joined Oxford Instruments as Non-Executive Director and was very impressed with the leading-edge products and services showcased during my recent visits to High Wycombe and Tubney Woods. I really appreciate the warm welcome I have received to date and look forward to spending more time with our talented teams during future visits."

Key features of Hannah's tailored induction programme included:

- one-to-one sessions with the Executive Directors to gain an in-depth understanding of the business;
- sessions with all members of the Management Board, to develop an understanding of their roles and responsibilities;
- visits to our sites at Tubney Woods, High Wycombe and Severn Beach;
- 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, Group Financial Controller, Group HR Director, Head of Tax and Head of Internal Audit, Risk Assurance and Group International Trade Compliance;
- introductions to the company's key advisers including its auditor, UK corporate counsel and remuneration consultant; and
- commenced handover activities with Mary Waldner, whom Hannah will succeed as Chair of the Audit and Risk Committee with effect from the conclusion of the AGM on 25 July 2024.

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.

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 106 to 109.

For more information regarding our approach to equality, diversity and inclusion across the Group, please see our Sustainability Report on pages 34 to 57.

Board skills and experience

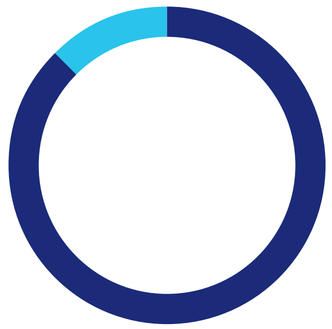
Specific skill, experience or expertise	Number of Directors identifying as having specific skill, experience or expertise
Chairmanship	2
Listed Company Executive directorship(s)	5
Listed Company Non-Executive directorship(s)	7
Financial expertise	4
Financial reporting experience	4
Risk management	6
Investor relations	5
Corporate governance	8
Executive remuneration	5
Workforce engagement	4
Strategy development	8
International business experience	8
Commercial and business development	4
Business management	5
Operations and manufacturing	5
Services and life cycle revenue	3
Technology, Science or Engineering	4
Sustainability	3
Climate change	4
Energy transition	3
Customer focus	3
People leadership	5
Digital experience	2

Board diversity characteristics

Age

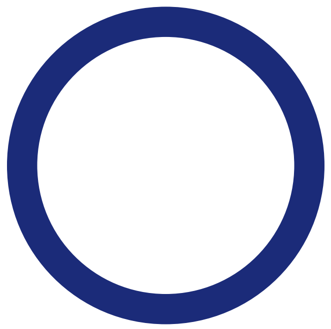
40–49	2
50–59	3
60–69	2
70+	1

What is your ethnic group?



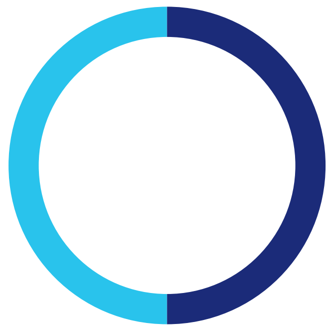
White British	7
Indian	1

Do you consider yourself to have a disability defined by the Equality Act 2010?



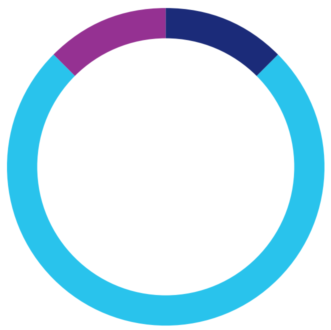
No	8

What is your highest level of educational attainment?



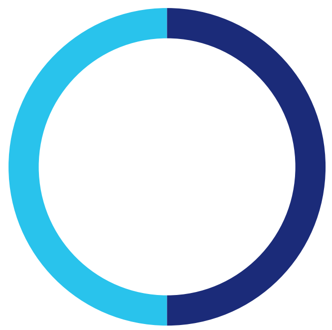
Level 6 – Bachelor's degree	4
Level 7 – Master's degree	4
Level 8 – Doctorate or PhD	0
Other	0

Were you educated outside the UK?



Yes	1
No	6
Educated both inside and outside UK	1

Board gender diversity



Male	4
Female	4

NOMINATION COMMITTEE REPORT

NEIL CARSON

Chair of the Nomination Committee

Committee membership

The current members of the Committee are:

Neil Carson (Chair), Alison Wood, Mary Waldner, Nigel Sheinwald, Reshma Ramachandran and Hannah Nichols.

Changes to Committee membership:

Richard Friend stepped down as a member of the Committee upon his resignation from the Board on 28 July 2023 and Hannah Nichols joined as a member of the Committee upon her appointment to the Board on 1 January 2024.

- For details of attendance at Committee meetings during the financial year, see page 98.
- For the biographies of all Committee members, see pages 86 to 88.

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 31 March 2024.

The Committee has again enjoyed a busy year, with the range of recent and upcoming changes to the composition to our Board being a reflection of the importance we place on robust succession planning and the execution of our plans.

After completing a rigorous search process, we were pleased to recommend that the Board appoint Hannah Nichols as a Non-Executive Director with effect from 1 January 2024. Hannah's experience means that she is well equipped to take up the role of Chair of the Audit and Risk Committee, which she will do with effect from the conclusion of the AGM to be held on 25 July 2024. Since joining the Board, Hannah has completed a formal induction programme, which you can read more about on page 103. Further details regarding our Director appointment process can also be found on page 101.

During the year we were pleased to have concluded the succession process regarding our change of Chief Executive Officer, with Richard Tyson succeeding Ian Barkshire as Chief Executive Officer with effect from 1 October 2023. The Board is thankful for the tremendous contribution Ian has made and is sure that he will look back on his long career with Oxford Instruments with immense pride. Richard has joined us from global electronics company TT Electronics plc, where he was Chief Executive Officer, and we have been delighted with his work so far, as he leads us into the next phase of our development and growth.

For more detail regarding remuneration arrangements applicable to Ian's retirement and Richard's appointment to the Board, see the Directors' Remuneration Report on pages 120 to 143.

As explained earlier in this Annual Report, Reshma Ramachandran will stand down as a Non-Executive Director with effect from the conclusion of the AGM, due to her appointment in a new executive role externally, which will restrict the available time which she can commit to her role with the company. The Board sincerely thanks Reshma for the valuable contribution she has made during her time as a Director. In addition, and as noted in the Report and Financial Statements 2023, after having served on the Board for almost nine years, Professor Sir Richard Friend stepped down as a Non-Executive Director of the company with effect from 28 July 2023. Further, Mary Waldner will stand down as a Non-Executive Director in February 2025 in line with best practice and will step down from the role of Chair of the Audit and Risk Committee with effect from the conclusion of the AGM, with Hannah Nichols taking up this role.

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. Our Board diversity policy and our plans and progress in line with the recommendations of both of these reviews are explained on pages 108 and 109.

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

10 June 2024

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 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.

Committee composition

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.

Meetings

The Nomination Committee holds a minimum of one meeting annually, as required under its terms of reference, and this year held three meetings. Regular attendees at meetings may include the Chief Executive Officer, Chief Financial Officer and Chief HR Officer, where appropriate. The Company Secretary is the secretary to the Committee.

Committee performance review

During the year, an internal performance review 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 pages 102 to 103. 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 2024

The responsibilities of the Committee are set out in its terms of reference, which were last reviewed in January 2024 and which are summarised above. 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 Hannah Nichols, effective 1 January 2024.
- Concluded the succession process regarding our change of Chief Executive Officer, with Richard Tyson succeeding Ian Barkshire in this role with effect from 1 October 2023.

Board composition and succession planning

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.

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, the Committee acted to ensure smooth succession for the role of Audit and Risk Committee Chair, which Mary currently fulfils. As a result, we were pleased to recommend that the Board appoint Hannah Nichols as a Non-Executive Director with effect from 1 January 2024. Hannah's strong financial expertise, extensive international experience and track record of driving transformational change, both within and beyond the finance function, will complement the current range of expertise and experience on our Board and mean that she is well equipped to take up the role of Chair of the Audit and Risk Committee, which she will do with effect from the conclusion of the AGM to be held on 25 July 2024. See page 101 for further information regarding the Committee's appointment process and page 103 for details regarding Hannah Nichols' appointment and induction experience. The Nomination Committee engaged Russell Reynolds, an executive search agency, to assist with this appointment.

NOMINATION COMMITTEE REPORT continued

The company and the Directors have no other connection with Russell Reynolds. As explained in the Report and Financial Statements 2023, further to a rigorous selection process, Richard Tyson was appointed to succeed Ian Barkshire as Chief Executive Officer. We are pleased to have concluded the formal appointment process during the year, with Richard succeeding Ian in this role with effect from 1 October 2023. The Director appointment process detailed on page 101 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 internal and external 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. 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 was previously 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 acts as an adviser to the Remuneration Committee and information regarding its fees for serving in this capacity are set out on page 122.

Upon Sir Richard Friend stepping down from the Board in July 2023, the Committee was mindful of ensuring that it retained access to his depth of technical expertise and experience. Since his departure from the Board, he has been engaged to work with the Board in an advisory capacity and this has helped to ensure that it retains the skills, knowledge and experience it needs to operate optimally. In due course, consideration may be given to seeking to appoint a further Non-Executive Director with a similar skill-set, but it is not considered appropriate at this time.

In addition to reviewing Board composition, the Nomination Committee oversees the succession plans for the Management Board. It has regular opportunities to meet with its members 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 sustaining an effective balance of female and ethnic representation on the Board and throughout the wider organisation.

At the end of the financial year, the Board had 50% 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 FTSE Women Leaders Review (40% female representation by the end of 2025) and the Parker Review (at least one Director of colour by the end of 2024).

We are delighted to have surpassed the target for at least 40% of the Board to comprise women, with 50% female representation at present, given that four of the Board's eight Directors are women. We are mindful that upon the exit of Reshma Ramachandran as a Non-Executive Director on 25 July 2024, we will still surpass the target with 43% female representation, but upon Mary Waldner stepping down from the Board in February 2025, will have 33% female representation. The Committee intends to take active steps to address this during the year ahead. We are pleased to have also met the recommendation 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.

We have met the target of the Parker Review for the Board to include at least one Director of colour by the end of 2024, with Reshma Ramachandran currently serving as a Non-Executive Director, but recognise that we will need to take active steps during the year ahead to address the fact that we will no longer meet this target once Reshma steps down as a Non-Executive Director.

The Parker Review also recommends that we devise and work towards a specified target for the percentage of our senior management team to be from ethnic minorities by the end of 2027. As an international company, we recognise the importance of ensuring we have strong ethnically diverse leadership role models and a diverse decision-making team that reflects our customer base and the communities in which we operate. In 2024 we published our ethnicity pay gap data for the first time and were encouraged to report that both mean and median pay across our entire UK workforce was slightly higher for those colleagues who identify as belonging to an ethnic minority group. We have made efforts to improve the extent of ethnicity data we hold and are pleased to now have data in respect of 90% of our UK workforce and 78% of our global workforce. This year we have taken steps to broaden the ethnic diversity of our wider senior leadership team which, as of the date of the Annual Report, comprises 14 persons, of whom 14% are Asian. There are 102 direct reports of this team, of whom 22% identify as belonging to an ethnic minority group. In that context, we will be seeking to maintain and improve the ethnic diversity of this cohort (ie, our wider senior leadership team and their direct reports) on a year-on-year basis, within a target range of 20% to 25%.

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 is used, we will only engage with those firms that have adopted the Voluntary Code of Conduct for Executive Search Firms.

For details of our approach to diversity within the wider organisation, please see our Sustainability Report on pages 34 to 57.

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 2024, Oxford Instruments plc:

- had surpassed the target for at least 40% of the Board to comprise women, with 50% female representation given that four of the Board's eight Directors are women;
- 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 of the specified senior positions on the Board (Chair, Chief Executive Officer, 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; and
- with the upcoming exit of Reshma Ramachandran as a Non-Executive Director on 25 July 2024, we will still surpass the target for at least 40% of the Board to comprise women, with 43% female representation, but will no longer meet the target for the Board to include at least one Director from a minority ethnic background. However, upon Mary Waldner stepping down from the Board in February 2025, the Board will comprise six Directors: four men and two women, resulting in 33% female representation. The Committee intends to take active steps to address this during the year ahead.

In accordance with Listing Rule 9.8.6 R (10) the below tables provide data as of 31 March 2024 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	4	50%	3	9	90%
Women	4	50%	1	1	10%
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	8	80%
Mixed/Multiple ethnic groups	–	–	–	–	–
Asian/Asian British	1	12.5%	–	2	20%
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

Committee membership

The current members of the Committee are:

Mary Waldner (Chair), Alison Wood, Nigel Sheinwald, Reshma Ramachandran and Hannah Nichols.

Changes to Committee membership:

Richard Friend stepped down as a member of the Committee upon his stepping down from the Board on 28 July 2023 and Hannah Nichols joined as member of the Committee upon her appointment to the Board on 1 January 2024. Hannah will take up the role of Chair of the Audit and Risk Committee with effect from the conclusion of the AGM to be held on 25 July 2024, succeeding Mary Waldner in this role.

- For details of attendance at Committee meetings during the financial year, see page 98.
- For the biographies of all Committee members, see pages 86 to 88.

Dear Shareholder,

I am pleased to present the Report of the Audit and Risk Committee for the year ended 31 March 2024. We have continued to play an integral 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;
- 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;
- monitoring the processes for identifying, evaluating and reporting on climate-related risks and opportunities across the Group and their integration into the wider enterprise risk management processes. This includes the detailed assessment of key risks using a standardised methodology, as performed by the business units across the Group;
- working with BDO LLP in respect of the delay to the completion of the annual audit in respect of the year ended 31 March 2023 due to their requesting additional time to finalise their audit quality control procedures, to ensure a smooth conclusion to this process; and
- 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 2024.

I will be stepping down as Chair of the Committee with effect from the conclusion of the AGM on 25 July 2024 and am delighted that I will be succeeded in this role by Hannah Nichols. Hannah joined the Board as a Non-Executive Director and member of the Committee on 1 January 2024. As an experienced financial professional, a qualified chartered accountant and the current Chief Financial Officer of Hill & Smith PLC, she is excellently suited to undertake this role. I will remain as a Non-Executive Director on the Board until February 2025.

The Committee has noted the publication of the revised UK Corporate Governance Code in January 2024 and its work in the year ahead will include planning to adopt the changes it considers necessary to comply with the revised Code. During the year ahead the Committee will continue 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.

Should you have any questions or comments regarding the work of the Committee during the year, I would be pleased to hear from you.

MARY WALDNER

Chair of the Audit and Risk Committee

10 June 2024

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 composition

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. All members of the Committee are considered to be independent. 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. She will step down from the role of Chair of the Audit and Risk Committee with effect from the conclusion of the AGM to be held on 25 July 2024 and will be succeeded by Hannah Nichols, as noted opposite.

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 scheduled meetings and four ad hoc meetings. See page 99 for a summary of the key matters considered at each meeting during the year. Regular attendees at meetings include the Chief Executive Officer, 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 performance review

During the year, an internal performance review 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 pages 102 to 103. The review found that the Committee functions effectively and that matters are dealt with in a rigorous manner.

How the Committee spent its time during the year ended 31 March 2024

Structured programme of activities

The responsibilities of the Committee are set out in its terms of reference, which were last reviewed in January 2024.

The Committee sets a structured programme of activities for the year, 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 and any other matters that arise during the year.

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 Annual Report in respect of the year ended 31 March 2024 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.

AUDIT AND RISK COMMITTEE REPORT continued

The main areas considered at Committee meetings during the year are set out below.

Matters considered	June 2023	June 2023[1]	July 2023[1]	July 2023[1]	Sept 2023	Nov 2023	Jan 2024	Mar 2024[1]
Half-year and full-year Financial Statements including appropriateness of accounting policies, representation letters, associated narrative reporting (Annual 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								●
External auditor independence and objectivity	●					●		●
Effectiveness of external audit process					●			
Policy on 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	●				●	●		●

1. Meetings scheduled on an ad hoc basis rather than as part of formal annual meetings calendar.

Significant Audit and Risk Committee judgements and estimates during the financial year ended 31 March 2024

The Committee considered reports from management on accounting policies, current accounting issues and the key judgements and estimates in relation to this Annual Report. It assessed whether suitable accounting policies had been adopted and the reasonableness of the judgements and estimates made by management. The following sections summarise the significant judgements and estimates considered by the Committee in relation to the Financial Statements for the year ended 31 March 2024 and how they were addressed.

Revenue recognition

Revenue is recognised in accordance with IFRS 15, Revenue from Contracts with Customers, using principles-based criteria such that the timing depends on performance of the relevant conditions in the customer contract. Prescriptive rules are applied to revenue recognition that are appropriate to both products and services. Through the application of IFRS 15's principles, revenue recognition is less subjective than prior to its implementation. However, due to the potential impact of any significant timing error in revenue recognition, 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

IAS 19 requires the Group to recognise any difference between the net present value of the defined benefit pension scheme's liabilities and the fair value of its assets as at 31 March 2024 in the balance sheet as either a pension scheme asset or deficit. The Group is also required to appoint an external actuary to value its obligations to members of the defined benefit pension scheme at each reporting date. Further, the actuary must recommend suitable assumptions as the basis for the valuation. The Group has appointed the pension scheme's actuary, Aon Hewitt, to perform bi-annual valuations on its behalf for accounting purposes.

For the year ended 31 March 2024, Aon Hewitt recommended assumptions on a basis that is largely consistent with those adopted for the prior year end.

The discount rate remained at 4.8%, which represents a slight decrease from the rate of 5.5% that was used in respect of the half-year ended 30 September 2023. Further, inflation assumptions decreased by 20bps for RPI and 10bps for CPI compared to the prior year. Actual membership experience continues to be based on the results of the latest triennial valuation which was completed as at 31 March 2021.

The net present value of the scheme's liabilities decreased by £1.5m during the year, with the largest decrease of £11.0m relating to benefits paid, while the largest increase in liabilities related to the notional interest charge of £10.5m, as the obligations are recorded at the discounted net present value. 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 24 to the Financial Statements, the actuarial surplus for the UK scheme has decreased from £26.4m in the prior year to £16.1m at 31 March 2024. This arises from the aggregate impact of a small decrease in scheme liabilities of £1.5m and a decrease in the scheme's assets of £11.8m.

The decrease in scheme assets arises primarily from negative investment returns on gilts due to changes in interest rates, offset by company interest received of £12.0m, contributions of £8.5m, less benefits paid of £11.0m and administrative costs of £0.5m. As set out in Note 24, it is the scheme's actuarial valuation review, rather than the accounting basis that determines the level of cash payments.

First Light Imaging acquisition

The Group completed the acquisition of First Light Imaging SAS ('First Light') on 9 January 2024 for cash consideration of €14m with an additional €3m contingent on the business meeting certain performance targets during the first 12 months of Group ownership.

The performance targets for the earn-out were intended to be stretching, but achievable. We cannot yet confirm whether those targets will be achieved but it is considered likely that the full value of the contingent consideration will be payable.

Therefore, for the purposes of the Financial Statements, the purchase price is assessed at the full amount of €17m – albeit the fair value of this is €16.5m due to the timing of the contingent consideration.

KPMG LLP were appointed to value First Light to help determine the allocation of the purchase price to First Light's assets. This identified a number of adjustments to be made at the acquisition date to reflect the fair value of the assets and liabilities acquired. In particular this includes a proposed fair value adjustment of €13.5m to intangible assets to account for the technology and brand purchased.

Per IFRS 3, the Group has a year from the date of the acquisition to finalise the purchase price allocation (PPA), and it is acknowledged and accepted by the standard that for acquisitions close to the reporting date it will be necessary to estimate certain values, though it is necessary to indicate which numbers have been estimated. If in the following 12 months it becomes necessary to amend any of those estimates, this should be performed and disclosed appropriately.

The final draft PPA report from KPMG was received too close to the signing date to allow sufficient review by management and audit by BDO LLP. As a result, the acquisition adjustments and closing fair values have been disclosed in the accounts as provisional. These will be finalised in due course and any adjustment posted in the Financial Statements as at 30 September 2024.

FemtoTools acquisition

The Group has recently negotiated the purchase of FemtoTools AG, a strategic acquisition to complement the existing Materials Analysis portfolio. The company signed the share-purchase agreement on 7 June 2024 for an initial purchase price of CHF 17m with an aggregate earn-out of CHF 5.5m.

It is expected that the acquisition will close in late June 2024. At the balance sheet date, the acquisition has not been accounted for as no purchase had been agreed. Given that the sale and purchase agreement was signed after the balance sheet date and prior to signing the Annual Report, the acquisition has been disclosed as a post-balance sheet event.

AUDIT AND RISK COMMITTEE REPORT continued

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 2024, the value of the provisions recognised in the Financial Statements for such claims is £0.6m (2023: £0.6m). Whilst not significant or material, it remains a matter of accounting judgement.

The Committee has reviewed the methodology and calculations used in quantifying the provisions required and concluded that it is reasonable and consistent with the basis used in the prior year. The Committee recognises that the final outcome in any specific case is likely to vary from the amount provided. When considered in aggregate, the Committee considers that no adjustment to the provisions is required.

Provision for inventory

Provision is made for obsolete, slow moving and defective stock where there is evidence of impairment, to reduce the carrying value to its net realisable value. This requires consideration of several factors including but not limited to recent usage, expected future demand, new product introduction plans and likely realisable values to estimate the excess quantities and net realisable value. The level of provisioning requires certain estimates regarding future demand and possible design changes to identify excess quantities. The Committee is satisfied that the amounts provided represent in aggregate the Group's best estimate of the levels of provisioning required.

Adjusted profit and EPS

The Group applies adjustments to the statutory definition of profit and EPS to present adjusted profitability and earnings, as we consider that they present a clearer picture of the financial performance of the Group. These adjustments are set out at Note 2 to the Financial Statements.

For the year ended 31 March 2024, the aggregate sum of the adjustments to operating profit was £12.0m. The largest item in value terms was the amortisation charge relating to capitalised intangible assets of £9.1m (2023: £9.3m). The Group recognised a loss of £0.7m (2023: gain of £3.0m) arising from the mark-to-market impact of currency hedging contracts. Settlement of a claim brought by the Group for intellectual property infringement generated a gain of £3.3m (2023: nil). The Group also incurred CEO dual running costs of £2.0m (2023: nil) and one-off costs of £1.7m relating to Plasma Technology's move to a new site at Severn Beach (2023: £0.4m) and transaction-related costs were £1.0m (2023: nil). Other adjusting charges included in the year ended 31 March 2024 included charges relating to the defined benefit scheme of £0.4m (2023: nil) and litigation costs linked to intellectual property claims of £0.4m (2023: £0.5m).

The Committee has reviewed the nature of the adjustments and the methodologies used to calculate them. Based on these enquiries and explanations provided, the Committee concluded that adjustments have been applied consistently. Further, the Committee is satisfied with the presentation of these adjusting items in the 2024 Financial Statements.

Misstatements

Group management has provided the Committee with reports that they were not aware of any material 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 by the Committee in June 2024. 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 79 to 81.

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. 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 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 2024 and all matters raised in the year-to-date had been resolved. The Committee was pleased to note that during the year, management had completed a campaign to ensure employee awareness of the whistleblowing channels available to them, including guidance and an online training course.

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 2024 and up to the date of the approval of this Annual Report, 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 70 to 78.

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 70 to 78.

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.

During the year, the internal audit function was strengthened through the implementation of a co-sourcing relationship, whereby an external service provider has been engaged to supplement certain of the work on internal audits focused on financial controls, with the delivery of the first two engagements from this relationship scheduled for later in the year. They will also provide support in other areas where specific subject matter expertise is required or advantageous.

Internal audit plan

The annual internal audit plan was presented to the Committee at its meeting in January 2024. 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. 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 2024, 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 January 2024 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 ('BDO') was reappointed as external auditor at the 2023 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 presented its proposed audit strategy and plan for the financial year ended 31 March 2024 to the Committee. 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'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 2023, the Committee considered reports from BDO and feedback from key members of the finance teams across the Group. The assessment noted that BDO had demonstrated strong investigative, analytical and judgemental competence in addition to providing a good degree of challenge to management. BDO's increasing familiarity with the Group and individual business units had supported the delivery of the audit at a component level. It was recognised that there had been a delay to the completion of the annual audit as a result of BDO requesting additional time to finalise its audit quality control procedures, and that this had caused the company's 2023 AGM to be delayed to 19 September 2023 and the payment of the final dividend to be delayed to 12 October 2023. The Committee noted that the audit client service received in this context, particularly regarding communication, was not considered sufficient. Subsequent discussions with BDO had provided confidence that the same issues would not be encountered during the audit in respect of the financial year ended 31 March 2024. Following due consideration the Committee agreed that the audit, particularly its quality, had been effective. The Committee also noted the FRC's Audit Quality Inspection and Supervision report relating to BDO as published in July 2023, and confirmed that it would continue to work with BDO to ensure that the audit quality received by the company remained appropriate.

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 2024 is expected to be carried out in September 2024.

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 2023 and January 2024, in addition to again assessing in June 2024. In January 2024 and June 2024, the Committee was comfortable that BDO remained independent and objective. As explained in the Report and Financial Statements 2023, in June 2023 the Committee noted that BDO had identified a breach of the FRC's Ethical Standard, through the provision of services by BDO, Singapore to Oxford Instruments Private Limited in 2021 and 2022.

Upon identifying this breach, the provision of such services was immediately terminated. BDO 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 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 amounting to £8k which, when considered in light of the audit fees amounting to £1,102k, represented a non-audit fee to audit fee ratio of 1:144 or 0.68% 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 2024

	Fees	Proportion
Audit fees	£1,102k	95%
Audit-related assurance services	£50k	4.31%
Non-audit services	£8k	0.69%
Total fees payable to the auditor and its associates	£1,160k	100%

See Note 5 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 2024 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

Committee membership

The current members of the Committee are:

Nigel Sheinwald (Chair), Neil Carson, Alison Wood, Mary Waldner, Reshma Ramachandran and Hannah Nichols.

Changes to Committee membership:

Richard Friend stepped down as a member of the Committee upon his resignation from the Board on 28 July 2023 and Hannah Nichols joined as member of the Committee upon her appointment to the Board on 1 January 2024.

- For details of attendance at Committee meetings during the financial year, see page 98.
- For the biographies of all Committee members, see pages 86 to 88.

Dear Shareholder,

I am pleased to present the report of the Sustainability Committee for the year ended 31 March 2024.

The Committee has continued to discharge its wide-ranging remit covering the company's policies and performance in the environmental, social and governance areas.

We have monitored progress towards achieving our net zero targets and have welcomed the strengthening and re-baselining of our data across Scopes 1, 2 and 3, enabling a more robust foundation from which to address our ambitious targets. Based on this work, the Board has moved to accelerate our Scope 1 and 2 targets for 2030 (that is, all those areas which are under our direct control). Having previously set targets of a 50% and 70% reduction respectively, we are now setting the target to reach net zero in Scopes 1 and 2 by 2030.

Our focus will now shift to refining the detail of our roadmap to net zero, developing interim targets for our Scope 3 emissions (which constitute the largest element of our total), and assessing the progress made towards our goals. For more detail, read our Sustainability Report on pages 34 to 57.

The Committee welcomed the structure developed by management to deliver against the sustainability agenda across the company, under the direction of the Sustainability Leadership Forum which reports to the Sustainability Committee.

We spent time considering the social and governance elements of the company's sustainability agenda. The Committee considered in particular the company's developing approach and internal targets and measures relating to equity, diversity and inclusion. We were pleased to emphasise our support for the initiatives being undertaken to drive change within the Group, such as the development and launch of our equity, diversity and inclusion policy; the publication of our first ethnicity pay gap reporting in the UK, and the launch of new employee impact groups focused on neurodiversity and women's issues.

Oxford Instruments remains committed to being the company where the best people in our sector want to work, to developing the next generation of the workforce, and to training our people and enabling their career development and employability. We therefore welcomed the ongoing activity across this area, including the expansion of both the number of participants and the range of opportunities offered in our apprenticeship and graduate programmes; the careers pathway guidance available; the range of training provided to managers; and the piloting of a new Foundations programme for emerging talent. For more information, see page 55.

We were also very pleased to note that MSCI, a leading provider of critical decision support tools and services for the global investment community, has rated our ESG practices as AA, its second highest rating – citing in particular that we lead amongst our global peers in corporate governance practices.

The Committee continued to support the priority given by management to further improving our health and safety performance.

Recognising the importance of utilising remuneration structures to promote and drive the behaviours and positive impacts we desire for the Group, we supported the Remuneration Committee in devising appropriate sustainability-related performance measures. These will be implemented for the awards made to Executive Directors during FY24/25. For further information, see the Directors' Remuneration Report on pages 120 to 143.

As part of the Board's formal programme of employee engagement activity, I was pleased to co-host a session with a group of employees as part of the full-Board site visit to our new compound semiconductor technology site at Severn Beach near Bristol. The attendees, who spanned a broad range of roles in the company, confirmed the strong appetite among employees for progressing our sustainability agenda across a range of initiatives which matter to them, from fostering a supportive and inclusive culture to addressing the design and packaging of our products.

SUSTAINABILITY COMMITTEE REPORT continued

Participants welcomed the support in place for maternity cover and flexible working, while from an environmental perspective, there was a constructive discussion about opportunities to use more reusable materials.

The Committee noted the appointment of a new external adviser on sustainability matters and looks forward to working with them in the year ahead.

We are pleased to have published our integrated Sustainability Report, which is available on pages 34 to 57 and includes our Task Force on Climate-related Financial Disclosures Statement, as set out on pages 40 to 50. The standalone version of the Sustainability Report will be published on our website at: www.oxinst.com/sustainability. We are committed to building on past progress and continuing to challenge ourselves to go further.

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 in the meantime, I would be very happy to hear from you.

NIGEL SHEINWALD
Chair of the Sustainability Committee
10 June 2024

Key responsibilities

The current key responsibilities of the Committee per its terms of reference, are as follows:

- 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 and 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.
- Regularly review and provide advice on 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: review with management 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 externally published policies and statements and approve targets set in respect of the following areas: equity, diversity, inclusion and belonging; health, safety and wellbeing; investing in our people; next-generation talent; and community impact.
  - Governance: review any relevant corporate 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.
- Through policy reviews and discussions with management, seek to ensure that the highest ethical standards and concern for human rights are embedded in the company across its global operations.

Committee composition

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.

Meetings

The Sustainability Committee holds a minimum of three meetings annually, as required under its terms of reference, and this year held five meetings. Standing attendees at meetings include the Chief Executive Officer, 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 performance review

During the year, an internal performance review 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 pages 102 to 103. 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 2024

The responsibilities of the Committee are set out in its terms of reference, which were last reviewed in January 2024 and which are summarised on page 118. 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.

- Kept up to date with the activities ongoing to achieve the company's net zero targets.
- Supported the Remuneration Committee to develop appropriate sustainability-related performance measures to be implemented for the awards made to Executive Directors during FY23/24 and FY24/25.
- Received updates from the Chief Executive Officer and management regarding climate-change related matters.
- Received an insightful presentation from the sustainability lead at a comparable, adjacent company regarding its sustainability agenda, including progress to date and the company's future priorities.
- Via papers and attendance of selected members at Committee meetings, maintained oversight of the activities of the internal Sustainability Leadership Forum, which leads on delivery of the company's sustainability agenda on a day-to-day basis within the organisation.
- Considered the annual review of social matters forming part of the company's sustainability agenda. Noted the maturing approach and internal targets and measures relating to equity, diversity and inclusion, amongst other things. Emphasised its support for the ongoing social initiatives being undertaken and developed to drive change and enhance the culture within the Group.
- Noted the annual review of progress in line with the company's sustainability governance agenda, remaining mindful of developments to either the internal approach or the external landscape impacting the key aspects of this pillar of the sustainability agenda.
- Considered and endorsed updates to the company's environmental policy.
- Agreed that suitable external attendees should continue to be invited to present on relevant topics at future meetings, to help ensure that the Committee keeps up to date with the wider sustainability landscape so that its work and decisions can be delivered on an informed basis.
- Post year end, reviewed and recommended to the Board for approval, the sustainability-related narrative reporting and external disclosures, including our integrated Sustainability Report, which is available on pages 34 to 57 and includes our Task Force on Climate-related Financial Disclosures Statement, as set out on pages 40 to 50 and our standalone Sustainability Report which will be published on our website at: www.oxinst.com/sustainability.

REMUNERATION COMMITTEE REPORT

ALISON WOOD

Chair of the Remuneration Committee

Committee membership

The current members of the Committee are:

Alison Wood (Chair), Neil Carson, Mary Waldner, Nigel Sheinwald, Reshma Ramachandran and Hannah Nichols.

Changes to Committee membership:

Richard Friend stepped down as a member of the Committee upon his stepping down from the Board on 28 July 2023 and Hannah Nichols joined as member of the Committee upon her appointment to the Board on 1 January 2024.

- For details of attendance at Committee meetings during the financial year, see page 98.
- For the biographies of all Committee members, see pages 86 to 88.

Letter from the Chair of the Remuneration Committee

Dear Shareholder,

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 March 2024. The report is presented in three sections:

- My annual statement as Chair, summarising the work of the Committee during the year.
- The Directors' Remuneration Policy ('Policy'), which was approved at the 2023 AGM.
- The Annual Report on Remuneration, detailing the remuneration outcomes for the year ended 31 March 2024 and the implementation of the Policy for the year ahead.

Wider employee remuneration

In what has continued to be a busy year on executive remuneration matters, the Committee has been keen to ensure that our wider workforce has continued to receive careful consideration in the wider market and economic contexts. We were pleased to note that base salaries for UK employees would increase 3.8% on average this year, and that the company pays above minimum wage across the world and above the living wage in the UK. We also aim to provide benefits which are above the statutory minimums, where appropriate.

The structure 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.

More generally, to ensure that our workforce is appropriately balanced in relation to gender, ethnicity, neurodiversity, disability 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.

In May 2024 I was delighted to host a session with a number of colleagues from HR roles across the Group, focusing on the alignment of executive remuneration with our wider remuneration structures.

Operation of the Remuneration Policy in 2023/24

Performance for the year ended 31 March 2024 was good, with the company's business model and strategy continuing to drive robust revenue growth, positive book-to-bill and a healthy orders pipeline, and good progress made against strategic initiatives.

The outcome for the 2023/2024 annual bonus scheme was calculated based on a combination of profit before tax, cash conversion, operating profit margin and non-financial strategic targets.

The profit element achieved full payout, but operating profit margin and cash conversion did not achieve the stretching target range. This results in a payout relating to the financial elements of the scheme, of 75% of salary for both the Chief Financial Officer (CFO) and the former Chief Executive Officer (CEO), out of a maximum of 150% of salary. The non-financial strategic targets were based on specific operational improvements, implementation of new business systems and progress in line with the company's sustainability agenda. Having considered each element carefully, we determined achievement of 15% out of 25% of base salary opportunity for the former CEO and the CFO. The overall bonus achieved was therefore 90% of salary for the CFO and former CEO (prior to pro-rating for the former CEO, based on his period of active service during the year). One-third of the annual bonus will be paid in shares, which must be retained for three years.

Awards granted in 2021 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 2024 and achieved a performance level at 95% of maximum, with compound EPS growth of 11.5% per annum. In the final year of the performance period Return on average Capital Employed (ROCE) was 30.5% and therefore achieved a performance level of 100%. As a result of this strong performance, the 2021 PSP grant will vest at 97.5% overall. A two-year holding period applies to the vested award.

Whilst not a performance measure for the 2021 PSP award, we were pleased to note that the company's Total Shareholder Return (TSR) over the three-year PSP performance period was +15.9%, compared to the FTSE 250 Index at -7.4%.

Given the company's good performance during 2023/24 and over the three-year performance period, there has been a robust link between reward and performance, as well as alignment with investor returns. We are satisfied that the Policy has operated as intended and the remuneration outcomes are appropriate, considering the relativities between outcomes for 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 2023/24 incentive outcomes.

Chief Executive Officer succession

Richard Tyson succeeded Ian Barkshire as CEO with effect from 1 October 2023. Details of their remuneration arrangements were provided in the Report and Financial Statements 2023 and further information can also be found in this report.

As he joined part-way through the year, a strategic element for his 2023/2024 annual bonus scheme award was not included for Richard as incoming CEO and instead the other measures were adjusted proportionately.

The payout relating to the financial elements of the scheme, will be 90% of salary (prior to pro-rating for the proportion of the year served in his role). One third of the annual bonus will be paid in shares, which must be retained for three years.

Operation of the Remuneration Policy in 2024/25

We carefully reviewed the recommendations and supporting benchmark data regarding base salary increases for employees. In that context we determined that the base salary for the new CEO and the CFO will increase by 3% from £570,000 to £587,100 and from £400,000 to £412,000 respectively, being, below the average UK workforce increase of 3.8%.

The annual bonus opportunity for 2024/25 will remain at 150% of salary and performance measures will continue to be based on 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 retained for three years.

Awards under the Long-Term Incentive Plan (LTIP) will be at 200% of salary for the CEO and 175% of salary for the CFO. Last year, as part of the Committee's work to review the Policy, we made significant changes to the performance measures for LTIP award. This year, we will retain the same broad mix of measures to provide a rounded overall assessment of performance. The measures for the 2024 grant will therefore be EPS (30%), ROCE (30%), TSR (25%) and two sustainability-related measures (15%).

The EPS measure will require compound annual growth of between 2% and 8% over three years and the ROCE measure will be based on a target range of 26%-30%. 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 target range for the EPS growth measure has reduced slightly from the ranges applying to prior years' awards. This recognises the relatively high 2023/24 profit baseline from where the growth is measured over the next three years. It also takes into account higher corporation tax which means that EPS growth is forecast to be materially flatter than PBT. Finally, this takes into account the more challenging market conditions that we anticipate. Similarly, the target range for the ROCE measure has also been reduced slightly, albeit the Committee recognises that it is still sector leading. We are satisfied that these target ranges are appropriately stretching in light of both the business plan and market outlook, as well as the grant levels under the Policy and anticipate that we should be able to revert to target ranges more in line with historic norms from next year.

The sustainability targets are aligned to our long-term strategy and will require (i) a continued significant reduction in our Scope 1 and Scope 2 emissions by way of completing at least two of our site heating infrastructure projects and (ii) achievement of improvements in female representation in leadership positions.

Non-Executive Directors' (NED) fees

The fees of the Chair and NEDs will increase by 3%. This is consistent with the base salary increase for the Executive Directors and is below the average increase across our UK workforce.

Conclusion

We hope that you will be supportive of the annual advisory vote to approve the Annual Report on Remuneration at our AGM on 25 July 2024.

ALISON WOOD

Chair of the Remuneration Committee

10 June 2024

REMUNERATION COMMITTEE REPORT continued

Key responsibilities

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 key responsibilities of the Committee include:

- determining the Remuneration Policy for the Executive Directors and senior leadership;
- considering and determining the components and total remuneration packages for the Executive Directors;
- determining the Policy for pension arrangements, service agreements, recruitment terms and termination payments for Executive Directors;
- designing effective performance-related incentive plans aligned, for Executive Directors and senior leaders, to the business strategy and the wider workforce;
- approving the structure and targets for all performance-related remuneration plans for executives as well as the overall payments made under such plans; and
- reviewing and noting Remuneration Policy and trends across the Group and considering the Executive Directors' remuneration within this context.

Committee composition

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. 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 2024.

Meetings

The Remuneration Committee holds a minimum of two meetings annually, as required under its terms of reference, and this year held seven meetings. Standing attendees at meetings may include the Chief Executive Officer, 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 performance review

During the year, an internal performance review 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 pages 102 to 103. The review found that the Committee functions effectively and that matters are dealt with in a thoughtful and rigorous manner.

Committee advisers

Korn Ferry was the Committee's independent remuneration consultant during the year and continues with this appointment in 2024/25. 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. The Committee is satisfied that the advice it received from Korn Ferry for the year ended 31 March 2024 was objective and independent.

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 £95,591 (excluding VAT).

DIRECTORS' REMUNERATION REPORT

Remuneration at a glance

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. The outcomes in respect of the financial year ended 31 March 2024 are as set out below.

Annual bonus

Adjusted PBT

Threshold:	£82.4m
Target:	£84.4m
Max:	£86.4m

Actual
£86.6m

Cash conversion

Threshold:	82%
Target:	85%
Max:	92%

Actual
64%

Adjusted operating profit margin

Threshold:	18.0%
Target:	18.2%
Max:	18.3%

Actual
17.1%

Strategic objectives

Targets based on a range of objectives linked to operational effectiveness, business systems and our sustainability agenda.

For details see / pages 133 and 134

LTIP

Earnings per share growth (% CAGR pa)

Threshold:	4% pa CAGR
Max:	12% pa CAGR

Actual (CAGR over 3 years to 31 March 2024)
11.5%

Return on capital employed

Threshold:	24%
Max:	30%

Actual 2023/24
30.5%

For details see / page 135

Executive Directors' remuneration at a glance

Total remuneration payable for 2023/24

	Base salary £'000	Benefits £'000	Pension £'000	Annual bonus £'000	LTIP £'000	Other £'000	Total £'000
Richard Tyson[1]	285	13	15	256	N/A	823	1,392
Ian Barkshire[1]	269	27	26	246	646	5	1,219
Gavin Hill	395	24	32	360	503	0	1,314

1. On 1 October 2023, Richard Tyson succeeded Ian Barkshire as Chief Executive Officer.

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 was 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. The complete approved Policy can be found in the Directors' Remuneration Report in the Report and Financial Statements 2023, which is available on our website at www.oxinst.com/investors-content/financial-reports-and-presentations

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 carefully considers 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 considered the following factors described below when determining the new Policy. For details of how we will implement the Policy for 2024/25, see pages 142 to 143.

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 129 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 and the scenario charts within this Directors' Remuneration Report. • 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 implementation 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.

Remuneration Policy

Element of pay: Base salary

Purpose and link to strategy	Operation	Maximum opportunity
• 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.

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A) continued

Element of pay: Benefits

Purpose and link to strategy	Operation	Maximum opportunity
• 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.

Element of pay: Pension

Purpose and link to strategy	Operation	Maximum opportunity
• 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 employer contribution applying to the majority of the UK workforce, currently 6% of salary.

Element of pay: Annual bonus

Purpose and link to strategy	Operation	Maximum opportunity
• 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.

Element of pay: Long-Term Incentive Plan (LTIP)

Purpose and link to strategy	Operation	Maximum opportunity
• 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 130). • 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: All-employee share schemes

Purpose and link to strategy	Operation	Maximum opportunity
• 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.

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A) continued

Element of pay: Shareholding guideline

Purpose and link to strategy	Operation	Maximum opportunity
• 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.

Element of pay: Non-Executive Director (NED) fees

Purpose and link to strategy	Operation	Maximum opportunity
• 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.

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.

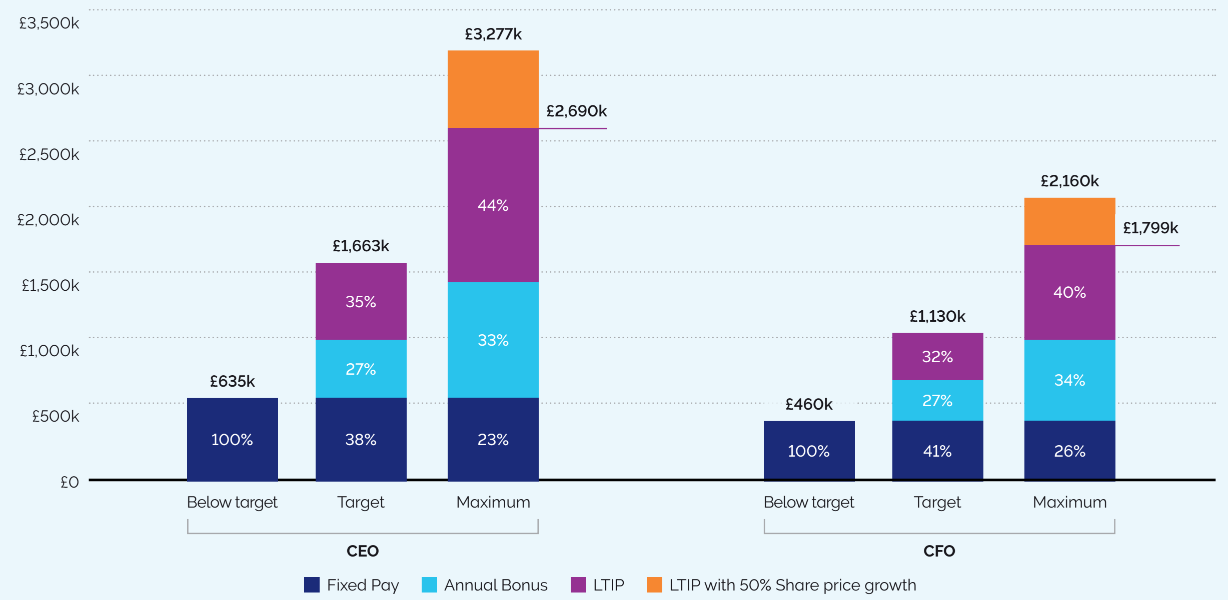
Legacy arrangements

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 FY24/25 (see page 130 for assumptions).

Remuneration scenarios



DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A) continued

Assumptions for charts on page 129:

- Fixed pay comprises salary levels as at 1 July 2024, pension of 6% of salary and the value of benefits received in 2023/24.
- 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 CEO and 87.5% of salary for the CFO.
- The maximum level of bonus is 150% of salary and the maximum LTIP award level is 200% of salary for the CEO and 175% 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.

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 (ie 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
Richard Tyson	1 October 2023	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 will 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
Mary Waldner	4 February 2016	None	2024 AGM
Alison Wood	8 September 2020	None	2026 AGM
Sir Nigel Sheinwald	22 September 2021	None	2024 AGM
Reshma Ramachandran	1 September 2022	None	2025 AGM
Hannah Nichols	1 January 2024	None	2026 AGM

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B)

The financial information in this part of the report has been audited where indicated.

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
Richard Tyson[6]	2024	285	13	15	256	N/A	823	313	1,079	1,392
	2023	–	–	–	–	–	–	–	–	–
Ian Barkshire[7]	2024	269	27	26	246	646	5	327	892	1,219
	2023	523	84	58	534	936	0	665	1,470	2,135
Gavin Hill	2024	395	24	32	360	503	0	451	863	1,314
	2023	376	27	47	395	731	0	450	1,126	1,576
Total	2024	949	64	73	862	1,149	828	1,091	2,834	3,925
	2023	898	111	105	929	1,667	1	1,115	2,596	3,711

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. For Ian Barkshire this also includes provision of a driver to allow him to make best use of his commuting time, which accounted for £23,086 up to 1 October 2023, when he stepped down as Chief Executive Officer, and £30,782 for the year to 1 December 2023 when he ceased to be in active service (2023: £70,716) 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 up to 18 September 2023 was calculated as 14% of base salary earned on 1 April 2020 and from 19 September 2023 was calculated as 6% of current base salary. 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 annual bonus for the year to 31 March 2024 and would usually be paid in the July 2024 payroll. Of the total bonus amounts payable, £85,500, £109,200 and £120,000 will be paid in shares for Richard Tyson, Ian Barkshire and Gavin Hill, 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 5 July 2021. The value has been determined using the average share price over the three months to 31 March 2024, £21.5587. Further details of these calculations are set out on page 135. The value of the prior year awards has been restated using the share price on the vesting date of 25 September 2023 of £21.75, giving a total vested award value, including dividend equivalents, of £936,338 (before restatement £1,032,876) for Ian Barkshire and £730,822 (before restatement £806,156) for Gavin Hill.
5. The company operates a Share Incentive Plan (SIP) which is open to all UK permanent staff employed for at least six months. For Ian Barkshire and Gavin Hill, 'Other' is the value of matching SIP shares attributable to the year, as they both 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 £130 and £360 each of matching shares for Ian Barkshire and Gavin Hill, respectively.
6. For Richard Tyson, who took up the role of CEO with effect from 1 October 2023, the figure stated in 'Other', is the value of the buy-out award in relation to his pro-rated FY23 bonus from his previous employer. This buy-out award is based on the FY23 performance achieved against the original financial and ESG targets at TT Electronics plc which resulted in an outcome of 92% of maximum. The bonus is payable 70% in cash and 30% in Oxford Instruments plc's shares which must be held for two years in line with the policy at TT Electronics plc. This figure also includes the vested value of the buy-out award in respect of his 2021 LTIP award from TT Electronics plc, further details of which are set out later in this report.
7. Ian Barkshire retired from his role as CEO and from the Board with effect from 1 October 2023, he then remained in active service until 1 December 2023 before serving the remainder of his notice period on garden leave until 11 April 2024. The figures disclosed above relate to his time as a Director and the remainder of his remuneration is disclosed on page 139. In addition to the value explained at footnote 5 above, the figure stated within 'Other' in respect of Ian also comprises an amount of £6,708.50, by way of a reimbursement payment in respect of the immaterial disbenefit resulting from the conversion of the awards from nil-cost options to nominally priced options of £0.05 per share, during the prior financial year ended 31 March 2023.

Non-Executive Director		Fees £'000	Benefits £'000	Total £'000
Neil Carson	2024	204	–	204
	2023	194	–	194
Richard Friend[1]	2024	42	–	42
	2023	54	–	54
Mary Waldner	2024	66	–	66
	2023	62	–	62
Alison Wood	2024	76	1	77
	2023	70	–	70
Nigel Sheinwald	2024	66	–	66
	2023	62	–	62
Reshma Ramachandran[2]	2024	57	1	58
	2023	32	4	36
Hannah Nichols[3]	2024	14	–	14
	2023	–	–	–
Total	2024	525	2	527
	2023	474	4	478

1. Richard Friend stepped down as a Non-Executive Director effective 28 July 2023.
2. Reshma Ramachandran was appointed as a Non-Executive Director effective 1 September 2022.
3. Hannah Nichols was appointed as a Non-Executive Director effective 1 January 2024.

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. Note that Ian Barkshire's annual bonus is pro-rated for the period of his active service, up to 1 December 2023. Richard Tyson's annual bonus is pro-rated from the date of his appointment, of 1 October 2023.

	Targets			Percentage of salary payable – Ian Barkshire (subject to pro-rating) and Gavin Hill			Percentage of salary payable (subject to pro-rating) – Richard Tyson				Payout % of salary (pro-rating applied)		
Measure	Threshold	On target	Maximum	Threshold	On target	Maximum	Threshold	On target	Maximum	Actual	Ian Barkshire	Gavin Hill	Richard Tyson
Adjusted profit before tax	£82.4m	£84.4m	£86.4m	7.5%	37.5%	75%	9%	45%	90%	£86.6m	50%	75%	45%
Adjusted operating profit margin	18.0%	18.2%	18.3%	2.5%	12.5%	25%	3%	15%	30%	17.1%	0%	0%	0%
Cash conversion	82%	85%	92%	2.5%	12.5%	25%	3%	15%	30%	64.0%	0%	0%	0%
Strategic objectives	–	–	–	2.5%	12.5%	25%	–	–	–	15%	10%	15%	–
											60%	90%	45%

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B) continued

The non-financial strategic objectives were set at the start of the year. Details of the objectives and an assessment as to their achievement are set out below:

CEO objectives (Previous CEO, Ian Barkshire)	Weighting	Achievements toward objectives/performance	
Delivery of targeted operational improvement outcomes.	8/25	• Good progress including margin improvement through high-quality outsourcing, implementation of a new commodity strategy for a notable proportion of spend and considerable lead time reductions.	6 out of 8
As regards business systems, complete ERP implementations in respect of two major sites during the year.	8/25	• Implementation at one major site was successfully completed, albeit with some disruption to operations. Implementation at the other major site was not completed.	2 out of 8
Deliver substantive progress against each of the core drivers of improvement within our sustainability agenda.	9/25	• Good progress delivered, with the launch of the Go Green programme, new renewable energy contracts secured, updates to NPI processes and launch of employee impact groups, amongst other things.	7 out of 9
Total	**100%**		**15% out of 25%**

CFO objectives (Gavin Hill)	Weighting	Achievements toward objectives/performance	
Delivery of targeted operational improvement outcomes.	8/25	• Good progress including margin improvement through high-quality outsourcing, implementation of a new commodity strategy for a notable proportion of spend and considerable lead time reductions.	6 out of 8
As regards business systems, complete ERP implementations in respect of two major sites during the year.	8/25	• Implementation at one major site was successfully completed, albeit with some disruption to operations. Implementation at the other major site was not completed.	2 out of 8
Deliver substantive progress against each of the core drivers of improvement within our sustainability agenda, including embedding related reporting into financial processes in a revised financial model.	9/25	• Good progress delivered, with the launch of the Go Green programme, new renewable energy contracts secured, updates to NPI processes and launch of employee impact groups, amongst other things.	7 out of 9
Total	**100%**		**15% out of 25%**

The on-target and maximum bonus potentials for the Executive Directors, as well as the amounts actually payable for the year ended 31 March 2024, are set out below.

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2023/24 (% of salary)[1]	Actual bonus payable for 2023/24 (% of maximum)	Actual bonus payable[1,2] for 2023/24
Richard Tyson[3]	37.5%	75%	45%	60%	£256,500
Ian Barkshire[4]	50%	100%	60%	60%	£327,600
Gavin Hill	75%	150%	90%	60%	£360,000

1. Bonus is calculated on salary as at 31 March 2024.
2. Of the amounts disclosed, £85,500, £120,000 and £109,200 will be paid in shares to Richard Tyson, Gavin Hill and Ian Barkshire, respectively, which must be held for three years, as per the policy.
3. For Richard Tyson, the above represents the Oxford Instruments element of his annual bonus, for which the quantum has been pro-rated based on his appointment date of 1 October 2023. In addition to this and as explained in more detail on page 132, Richard also received a pro-rated annual bonus in respect of what he would have received at his previous employer and based on its performance, by way of his buy-out package upon joining the company.
4. Ian Barkshire's annual bonus is pro-rated for the period of his active service, up to 1 December 2023. The bonus in relation to the period of the year Ian Barkshire was CEO is shown in the Directors' remuneration table (£245,700) and the bonus in relation to the period of active service is shown in the payments to past directors section (£81,900).

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 2024/25 are as follows:

Performance Share Plan (PSP)

The performance targets which applied to the awards made on 5 July 2021 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 2021:

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 12% per annum	25%–100%
Maximum	12% per annum and above	100%
Actual EPS	109.0p	
Actual growth achieved over the period (per annum)	**11.5%**	**95%**

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 2023/24	**30.5%**	**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 (£269.2m) is defined as documented in the Finance Review on page 68.

Based on the performance against targets, the PSP awards will vest on 5 July 2024 as follows:

	Date award granted	Total number of shares granted	Reduction due to pro-rating for good leaver	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	5 July 2021	32,468	2,488	97.5%	29,230	630	723	646
Gavin Hill	5 July 2021	23,338	N/A	97.5%	22,755	491	563	503

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 2024, £21.5587. 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.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B) continued

Long-Term Incentive Plan awards made in the year and outstanding share incentive awards (audited)

Richard Tyson joined the company as Chief Executive Officer on 1 October 2023. On 14 November 2023, he was granted two awards of nominally priced options of £0.05 under the LTIP which comprise the buy-out arrangements to replace the 2021 and 2022 LTIP awards from his previous employer, TT Electronics plc, which lapsed in connection with his joining the company. The awards will vest based on the achievement of the original TT Electronics plc performance targets and they will accrue dividend equivalents. A two-year post-vesting holding period applies to all awards. With regards to his forfeited 2023 TT Electronics plc LTIP award, Richard did not receive a replacement award in the same way as his other forfeited LTIP awards, but instead received an award under the Oxford Instruments LTIP in 2023, further details of which are set out below.

The buy-out awards made to Richard Tyson under the LTIP during the financial year ended 31 March 2024, and details relating to their vesting where applicable, are as follows:

	Date award granted	Total number of shares granted	Face value of award at grant date	Share price on day before award date	Vesting date	Percentage of award vesting	Number of shares vesting	Value[1] of shares vesting (£'000)	Number of shares awarded as dividend equivalent	Value[1] of shares vesting including dividend equivalent (£'000)
Richard Tyson	14 Nov 2023	27,872	£572,770	£19.24	16 Mar 2024	43.91%	12,237	255	1,284	281
		30,975	£636,536	£19.24	14 Mar 2025	N/A	N/A	N/A	N/A	N/A

1. Calculated based on the share price on the 18 March 2024 of £20.80 (being the closest date to the vesting date).

Awards made in the ordinary course under the LTIP during the financial year ended 31 March 2024 were as set out below. As noted in last year's report, and for the reasons set out therein, the Committee determined that the 2023/24 LTIP award for Gavin Hill should be based on 200% of salary, on an exceptional basis.

	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
Gavin Hill	25 Sept 2023	36,697	200%	£798,160	£21.80	31 July 2026
Richard Tyson	14 Nov 2023	53,023	200%	£1,089,623	£19.24	31 July 2026

The awards are nominally priced options of £0.05 and are subject to the following performance conditions:

Performance measure	Weighting	Performance targets
Earnings Per Share (EPS)	30%	4% pa (25% vesting) to 10% pa (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.

As at 31 March 2024, the outstanding options for Richard Tyson, Ian Barkshire and Gavin Hill under the PSP and LTIP[1] were as follows:

Scheme	31 March 2024	Granted	Exercised	Lapsed	Dividend equivalents[1]	1 April 2023	Exercise price[2]	Share price on date of grant	Date of grant	Earliest exercise	Latest exercise
Richard Tyson											
LTIP[3]	13,521	27,872		15,635	1,284	–	£0.05	£20.55	14/11/23	16/03/24	15/03/31
LTIP[3]	30,975	30,975				–	£0.05	£20.55	14/11/23	14/03/25	13/03/32
LTIP	53,023	53,023				–	£0.05	£20.55	14/11/23	31/07/26	13/11/33
Ian Barkshire[4]											
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					49,497	£0.05	£14.00	15/07/19	15/07/22	14/07/29
PSP	43,050				1,031	42,019	£0.05	£16.24	23/09/20	23/09/23	22/09/30
PSP[5]	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					38,633	£0.05	£14.00	15/07/19	15/07/22	14/07/29
PSP	33,601				805	32,796	£0.05	£16.24	23/09/20	23/09/23	22/09/30
PSP[5]	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
LTIP	36,697	36,697				–	£0.05	£21.75	25/09/23	31/07/26	24/09/33

1. Dividend equivalents are awarded on vesting of PSP and LTIP awards, for the period to vesting, in respect of the actual number of shares vesting.
2. During the prior 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 (ie 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 awards granted to Richard Tyson with vesting dates in 2024 and 2025 comprise the buy-out arrangements which replace Richard's 2021, 2022 and 2023 LTIP awards from his previous employer, TT Electronics plc, which lapsed in connection with his joining the company.
4. Ian Barkshire's outstanding awards will be treated in line with good leaver status under the relevant share plan rules and as such, will be pro-rated to the date of his cessation of employment. The total gain received by Ian Barkshire on the exercise of share options during the year was £3,216,553.
5. The performance conditions relating to this award have been tested and have vested at 97.5%.

The market price of the shares at 28 March 2024 was £21.25 (2023: price on 31 March 2023 was £25.05) and the range during the year was £17.12–£28.55 (2023: £17.20–£26.25).

Performance conditions for outstanding, unvested awards which are not stated elsewhere in this report are described below:

PSP	50% of award	50% of award
20 June 2022[2]	EPS growth – 4% pa (25% vesting) to 10% pa (100% vesting)	ROCE[1] in the final year of the performance period – 26% (25% vesting) to 32% (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 68.
2. Three-year performance period commencing 1 April prior to date of grant.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B) continued

Dilution limits (unaudited)

The company's Long-Term Incentive Plan rules which were approved by shareholders at the Annual General Meeting on 19 September 2023, 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. They also provide that 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 uses only market-purchased shares.

The company monitors the position prior to making awards to ensure that it 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 and LTIP awards may count towards the shareholding level, calculated at the net of tax value.

Directors' shareholdings (and those of any persons closely associated) as at 31 March 2024 are shown in the table below.

	Beneficially owned shares	Share option awards vested but unexercised	Percentage of salary held in shares under shareholding guideline[1]	Guideline met as at 31 March 2024	Share option awards unvested and subject to performance[2]
Richard Tyson	0	13,521	27%	No	83,998
Ian Barkshire[3]	4,744	92,547	209%	Yes	73,447
Gavin Hill	4,014	176,951	520%	Yes	89,491
Neil Carson	24,000	–	–	N/A	–
Mary Waldner	1,000	–	–	N/A	–
Alison Wood	0	–	–	N/A	–
Nigel Sheinwald	0	–	–	N/A	–
Reshma Ramachandran	0	–	–	N/A	–
Hannah Nichols	0	–	–	N/A	–
Richard Friend[4]	0	–	–	N/A	–

1. The notional tax rate used to determine the net value of the vested share awards is 47%. Shares valued using the market price of the shares on 28 March 2024: £21.25.
2. Award granted in July 2021 will vest at 97.5% in July 2024. Awards granted in June 2022, September 2023 and November 2023 remain subject to performance conditions.
3. Ian Barkshire will be subject to the post-cessation shareholding obligations as set out in the Policy.
4. Richard Friend stepped down as a Non-Executive Director effective 28 July 2023.

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, which up to 18 September 2023, was calculated as 14% of base salary paid in year to 31 March 2020. With effect from the AGM held on 19 September 2023, the pension contribution for Executive Directors reduced to 6% of salary, which is the maximum percentage amount payable to the majority of the UK workforce. 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 and in respect of the periods in which they served as Directors of the company, respectively, the company contributed £5,001 (2023: £4,000) into the company's Group Personal Pension Plan for Ian Barkshire, £10,000 (2023: £4,000) into a personal defined contribution plan for Gavin Hill. Balancing payments of £20,828 to Ian Barkshire, £22,293 to Gavin Hill and £15,027 to Richard Tyson (net of employer's national insurance contributions) were paid as cash.

Payments to past Directors and for loss of office (audited)

During the year no payments were made to Directors for loss of office.

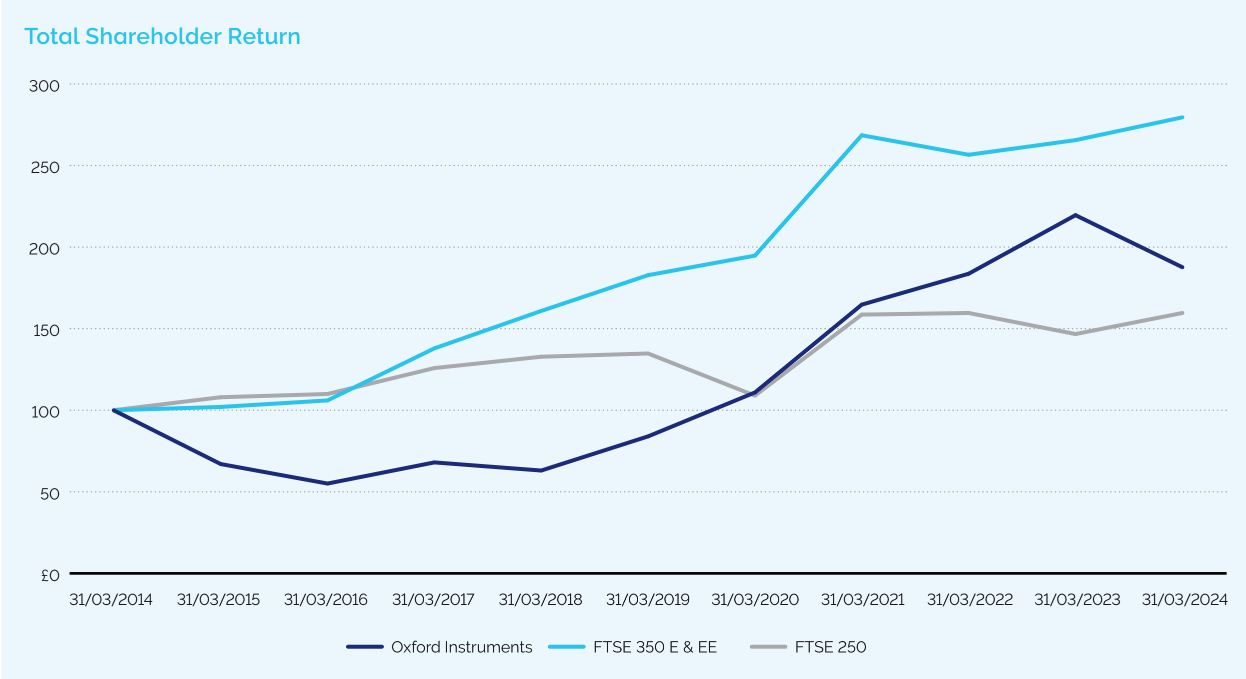
Ian Barkshire retired from his role as CEO and from the Board with effect from 1 October 2023, he then remained in active service until 1 December 2023 before serving the remainder of his notice period on garden leave until 11 April 2024.

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 received salary, benefits and pension for the duration of his notice period; however the benefit provision of a driver ceased at the end of his active employment. In respect of the period post his retirement as CEO, he received salary of £273,000, benefits of £11,950 and pension of £16,146 (broken down as a contribution of £5,000 into the company's Group Personal Pension Plan and £11,146 as a balancing payment).
- Ian was eligible to participate in the 2023/24 annual bonus plan for the period of his active service and this will be payable at the usual time based on performance, payable in cash and deferred shares, as detailed on pages 133 and 134. The value of the bonus payable in respect of his period of active service post stepping down as CEO, is £81,900.
- Ian was not eligible to receive an LTIP award for 2023/24.
- Ian is 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.

Performance graph and CEO's remuneration (unaudited)

The graph below shows for the ten years ended 31 March 2024 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.



DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B) continued

The total remuneration of the CEO over the last ten years is shown in the table below. The annual bonus payout and PSP/LTIP vesting level as a percentage of the maximum opportunity are also shown.

			2017[1]								2024[3]	
Year ending 31 March	2015	2016	Jonathan Flint	Ian Barkshire	2018	2019	2020	2021	2022	2023	Ian Barkshire	Richard Tyson
Total remuneration (£'000)	579	743	64	620	791	1,957	1,967	2,244	2,087	2,135	1,219	1,392
Annual bonus outcome (%)	7.5%	38.6%	0%	56.3%	63.7%	94.4%	62.9%	100%	74.2%	80.56%	60%	60%
ESOS vesting (%)	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SELTIS/PSP/LTIP[2] vesting (%)	0%	0%	0%	N/A	N/A	92.8%	100%	100%	100%	100%	97.5%	N/A

1. 2016/17 financial year: remuneration shown separately for Jonathan Flint who was CEO from 1 April to 11 May 2016 and Ian Barkshire 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 were granted from June 2014 to June 2022. LTIP awards have been granted since September 2023.
3. 2023/24 financial year: remuneration shown separately for Ian Barkshire who was CEO from 1 April 2023 to 1 October 2023 and Richard Tyson who was CEO from 1 October 2023 to 31 March 2024.

Ratio of Chief Executive Officer pay to that of employees

The Chief Executive Officer to employee pay ratio for 2023/24 and prior financial years is set out below:

Financial year	Method	25th percentile	50th percentile	75th percentile
2023/24	A	76.8:1	57.7:1	42.6:1
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 aggregated payments made in respect of both of the CEOs who served during the year, and the employees at the percentiles for the 2023/24 ratio are set out below:

	CEO	25th percentile	50th percentile	75th percentile
Salary	£554,000	£32,076	£42,699	£57,312
Total pay	£2,610,426	£34,001	£45,261	£61,326

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 2024. 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 aggregated pay for Richard Tyson and 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 2023/24 and includes certain remuneration elements which were specific to the terms of their joining the company or their retirement, respectively. None of the employees at the percentiles received share awards.

The CEO pay ratio has increased this year. This is largely as a result of the change of CEO during the year, with Ian Barkshire stepping down and Richard Tyson taking up the role with effect from 1 October 2023. The calculation includes the pro-rated annual bonus and the full LTIP FY21 award for Ian Barkshire, as well as certain elements of Richard Tyson's buyout package, being the replacement LTIP award which vested in March 2024 and the buyout of his TT electronics annual bonus for 2023 – as well as his pro-rated Oxford Instruments plc annual bonus. 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 2023/24 compared to that for the average UK-based employee of the Group (on a per capita full-time equivalent basis).

Directors during the year ended 31 March 2024	2022/23 to 2023/24 % change			2021/22 to 2022/23 % change			2020/21 to 2021/22 % change			2019/20 to 2020/21 % change		
	Salary[9]	Benefits	Bonus[10]	Salary	Benefits	Bonus	Salary	Benefits	Bonus	Salary	Benefits	Bonus
Richard Tyson[1]	N/A	N/A	–	N/A	N/A	–	N/A	–	–	N/A	–	–
Ian Barkshire[2]	N/A	N/A	–	7.1	24.5	15.0	15.0	30.1	2.8	-3.6	-41.3	62.1
Gavin Hill	5.2	-13.7	-8.9	5.0	18.8	15.3	8.5	2.3	-2.8	-4.1	8.2	57.1
Neil Carson	5.0	–	–	4.3	–	–	8.0	–	–	-4.3	–	–
Richard Friend[3]	N/A	N/A	–	4.3	–	–	8.0	–	–	-3.4	–	–
Mary Waldner	7.0	–	–	3.8	–	–	8.3	–	–	-3.8	–	–
Alison Wood[4]	8.6	100	–	9.3	–	–	N/A	–	–	N/A	–	–
Nigel Sheinwald[5]	7.0	–	–	N/A	–	–	N/A	–	–	N/A	–	–
Reshma Ramachandran[6]	N/A	N/A	–	N/A	N/A	–	N/A	–	–	N/A	–	–
Hannah Nichols[7]	N/A	N/A	–	N/A	N/A	–	N/A	–	–	N/A	–	–
Average employee pay[8]	1.73	-11.0	-29.3	10.3	9.01	-4.7	4.24	-8.4	-23.1	-0.7	-6.7	7.0

1. Richard Tyson joined the Board on 1 October 2023.
2. Ian Barkshire stepped down from the Board on 1 October 2023.
3. Richard Friend stepped down from the Board on 28 July 2023.
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.
7. Hannah Nichols joined the Board on 1 January 2024.
8. Average employee pay includes all UK employees in service on 31 March 2024 for the 2022/23 to 2023/24 comparison, but excludes those who were on maternity leave, long-term sick leave and those who started or ended employment within the period.
9. The average pay increase across all employees in the UK in 2023/24 was 6.97%.
10. The value of the average employee bonus for the year ended 31 March 2024 (to be paid in July 2024) was not known at the time the Annual Report was approved and consequently the number included is management's best estimate of the bonus that will be paid.

Relative importance of the spend on pay

The following table shows the Group's employee costs relative to dividends:

	Year ended 31 March 2024	Year ended 31 March 2023	% change
Employee costs (£m)	155.4	146.4	6.15%
Dividends (£m)	11.4	10.6	7.55%

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B) continued

Statement of shareholder voting (unaudited)

The resolution to approve the Directors' Remuneration Policy was passed at the 2023 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	43,129,297	862,318	98.04	1.96	4,077

The resolution to approve the Annual Report on Remuneration at the 2023 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	41,577,906	670,985	98.41	1.59	1,746,801

How the Policy will be applied in 2024/25 (unaudited)

Base salaries

With effect from 1 July 2024, the salary of the CEO will increase by 3% from £570,000 to £587,100 and the salary of the CFO will increase by 3% from £400,000 to £412,000. These increases are below the average increase awarded across the UK workforce.

Benefits and pension

Benefits will be in line with the Policy and with those received in 2023/24. Pension contributions will be 6% of salary, which is the maximum percentage amount payable to the majority of the UK workforce.

Annual bonus

The maximum opportunity under the annual bonus plan for 2024/25 will be 150% of base salary for both the CEO and CFO. 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 and progressing the new strategic plan, amongst other things.

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 2024/25 LTIP awards will be over shares with a market value at grant of 200% of salary for the CEO and 175% for the CFO.

Vesting will be subject to the performance conditions as set out below measured over a three-year performance period commencing 1 April 2024. We believe that the mix of performance conditions will provide a strong and rounded assessment of the success of the business performance, strategy and purpose, over the period.

The target range for the EPS growth measure has reduced slightly from the ranges applying to prior years' awards. This recognises the relatively high 2023/24 profit baseline from where the growth is measured over the next three years. It also takes into account higher corporation tax which means that EPS growth is forecast to be materially flatter than PBT. Finally, this takes into account the more challenging market conditions that we anticipate. Similarly, the target range for the ROCE measure has also been reduced slightly, albeit the Committee recognises that it is still sector leading. We are satisfied that these target ranges are appropriately stretching in light of both the business plan and market outlook, as well as the grant levels under the Policy and anticipate that we should be able to revert to target ranges more in line with historic norms from next year.

The TSR measure will require significant stock market outperformance.

The sustainability measures will: (i) support significant reduction in our Scope 1 and 2 emissions through requiring the completion of our intended site heating infrastructure projects at two of our major UK manufacturing sites, which will represent a notable reduction, estimated at between 17% and 21%; and (ii) achievement of an improvement in female representation in leadership positions. The Committee notes that the range is the same as the target range set for last years' award. However, this remains a stretching target and it is important that there is sustained achievement against it, rather than encouraging a spike in a single year. During the year, we plan to broaden the scope of our diversity measure in the wider organisation and will therefore consider the appropriateness of these when developing the targets for next year's LTIP award.

Performance measure	Weighting	Performance targets
Earnings Per Share (EPS)	30%	2% pa (25% vesting) to 8% pa (100% vesting) CAGR over three financial years measured from the 2023/24 financial year end EPS.
Return on Capital Employed (ROCE)	30%	26% in the final year of the performance period (2026/27 financial year) (25% vesting) to 30% (100% vesting).
Relative Total Shareholder Return (TSR)	25%	Median (25% vesting) to Upper quartile (100% vesting) over three financial years commencing with the 2024/2025 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%	Make progress towards achieving our accelerated Scope 1 and 2 net zero targets of 2030, by completing two of our site heating infrastructure projects. 1 project completed by the final year of the performance period (2026/27 financial year) (50% vesting) to 2 projects completed (100% vesting).
Sustainability – percentage of females in senior leadership positions	7.5%	35% in the final year of the performance period (2026/27 financial year) (25% vesting) to 40% (100% vesting). Senior leadership is defined as Leadership Committee, their direct reports and key decision makers.

Non-Executive Directors' fees

The Committee and the Board, as appropriate, have reviewed the fees for the Chair and Non-Executive Directors and in line with the Executive Directors, they will increase by 3% for 2024/25, effective from 1 July 2024.

	2023/24	2024/25	% increase
Board Chair	£206,467	£212,661	3%
Additional fee for Deputy Chair	£5,202	£5,358	3%
Basic fee	£57,408	£59,130	3%
Additional fee for Senior Independent Director	£10,000	£10,300	3%
Additional fee for Committee Chair	£10,000	£10,300	3%

Note: The fees shown for 2023/24 and 2024/25 are the annual rates as at 1 July 2023 and 1 July 2024, respectively.

Approval

This report was approved by the Committee on 10 June 2024 and has been approved subsequently by the Board for submission to shareholders at the Annual General Meeting to be held on 25 July 2024.

ALISON WOOD
Chair of the Remuneration Committee

10 June 2024

SHAREHOLDER INFORMATION

Financial calendar[1]

11 June 2024	Announcement of preliminary results
11 July 2024	Final dividend ex-dividend date
12 July 2024	Final dividend record date
25 July 2024	Annual General Meeting
30 July 2024	Final dividend DRIP election date
20 August 2024	Final dividend payment date
12 November 2024	Announcement of half-year results
28 November 2024	Interim dividend ex-dividend date
29 November 2024	Interim dividend record date
17 December 2024	Interim dividend DRIP election deadline
10 January 2025	Interim dividend payment date
31 March 2025	Financial year end

1. Please note that the above dates are subject to change.

Analysis of share register at 31 March 2024

	Total number of holdings	Percentage of holders	Total number of shares	Percentage of issued share capital
By type of shareholder				
Individual	1,480	76.25	3,601,671	6.22
Institutions and others	461	23.75	54,312,121	93.78
By size of shareholding				
1–500	1,165	60.02	198,032	0.34
501–1,000	216	11.13	163,612	0.28
1,001–10,000	303	15.61	969,764	1.68
10,001–100,000	159	8.19	5,674,752	9.8
100,001–500,000	72	3.71	16,008,799	27.64
Over 500,000	26	1.34	34,898,833	60.26
Total	1,941	100.00	57,913,792	100.00

Annual General Meeting 2024

The 2024 Annual General Meeting of Oxford Instruments plc will be held at the office of Ashurst LLP at London Fruit & Wool Exchange, 1 Duval Square, London, E1 6PW at 11.00am on Thursday 25 July 2024.

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 and amending your communication preferences.

Online:

www.signalshares.com

To register to use this site, you will need your Investor Code (IVC) which can be found on your share certificate or dividend confirmation.

By telephone:

+44 (0) 371 664 0300

Calls to the above number 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, R+, 2 Blagrave Street,
Reading, Berkshire RG1 1AZ

DIRECTORS' REPORT

The Directors present the Annual Report of Oxford Instruments plc for the year ended 31 March 2024.

Principal activity and business reviews

Oxford Instruments plc ('OI plc') is the ultimate holding company of a group of subsidiary undertakings (the 'Group') which is a leading global provider of technology and expertise to academic and commercial partners. 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 2024, 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 26 to 33, the Finance Review on pages 58 to 69 and the report on Sustainability on pages 34 to 57, 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 10 to 82.

Results and dividends

The results for the year are shown in the Consolidated statement of income on page 150. The Directors recommend a final dividend of 15.9p per ordinary share, which together with the interim dividend of 4.9p per ordinary share is a total of 20.8p per ordinary share for the year (2023: 19.5p per ordinary share). Subject to shareholder approval, the final dividend will be paid on 20 August 2024 to shareholders registered at close of business on 12 July 2024.

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 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 73 to 78.

Directors

Biographies of all the Directors at the date of this report, including Non-Executive Directors, are set out on pages 86 to 88. During the year ended 31 March 2024 there were a number of changes to the Board, with Ian Barkshire stepping down as an Executive Director and CEO on 1 October 2023, Richard Tyson being appointed as an Executive Director and CEO with effect from 1 October 2023 and Hannah Nichols joining as a Non-Executive Director on 1 January 2024.

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 2024, are shown above.

Details of share options for the Executive Directors are shown in the Remuneration Report on page 137.

	31 March 2024 Shares	31 March 2023 Shares
Neil Carson	24,000	8,000
Richard Tyson	–	–
Gavin Hill	4,014	2,707
Mary Waldner	1,000	1,000
Alison Wood	–	–
Nigel Sheinwald	–	–
Reshma Ramachandran	–	–
Hannah Nichols	–	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 2024, no Director had a material interest in any contract of significance with OI plc or any of its subsidiaries. As of 31 May 2024, there were no changes to the above shareholdings apart from for Gavin Hill who participates in the Oxford Instruments Share Incentive Plan and since the year end had increased his beneficial holding by 15 shares.

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.

DIRECTORS' REPORT continued

These can also be obtained from Companies House or by contacting the Company Secretary.

During the year to 31 March 2024, the Board issued 201,284 new shares (2023: 58,053) following the exercise of options under OI plc's share option schemes. At 31 March 2024, the issued share capital of OI plc was 57,913,792 ordinary shares of 5p each. No shares in OI plc were acquired by the company itself during the year (2023: nil). Details of the share capital and options or other awards outstanding as at 31 March 2024 are set out in Notes 25 and 26, respectively, to the Financial Statements.

Powers in relation to the company issuing or buying back its own shares

At the 2023 AGM, shareholders authorised the company to allot relevant securities: (i) up to a nominal amount of £962,004 (being one-third of OI plc's issued share capital); and (ii) up to a nominal amount of £1,924,008 (being two-thirds of OI plc's issued share capital), after deducting from such limit any relevant securities allotted under (i), in connection with an offer by way of a rights issue. A similar resolution will be put to shareholders at the 2024 AGM save that the second limb of the authority will be proposed for use in connection with any pre-emptive offer and not just an offer by way of rights issue.

In 2023, shareholders also authorised OI plc to purchase its own shares in the market up to a limit of 10% of its issued share capital, being 5,772,026 shares. As noted in the 2023 notice of meeting, the Directors will seek to renew this authority at the 2024 AGM by proposing a further special resolution. This authority will also be limited to a maximum of 10% of OI plc's issued share capital and the resolution will set the minimum and maximum prices which may be paid. The Directors will only purchase OI plc's shares in the market if they believe it is in the best interests of OI plc and shareholders generally and where Directors (i) expect that such a purchase would result in an increase in earnings per share, (ii) consider that OI plc has excess cash, and/or (iii) determine that it is appropriate to increase OI plc's gearing.

Disapplication of pre-emption rights

At the 2024 AGM, OI plc will seek approval from its shareholders to empower Directors to issue equity securities or sell treasury shares for cash other than to existing shareholders pro-rata to their holdings to the fullest extent permitted by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group ('Statement of Principles').

In addition to offers or invitations in proportion to the respective number of shares held, this equates to the ability for Directors to issue equity securities or sell treasury shares for cash up to 10% of OI plc's issued share capital for general purposes and up to a further 10% of OI plc's issued share capital to be used in connection with an acquisition or specified capital investment of a kind contemplated by the Statement of Principles. In each case, the Directors will seek a power to issue up to a further 2% of OI plc's issued share capital for the purposes of a 'follow-on offer' (also as contemplated by the Statement of Principles) which would enable existing retail shareholders to participate in relevant equity issues.

These resolutions are similar to those approved by shareholders at OI plc's 2023 AGM, save that those resolutions empowered Directors in relation to 5% of OI plc's issued share capital respectively and did not include a power for Directors to undertake a follow-on offer. The Directors believe the resolutions being proposed at the 2024 AGM reflect market practice.

Research and development

Information on the research and development activities of the Group can be found on page 166.

Branches

Subsidiaries of the company have established branches in a number of different countries in which they operate.

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.

Substantial shareholdings

The following are beneficial interests of 3% or more (direct), or of 5% or more (indirect), which have been notified to OI plc, per Chapter 5 of the Disclosure Guidance and Transparency Rules, of OI plc's issued ordinary share capital, the only class of voting capital, at 21 May 2024:

	Direct/indirect	Shares '000	% of total
Blackrock Inc	Indirect	6,479,289	11.19
Columbia Threadneedle Investments	Indirect	5,352,239	9.24
Artemis Fund Managers	Indirect	5,100,140	8.81
abrdn Investment Management	Indirect	3,351,204	5.79
Lady KA Wood and the Estate of the late Sir MF Wood	Direct	2,603,030	4.49

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 taxation. 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.

Charitable donations

During the year, the Group made charitable donations of £5,668 (2023: £5,590).

Political donations

During the year, the Group made no political donations (2023: nil).

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 25 July 2024 is set out in a letter to shareholders together with explanatory notes relating to the resolutions.

Articles of Association

The company's Articles of Association may be amended by a special resolution at a general meeting of the shareholders. The current Articles of Association were adopted by shareholders at the AGM held on 8 September 2020.

External auditor

A resolution to reappoint BDO LLP as auditor for FY23/24 was passed at the 2023 Annual General Meeting and a resolution to reappoint them as auditor for FY24/25 will be proposed at the 2024 Annual General Meeting on 25 July 2024.

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 84 to 143. Pages 20 to 21 summarise how we engage with our stakeholders. Pages 90 to 95 include further details of how we engage with our stakeholders and page 96 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 23 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 34 to 57 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 pages 90 to 95.

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 pages 36 to 38.

Material events

Apart from the agreement to acquire FemtoTools AG on 7 June 2024, as detailed on page 191, there were no other material events since the year end to report.

DIRECTORS' RESPONSIBILITIES

in relation to the Annual Report

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 Annual Report, 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

RICHARD TYSON
Chief Executive Officer

GAVIN HILL
Chief Financial Officer

10 June 2024

Financial Statements

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 March 2024

	Note	2024 Adjusted £m	2024 Adjusting items (note 2) £m	2024 Total £m	2023 Adjusted £m	2023 Adjusting items (note 2) £m	2023 Total £m
Revenue	1	470.4	–	470.4	444.7	–	444.7
Cost of sales		(228.0)	–	(228.0)	(214.5)	–	(214.5)
Gross profit		242.4	–	242.4	230.2	–	230.2
Other operating income		–	3.3	3.3	–	–	–
Research and development	3	(39.1)	–	(39.1)	(35.9)	(0.8)	(36.7)
Selling and marketing		(74.5)	–	(74.5)	(65.4)	–	(65.4)
Administration and shared services		(58.7)	(14.6)	(73.3)	(52.9)	(10.3)	(63.2)
Foreign exchange gain/(loss)		10.2	(0.7)	9.5	4.5	3.0	7.5
Operating profit		80.3	(12.0)	68.3	80.5	(8.1)	72.4
Financial income	6	4.7	–	4.7	2.7	–	2.7
Financial expenditure	7	(1.7)	–	(1.7)	(1.2)	(0.4)	(1.6)
Profit/(loss) before income tax	1	83.3	(12.0)	71.3	82.0	(8.5)	73.5
Income tax (expense)/credit	8	(20.3)	(0.3)	(20.6)	(17.0)	2.1	(14.9)
Profit/(loss) for the year attributable to equity shareholders of the parent		63.0	(12.3)	50.7	65.0	(6.4)	58.6

Earnings per share	Note	2024 Adjusted pence	2024 Total pence	2023 Adjusted pence	2023 Total pence
Basic earnings per share	10				
From profit for the year		109.0	87.7	112.7	101.6
Diluted earnings per share	10				
From profit for the year		107.5	86.5	111.3	100.3

The attached notes form part of these Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2024

	Note	2024 £m	2023 £m
Profit for the year		50.7	58.6
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to Consolidated Statement of Income			
Foreign exchange translation differences		(5.5)	5.3
Items that will not be reclassified to Consolidated Statement of Income			
Remeasurement loss in respect of post-retirement benefits	24	(19.4)	(38.6)
Tax credit on items that will not be reclassified to Consolidated Statement of Income		4.8	9.7
Total other comprehensive expense		(20.2)	(23.6)
Total comprehensive income for the year attributable to equity shareholders of the parent		30.6	35.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Note	2024 £m	2023 £m
Assets			
Non-current assets			
Property, plant and equipment	12	80.5	59.3
Intangible assets	13	137.9	132.1
Right-of-use assets	14	32.4	31.4
Long-term receivables		1.3	0.5
Derivative financial instruments	22	0.2	0.4
Retirement benefit asset	24	16.1	26.4
Deferred tax assets	8	13.7	12.5
		282.1	262.6
Current assets			
Inventories	15	108.4	81.4
Trade and other receivables	16	114.7	113.2
Current income tax receivable		1.0	0.5
Derivative financial instruments	22	2.3	1.6
Cash and cash equivalents	18	97.8	112.7
		324.2	309.4
Total assets		606.3	572.0
Equity			
Capital and reserves attributable to the company's equity shareholders			
Share capital	25	2.9	2.9
Share premium		62.6	62.6
Other reserves		0.2	0.2
Translation reserve		7.4	12.9
Retained earnings		292.6	265.4
		365.7	344.0
Liabilities			
Non-current liabilities			
Bank loans	19	0.9	0.9
Lease payables	14	28.6	26.2
Deferred tax liabilities	8	12.9	7.8
		42.4	34.9
Current liabilities			
Bank loans and overdrafts	19	13.1	11.6
Trade and other payables	20	166.2	159.4
Lease payables	14	4.8	5.2
Current income tax payables		7.6	8.1
Derivative financial instruments	22	0.1	1.2
Provisions	21	6.4	7.6
		198.2	193.1
Total liabilities		240.6	228.0
Total liabilities and equity		606.3	572.0

The Financial Statements were approved by the Board of Directors on 10 June 2024 and signed on its behalf by:

RICHARD TYSON
Director

GAVIN HILL
Director

Company number: 775598

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2024

	Share capital £m	Share premium £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
As at 1 April 2023	2.9	62.6	0.2	12.9	265.4	344.0
Profit for the year	–	–	–	–	50.7	50.7
Foreign exchange translation differences	–	–	–	(5.5)	–	(5.5)
Remeasurement loss in respect of post-retirement benefits	–	–	–	–	(19.4)	(19.4)
Tax credit on items that will not be reclassified to Consolidated Statement of Income	–	–	–	–	4.8	4.8
Total comprehensive (expense)/income	–	–	–	(5.5)	36.1	30.6
Share-based payment transactions	–	–	–	–	3.0	3.0
Income tax on share-based payment transactions	–	–	–	–	(0.5)	(0.5)
Proceeds from shares issued	–	–	–	–	–	–
Dividends	–	–	–	–	(11.4)	(11.4)
Total transactions with owners:	–	–	–	–	(8.9)	(8.9)
As at 31 March 2024	2.9	62.6	0.2	7.4	292.6	365.7
As at 1 April 2022	2.9	62.5	0.2	7.6	243.2	316.4
Profit for the year	–	–	–	–	58.6	58.6
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	–	–	–	5.3	29.7	35.0
Share-based payment transactions	–	–	–	–	2.4	2.4
Income tax on share-based payment transactions	–	–	–	–	0.7	0.7
Proceeds from shares issued	–	0.1	–	–	–	0.1
Dividends	–	–	–	–	(10.6)	(10.6)
Total transactions with owners:	–	0.1	–	–	(7.5)	(7.4)
As at 31 March 2023	2.9	62.6	0.2	12.9	265.4	344.0

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2024

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Profit for the year		50.7	58.6
Adjustments for:			
Income tax expense	8	20.6	14.9
Net financial income		(3.0)	(1.1)
Fair value movement on financial derivatives		0.7	(3.0)
WITec post-acquisition gross margin adjustment		–	0.5
Impairment of capitalised development costs	13	–	0.8
Amortisation of right-of-use assets	14	5.0	4.6
Depreciation of property, plant and equipment	12	5.3	4.8
Amortisation of intangible assets	13	9.8	10.7
Charge in respect of equity settled employee share schemes	26	3.0	2.4
Contributions paid to the pension scheme more than the charge to operating profit		(8.0)	(11.7)
Increase in inventories	27	(26.3)	(15.6)
Increase in receivables	27	(2.7)	(19.6)
(Decrease)/increase in payables and provisions	27	(2.8)	17.4
Increase in customer deposits	27	7.1	9.2
Cash generated from operations		59.4	72.9
Interest paid		(0.9)	(0.7)
Income taxes paid		(16.1)	(5.7)
Net cash from operating activities		42.4	66.5
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		0.5	0.2
Acquisition of property, plant and equipment		(27.0)	(32.3)
Acquisition of subsidiaries, net of cash acquired	11	(13.4)	(4.8)
Capitalised development expenditure		(0.7)	(0.6)
Interest received		3.1	1.1
Net cash used in investing activities		(37.5)	(36.4)
Cash flows from financing activities			
Proceeds from issue of share capital		–	0.1
Interest paid on lease liabilities	14	(0.8)	(0.5)
Payment of capital element of leases	14	(4.0)	(5.1)
Repayment of borrowings		(1.8)	(0.5)
Dividends paid		(11.4)	(10.6)
Net cash used in financing activities		(18.0)	(16.6)
Change in cash and cash equivalents		(13.1)	13.5
Cash and cash equivalents at beginning of the year		101.5	87.7
Effect of exchange rate fluctuations on cash held		(2.9)	0.3
Cash and cash equivalents at end of the year	18	85.5	101.5
Comprised of:			
Cash and cash equivalents as per the Consolidated Statement of Financial Position	18	97.8	112.7
Bank overdrafts	23	(12.3)	(11.2)
		85.5	101.5

MATERIAL ACCOUNTING POLICIES

Year ended 31 March 2024

Oxford Instruments plc (the 'Company') is a company incorporated and domiciled in the UK.

The Group Financial Statements have been prepared in accordance with UK adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006 and interpretations issued by the IFRS Interpretations Committee (IFRIC) applicable to companies reporting under UK adopted IFRS.

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 and factors that are considered likely to affect its performance and position in the future are set out in the Strategic Report on pages 10 to 33. The Finance Review on pages 58 to 69 discloses information relevant to the Group's financial position, its cash flows, borrowing facilities and liquidity.

The directors have considered the appropriateness of the going concern basis of preparation following a detailed assessment of the risks to the Group as outlined above, up to 30 June 2025, being a period of at least 12 months from approval of the Report and Financial Statements.

On 19 March 2024 the Group entered into a new multi-currency revolving facility agreement, which is committed until March 2028 with 15-month and 12-month extension options at the end of the first and second years respectively. The facility has been entered into with four banks and comprises a Euro-denominated multi-currency facility of €95m and a US Dollar denominated multi-currency facility of $150m. Debt covenants are net debt to EBITDA less than 3.0 times and EBITDA to interest greater than 4.0 times. At the date of approving these financial statements, the facility remains undrawn.

The relatively diverse nature of the Group together with its current financial strength provides a solid foundation. In its going concern assessment, the directors considered several scenarios, including base case and downside scenarios. The assessment is based on Board-approved budget, incorporating severe but plausible scenarios in the forecast. These scenarios reflected a 25% reduction in the Group's performance, a 25% increase in working capital and a third scenario of incorporating both. In each scenario the Group's cash balances remained positive and the facility remains undrawn throughout the going concern period to 30 June 2025.

Based on this assessment, incorporating a review of current position, the scenarios, the principal risks and mitigation, the Directors have a reasonable expectation that the group will be able to continue operating and meet its liabilities as the fall due over the period to 30 June 2025 and there are no material uncertainties which may cast significant doubt over its ability to continue as a going concern.

(a) Changes in accounting standards

IFRS 17 Insurance Contracts provides consistent principles for all aspects of accounting for insurance contracts within the scope of the standard. The standard is effective for years beginning on or after 1 January 2023 with a requirement to restate comparatives.

The Group has reviewed whether its arrangements meet the accounting definition of an insurance contract. While some contracts may transfer an element of insurance risk, they relate to warranty and service type agreements that are issued in connection with the Group's sales of its goods or services and therefore will continue to be measured under IFRS 15 Revenue from Contracts with Customers and IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Directors are not aware of any other contracts where IFRS 17 would have a material impact on the Consolidated Financial Statements.

There are no other new standards or interpretations issued by the IASB that had a significant impact on the Consolidated Financial Statements.

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.

(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 is one key judgement 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:

Provision for inventory

Provision is made for obsolete, slow moving and defective stock where there is evidence of impairment, to reduce the carrying value to its net realisable value. This requires consideration of several factors including but not limited to recent usage, expected future demand, new product introduction plans and likely realisable values to estimate the excess quantities and net realisable value. The level of provisioning requires certain estimates regarding future demand and possible design changes to identify excess quantities. Amounts provided represent in aggregate the Group's best estimate of the levels of provisioning required.

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:

MATERIAL ACCOUNTING POLICIES continued

Year ended 31 March 2024

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 macroeconomic factors that are largely outside of the Group's control. Sensitivity analysis is set out in Note 24.

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 21).

Acquisition of First Light Imaging SAS (First Light Imaging)

On the acquisition of a business in order to comply with IFRS 3 (Revised) Business Combinations it is necessary to reflect the assets and liabilities acquired at their fair value. This requires certain estimates and assumptions in relation to, inter alia, the forecast performance of the acquired business, the expected life of certain intangible assets and the likely future customer base of the business. In order to assist in undertaking this Fair Value exercise, the Group appointed an external firm of advisors. The exercise is incomplete as at the date of this report so the fair value adjustments are reported on a provisional basis. The provisional fair value adjustments arising from this review are set out in Note 11 on page 171.

(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.

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.

(d) Consideration of climate change

In preparing the Financial Statements, the Directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure, see pages 40 to 50. There has been no material impact identified on the financial reporting judgements and estimates. In particular, the Directors considered the impact of climate change in respect of the following areas:

- going concern and viability of the Group;
- cash flow forecasts used in the impairment assessments of non-current assets including goodwill; and
- carrying value and useful economic lives of property, plant and equipment.

Whilst there is currently no medium-term impact expected from climate change, the Directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's Financial Statements.

(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. Forward foreign exchange contracts (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. The Group has chosen not to apply hedge accounting in respect of these exposures. 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

Machinery and other equipment, computer equipment and vehicles are included within the 'Plant and equipment' subheading in Note 12.

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.

(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 & 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 14 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.

MATERIAL ACCOUNTING POLICIES continued

Year ended 31 March 2024

(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.

(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 is deducted from the fair value of any plan assets.

Surpluses in schemes are recognised as assets only if they represent economic benefits available to the Group in the future. 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 asset by applying the discount rate to the net defined benefit asset, 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.

(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) Customer deposits

Customer deposits 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 or consideration due 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).

(o) 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.

(p) 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.

(q) 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 in respect of both product and installation is recognised at a point when it is considered the performance conditions are met.

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.

A receivable is recognised for products when control passes over to customer, and for installation when the customer confirms acceptance of the installation, since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the performance obligations met by the Group exceed the payment, a contract asset is recognised. If the payments exceed the performance obligation, a contract liability is recognised.

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 over time 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.

(r) 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.

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.

MATERIAL ACCOUNTING POLICIES continued

Year ended 31 March 2024

(s) 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.

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.

(t) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 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 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 Executive Directors. Discrete financial information is available for each segment and used by the Executive 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 Executive Directors.

On 9 January 2024, the Group acquired 100% of the issued share capital of First Light Imaging which has been integrated into the Research & Discovery segment. Further information can be found in Note 11.

Results

2024	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Total £m
Total segment revenue	252.2	142.1	76.1	470.4
Segment adjusted operating profit	46.4	13.6	20.3	80.3

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

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 revenue.

As at 31 March 2024, the Group had unfulfilled performance obligations under IFRS 15 of £301.5m (2023: £319.6m). It is anticipated that £277.3m (2023: £303.0m) of this balance will be satisfied within one year. The remainder is anticipated to be satisfied in the following financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 Segment information continued

Reconciliation of reportable segment profit

2024	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
Segment adjusted operating profit	46.4	13.6	20.3	–	80.3
Intellectual property litigation settlement	–	3.3	–	–	3.3
Adjustments relating to defined benefit pension schemes	–	–	–	(0.4)	(0.4)
Transaction-related costs	–	(1.0)	–	–	(1.0)
Restructuring costs and charges associated with management changes	(1.7)	–	–	(2.0)	(3.7)
Intellectual property litigation costs	–	(0.4)	–	–	(0.4)
Amortisation and impairment of acquired intangibles	(3.0)	(6.1)	–	–	(9.1)
Fair value movement on financial derivatives	–	–	–	(0.7)	(0.7)
Financial income	–	–	–	4.7	4.7
Financial expenditure	–	–	–	(1.7)	(1.7)
Profit/(loss) before income tax	41.7	9.4	20.3	(0.1)	71.3

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	–	(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

2024	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
Capital expenditure	(18.0)	(6.6)	(0.1)	(2.3)	(27.0)
Depreciation of property, plant and equipment	(3.3)	(1.5)	–	(0.5)	(5.3)
Amortisation of right-of-use assets	(2.4)	(0.4)	–	(2.2)	(5.0)
Amortisation and impairment of acquired intangibles	(3.5)	(6.3)	–	–	(9.8)
Capitalised development expenditure	(0.1)	(0.6)	–	–	(0.7)

2023	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
Capital expenditure	(28.6)	(2.7)	–	(1.0)	(32.3)
Depreciation of property, plant and equipment	(3.0)	(1.2)	–	(0.6)	(4.8)
Amortisation of right-of-use assets	(2.1)	(0.5)	–	(2.0)	(4.6)
Amortisation and impairment of acquired intangibles	(6.0)	(6.3)	–	–	(12.3)
Capitalised development expenditure	(0.4)	(0.2)	–	–	(0.6)

The Group's revenue by destination of the end user is as follows:

Revenue	2024 £m	2023 £m
UK	30.4	29.4
China	127.4	107.4
Japan	43.5	46.7
USA	111.6	121.2
Germany	35.5	32.1
Rest of Europe	50.3	43.4
Rest of Asia	50.6	47.1
Rest of World	21.1	17.4
	470.4	444.7

Non-current assets (excluding deferred tax)	2024 £m	2023 £m
UK	191.0	189.6
Germany	32.1	34.8
USA	12.5	13.9
Japan	6.2	1.9
China	4.0	2.9
Rest of Europe	22.1	6.5
Rest of Asia	0.2	0.2
Rest of World	0.3	0.3
	268.4	250.1

2 Adjusting items

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. In determining whether an event or transaction is an adjusting item, the Directors consider quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Examples of exceptional items include acquisition-related costs, one-time past service costs on defined benefit pension schemes, and one-time intellectual property litigation costs.

These adjusting items are excluded in the calculation of adjusted operating profit, adjusted profit before tax, adjusted profit for the year, 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, amortisation 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 10. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2 Adjusting items continued

Reconciliation between operating profit and profit before income tax and adjusted profit

	2024 Operating profit £m	2024 Profit before income tax £m	2023 Operating profit £m	2023 Profit before income tax £m
Statutory measure	68.3	71.3	72.4	73.5
Intellectual property litigation settlement	(3.3)	(3.3)	–	–
Release of provision on disposal	–	–	(0.4)	(0.4)
Adjustments relating to defined benefit pension schemes	0.4	0.4	–	–
Transaction-related costs	1.0	1.0	–	–
WITec post-acquisition gross margin adjustment	–	–	0.5	0.5
Restructuring costs and charges associated with management changes	3.7	3.7	0.4	0.4
Intellectual property litigation costs	0.4	0.4	0.5	0.5
Impairment of capitalised development costs	–	–	0.8	0.8
Amortisation and impairment of acquired intangibles	9.1	9.1	9.3	9.3
Fair value movement on financial derivatives	0.7	0.7	(3.0)	(3.0)
Unwind of discount in respect of contingent consideration	–	–	–	0.4
Total adjusting items	12.0	12.0	8.1	8.5
Adjusted measure	80.3	83.3	80.5	82.0
Adjusted income tax expense		(20.3)		(17.0)
Adjusted profit	80.3	63.0	80.5	65.0
Adjusted effective tax rates		24.4%		20.7%

Intellectual property litigation settlement

This represents one-off settlement income in the Research & Discovery segment from defending our intellectual property.

Release of provision on disposal

The costs in the prior year represent the release of the provision on disposal of the OI Healthcare business in the US in 2020.

Adjustments relating to defined benefit pension schemes

During the year, the Group recognised a one-off charge of £0.4m in respect of removing the pension increase exchange at retirement option for deferred members. This past service cost is reflected in the retirement benefit obligations as shown in Note 24.

Transaction-related costs

These represent the costs of one-off charges incurred at the balance sheet date relating to transactional work.

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 prior period 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 has not occurred, as all such inventory at the acquisition date had been delivered to customers by 31 March 2023.

Restructuring costs and charges associated with management changes

In the current year, these represent £1.7m of costs associated with the relocation of production facilities within the semiconductor business and charges of £2.0m incurred in respect of the recruitment of the new CEO and one-off dual-running costs associated with this appointment. In the prior year, these represent the costs of one-off restructuring charges within the Materials & Characterisation segment.

Intellectual property litigation costs

These represent one-off legal costs to defend our intellectual property.

Impairment of capitalised development costs

During the prior 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.

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 in the prior year excluded the unwind of the discount in respect of the contingent consideration on the acquisition of WITec.

Adjusted income tax expense

Statutory income tax is adjusted for the income tax impact on the adjusting items described above. In the current year, adjusted income tax also includes a prior year adjustment in relation to deferred tax recognised on the Asylum intangibles.

Reconciliation of changes in cash and cash equivalents to movement in net cash after borrowings

	2024 £m	2023 £m
Net (decrease)/increase in cash and cash equivalents	(13.1)	13.5
Effect of exchange rate fluctuations on cash held	(2.9)	0.3
Movement in net cash in the year	(16.0)	13.8
Bank loans at First Light Imaging acquired	(2.2)	–
Repayment of borrowings	1.8	0.5
Net cash after borrowings at the start of the year	100.2	85.9
Net cash after borrowings at the end of the year	83.8	100.2

Reconciliation of net cash after borrowings to Statement of Financial Position

	2024 £m	2023 £m
Bank loans at First Light Imaging	(0.8)	–
Covid-19 loan at WiTec	(0.9)	(1.3)
Overdrafts	(12.3)	(11.2)
Cash and cash equivalents	97.8	112.7
Net cash after borrowings at the end of the year	83.8	100.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

3 Research and development (R&D)

The total research and development spend by the Group is as follows:

2024	Materials & Characterisation £m	Research & Discovery £m	Total £m
R&D expense charged to the Consolidated Statement of Income	28.0	11.1	39.1
Less: depreciation of R&D-related fixed assets	–	(0.2)	(0.2)
Add: amounts capitalised as fixed assets	0.2	–	0.2
Less: amortisation and impairment of R&D costs previously capitalised as intangibles	(0.5)	(0.1)	(0.6)
Add: amounts capitalised as intangible assets	0.1	0.6	0.7
Total cash spent on R&D during the year	**27.8**	**11.4**	**39.2**

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)
Add: amounts capitalised as fixed assets	–	–	–
Less: amortisation 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

4 Employee information

Personnel costs incurred during the year were as follows:

	2024 £m	2023 £m
Wages and salaries	131.5	121.9
Social security costs	15.5	17.1
Contributions to defined contribution plans (Note 24)	6.4	6.1
Defined benefit income (Note 24)	(1.0)	(1.1)
Charge in respect of employee share options	3.0	2.4
	155.4	146.4

Directors' emoluments are disclosed in the Remuneration Report on pages 120 to 143 of this Report and Financial Statements.

The average monthly number of people employed by the Group (including Directors and temporary employees) during the year was as follows:

	2024 Number	2023 Number
Production	894	796
Sales and Marketing	555	495
Research and Development	487	456
Administration and Shared Services	308	280
	2,244	2,027

5 Auditor's remuneration

	2024 £'000	2023 £'000
Audit of these Financial Statements	345	250
Amounts received by the auditor and its associates in respect of:		
– Audit of Financial Statement of subsidiaries pursuant to legislation	757	542
– Audit-related assurance services	50	47
– Other assurance services	8	8
Total fees payable to the auditor and its associates	1,160	847

6 Financial income

	2024 £m	2023 £m
Interest receivable	3.2	1.1
Interest credit on pension scheme net assets	1.5	1.6
	4.7	2.7

7 Financial expenditure

	2024 £m	2023 £m
Bank interest payable	0.9	0.7
Interest on lease liabilities	0.8	0.5
Unwind of discount on contingent consideration	–	0.4
	1.7	1.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

8 Taxation

Income tax expense

	2024 £m	2023 £m
Recognised in the Consolidated Statement of Income		
Current tax expense		
Current year	17.1	10.2
Adjustment in respect of prior years	1.1	0.3
	18.2	10.5
Deferred tax expense		
Origination and reversal of temporary differences	1.6	5.1
Adjustment in respect of prior years	0.8	(0.7)
	2.4	4.4
Total tax expense	20.6	14.9
Reconciliation of effective tax rate		
Profit before income tax	71.3	73.5
Income tax using the weighted average statutory tax rate of 25% (2023: 21%)	17.8	15.4
Effect of:		
Tax rates other than the weighted average statutory rate	(0.2)	0.3
Change in rate at which deferred tax recognised	–	1.0
Transaction costs, deferred consideration and impairments not deductible for tax	0.4	–
Non-taxable income and expenses	0.7	(1.4)
Adjustment in respect of prior years	1.9	(0.4)
Total tax expense	20.6	14.9
Taxation credit recognised directly in other comprehensive income		
Current tax – relating to employee benefits	(2.1)	–
Deferred tax – relating to employee benefits	(2.7)	(9.7)
Taxation (credit)/charge recognised directly in equity		
Current tax – relating to share options	(0.6)	–
Deferred tax – relating to share options	1.1	(0.7)

The rate of UK corporation tax increased to 25% from 1 April 2023. The UK deferred tax assets and liabilities have been calculated based on the enacted rate of 25%.

The Group carries tax provisions in relation to uncertain tax positions arising from the possible outcome of negotiations with tax authorities. The provision is calculated using the expected value method from a range of possibilities and assumes that the tax authorities have full knowledge of the facts. Such provisions reflect the geographical spread of the Group's operations and the variety of jurisdictions in which it carries out its activities.

Deferred tax

	Property, plant and equipment £m	Inventory £m	Employee benefits £m	Intangible assets £m	Tax losses £m	Other £m	Total £m
Balance at 1 April 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
Recognised in income	(3.4)	0.7	1.0	1.4	(2.1)	–	(2.4)
Recognised in other comprehensive income	–	–	2.7	–	–	–	2.7
Recognised directly in equity	–	–	(1.1)	–	–	–	(1.1)
Acquired on business combination	–	–	–	(2.5)	–	–	(2.5)
Effect of movements in foreign exchange rates	(0.1)	(0.1)	(0.3)	–	–	(0.1)	(0.6)
Balance at 31 March 2024	(7.5)	4.3	2.4	(6.1)	3.4	4.3	0.8

The deferred tax category of 'Other' includes deferred tax recognised on accounting general liability accruals/provisions, deferred revenue and bad debts. Deferred tax is recognised on provisions made against inventory on which tax relief has not yet been granted.

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

	Assets		Liabilities		Net	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Gross assets/(liabilities)	15.6	15.6	(14.8)	(10.9)	0.8	4.7
Offset	(1.9)	(3.1)	1.9	3.1	–	–
Net assets/(liabilities)	13.7	12.5	(12.9)	(7.8)	0.8	4.7

Deferred tax assets have not been recognised in respect of the following items:

	2024 £m	2023 £m
Tax losses	0.5	0.3

The tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets recognised on tax losses relate to gross unrecognised losses of £2.3m (2023: £1.1m). 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.

No deferred tax liability has been recognised in respect of £59.2m (2023: £50.6m) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

9 Dividends

The following dividends per share were paid by the Group:

	2024 pence	2023 pence
Previous period final dividend	14.9	13.7
Current period interim dividend	4.9	4.6
	19.8	18.3

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

	2024 pence	2023 pence
Interim dividend	4.9	4.6
Final dividend	15.9	14.9
	20.8	19.5

The final dividend for the year to 31 March 2023 of 14.9 pence per share was approved by shareholders at the Annual General Meeting on 19 September 2023 and was paid on 12 October 2023. The interim dividend for the year to 31 March 2024 of 4.9 pence was approved by a sub-committee of the Board on 13 November 2023 and was paid on 12 January 2024.

The proposed final dividend for the year ended 31 March 2024 of 15.9 pence per share was not provided at the year end and is subject to shareholder approval at the Annual General Meeting on 25 July 2024. It is expected to be paid on 20 August 2024, to shareholders on the register on the record date of 12 July 2024, with an ex-dividend date of 11 July 2024 and with the last date of election for the Dividend Reinvestment Plan (DRIP) being 30 July 2024.

10 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 Benefit Trust, which have been treated as if they had been cancelled.

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 weight average number of shares used in the calculation and the effect of share options on the calculation of diluted earnings per share:

	2024 Shares million	2023 Shares million
Weighted average number of shares outstanding	57.9	57.7
Less: weighted average number of shares held by Employee Benefit Trust	(0.1)	–
Weighted average number of shares used in calculation of basic earnings per share	**57.8**	57.7
Effect of shares under option	0.8	0.7
Number of ordinary shares per diluted earnings per share calculations	**58.6**	58.4

Basic and diluted EPS are based on the profit for the period attributable to equity shareholders of the parent, as reported in the Consolidated Statement of Income. Adjusted and diluted adjusted EPS are based on adjusted profit for the period, as reported in Note 2:

	2024		2023	
	£m	Pence	£m	Pence
Profit attributable to equity shareholders of the parent/Basic EPS	**50.7**	**87.7**	58.6	101.6
Total underlying adjustments to profit before tax (Note 2)	12.0	20.8	8.5	14.7
Related tax effects	0.3	0.5	(2.1)	(3.6)
Adjusted profit attributable to equity shareholders of the parent/adjusted EPS	**63.0**	**109.0**	65.0	112.7
Diluted basic EPS		86.5		100.3
Diluted adjusted EPS		107.5		111.3

11 Acquisitions

Acquisition of First Light Imaging

On 9 January 2024, the Group acquired 100% of the issued share capital of First Light Imaging SAS ('First Light Imaging') on a cash-free, debt-free basis for consideration of €18.7m (£16.0m), of which €3.0m (£2.5m) 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. In the calculations below, it has been assumed that these thresholds have been met.

The book and provisional fair value of the assets and liabilities acquired is given in the table below. Provisional values have been used for all assets and liabilities, including deferred tax, because the initial acquisition accounting is incomplete at the date of this report. Fair value adjustments have been made to better align the accounting policies of the acquired business with the Group accounting policies and to reflect the fair value of assets and liabilities acquired.

	Book value £m	Provisional adjustments £m	Provisional fair value £m
Intangible assets	0.1	10.3	10.4
Property, plant and equipment	0.5	–	0.5
Right-of-use assets	0.7	–	0.7
Inventories	1.7	–	1.7
Trade and other receivables	2.9	–	2.9
Deferred tax	–	(2.6)	(2.6)
Trade and other payables	(2.1)	–	(2.1)
Lease liabilities	(0.7)	–	(0.7)
Bank loans	(2.2)	–	(2.2)
Cash	0.6	–	0.6
Net assets acquired	**1.5**	**7.7**	**9.2**
Goodwill			5.4
Total consideration			**14.6**
Net debt acquired			1.6
Deferred consideration after discounting to transaction date			(2.8)
Net cash outflow relating to the acquisition			**13.4**

The goodwill arising is considered to represent the value of the acquired workforce and the value of technology that has not been individually fair valued.

Acquisition-related costs in the year of £0.7m 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 prior year.

The acquisition contributed revenue of £0.6m, adjusted operating loss of £0.6m and a statutory loss before tax of £0.6m to the Group's profit for the prior year.

If the acquisition had occurred on the first day of the year the acquisition would have contributed revenue of £5.7m, adjusted operating profit of £0.3m and a statutory result before tax of £0.3m in the year.

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.

In the prior year, contingent consideration of £4.8m was paid based on the performance of the Oxford Instruments 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
Balance at 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 and 1 April 2023	45.9	43.1	10.2	99.2
Additions – business combinations	0.1	0.3	0.1	0.5
Additions	15.8	9.7	1.5	27.0
Disposals	(0.6)	(0.5)	(0.1)	(1.2)
Exchange differences	0.3	0.4	(0.2)	0.5
Balance at 31 March 2024	**61.5**	**53.0**	**11.5**	**126.0**
Depreciation and impairment losses				
Balance at 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 and 1 April 2023	5.9	28.0	6.0	39.9
Depreciation charge for the year	0.5	4.2	0.6	5.3
Disposals	(0.5)	(0.5)	(0.1)	(1.1)
Exchange differences	–	1.4	–	1.4
Balance at 31 March 2024	**5.9**	**33.1**	**6.5**	**45.5**
Carrying amounts				
Balance at 1 April 2022	16.3	13.0	2.4	31.7
Balance at 31 March 2023 and 1 April 2023	40.0	15.1	4.2	59.3
Balance at 31 March 2024	**55.6**	**19.9**	**5.0**	**80.5**

Included within land and buildings are assets under construction with additions in the year of £12.2m and a carrying amount of £33.2m (2023: £31.3m).

13 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 2022	122.6	33.1	98.2	1.8	49.2	4.3	309.2
Additions – internally generated	–	–	–	–	0.6	–	0.6
Disposals	–	–	–	–	(12.5)	–	(12.5)
Effect of movements in foreign exchange rates	2.0	1.0	2.8	–	–	–	5.8
Balance at 31 March 2023 and 1 April 2023	124.6	34.1	101.0	1.8	37.3	4.3	303.1
Additions – business combinations	5.4	0.2	10.1	–	–	0.1	15.8
Additions – internally generated	–	–	–	–	0.7	0.2	0.9
Disposals	–	–	–	–	(2.8)	–	(2.8)
Effect of movements in foreign exchange rates	(0.8)	(0.4)	(1.3)	–	–	–	(2.5)
Balance at 31 March 2024	**129.2**	**33.9**	**109.8**	**1.8**	**35.2**	**4.6**	**314.5**
Amortisation and impairment losses							
Balance at 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 – other	–	–	–	–	(12.5)	–	(12.5)
Effect of movements in foreign exchange rates	0.7	0.8	1.9	–	–	0.1	3.5
Balance at 31 March 2023 and 1 April 2023	22.9	27.0	81.6	1.6	34.9	3.0	171.0
Amortisation and impairment charged	–	1.2	7.9	–	0.6	0.1	9.8
Disposals	–	–	–	–	(2.8)	–	(2.8)
Effect of movements in foreign exchange rates	(0.3)	(0.4)	(0.6)	(0.3)	0.1	0.1	(1.4)
Balance at 31 March 2024	**22.6**	**27.8**	**88.9**	**1.3**	**32.8**	**3.2**	**176.6**
Carrying amounts							
Balance at 1 April 2022	100.4	8.3	26.3	0.3	4.0	1.4	140.7
Balance at 31 March 2023 and 1 April 2023	101.7	7.1	19.4	0.2	2.4	1.3	132.1
Balance at 31 March 2024	**106.6**	**6.1**	**20.9**	**0.5**	**2.4**	**1.4**	**137.9**

During the year the Group made impairments of £nil (2023: £0.8m) in respect of capitalised development costs. Further information can be found in Note 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

13 Intangible assets continued

The following intangible assets are considered material by the Directors as they represent 98% (2023: 97%) of total acquired intangible assets:

	2024			2023
	£m	Amortisation period years	Remaining amortisation period years	£m
Trademarks – Andor	3.9	15.0	4.8	4.7
Technology, know-how and patents – Andor:				
– Product related	7.3	12.0	1.8	11.9
– Software related	–	10.0	–	0.9
Trademarks – WITec	2.0	10.0	7.6	2.3
Technology, know-how and patents – WITec	2.4	5.0	2.6	3.6
Trademarks – First Light Imaging	0.2	2.0	1.8	–
Technology, know-how and patents – First Light Imaging:				
– OCAM	0.3	12.0	11.8	–
– C-RED	9.3	14.0	13.8	–
Technology, know-how and patents – Asylum	1.0	12.0	0.7	2.4

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:

	2024 £m	2023 £m
Materials & Characterisation		
NanoAnalysis	9.9	10.0
Magnetic Resonance	2.3	2.3
WITec	21.0	21.5
Research & Discovery		
Andor	66.7	61.2
NanoScience	6.7	6.7
	106.6	101.7

In the current year, Andor includes a provisional goodwill amount of £5.4m relating to the acquisition of First Light Imaging as shown in Note 11. All other movements in the year relate to changes in exchange rates.

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 13.1%-13.6% (2023: 12.8%-13.3%) and 13.1%-13.6% (2023: 12.8%-13.3%) 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 460 basis point increase in the discount rate would be required in order to eliminate the headroom of £27.1m in the recently acquired WITec business – along with a 20% deterioration from the five-year forecast. Similarly, a reduction in the growth rate to -6.2% – 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.

14 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 expose 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 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
Additions – business combinations	0.7	–	0.7
Additions	5.8	0.2	6.0
Disposals	(1.1)	(0.2)	(1.3)
Exchange differences	(1.5)	(0.1)	(1.6)
Balance at 31 March 2024	**46.4**	**2.9**	**49.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

14 Leases continued

	Property leases £m	Other leases £m	Total £m
Amortisation and impairment losses			
Balance at 1 April 2022	8.4	1.3	9.7
Amortisation 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
Amortisation charge for the year	4.5	0.5	5.0
Disposals	(1.6)	(0.1)	(1.7)
Exchange differences	(0.5)	–	(0.5)
Balance at 31 March 2024	**15.2**	**1.7**	**16.9**
Carrying amounts			
Balance at 1 April 2022	16.6	1.3	17.9
Balance at 31 March 2023 and 1 April 2023	29.7	1.7	31.4
Balance at 31 March 2024	**31.2**	**1.2**	**32.4**

Lease payables

	2024 £m	2023 £m
Balance at beginning of year	31.4	18.4
Additions – business combinations	0.7	–
Additions	6.0	18.1
Modifications	–	(1.0)
Payments made (cash flows from financing activities)	(4.8)	(5.6)
Interest charge	0.8	0.5
Effect of movements in foreign exchange rates	(0.7)	1.0
	33.4	31.4
Amounts falling due after more than one year	28.6	26.2
Amounts falling due in less than one year	4.8	5.2

Amounts recognised in Consolidated Statement of Income

	2024 £m	2023 £m
Interest on lease liabilities	(0.8)	(0.5)
Amortisation of right-of-use assets	(5.0)	(4.6)

Amounts recognised in Consolidated Statement of Cash Flows

The total cash outflow for leases in the year ended 31 March 2024 was £4.8m (2023: £5.6m).

15 Inventories

	2024 £m	2023 £m
Raw materials and consumables	59.0	39.8
Work in progress	27.3	23.5
Finished goods	22.1	18.1
	108.4	81.4

The amount of inventory recognised as an expense was £182.4m (2023: £172.8m). 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 £1.2m in the current period (2023: £1.3m). In the current year, £nil (2023: £nil) was reversed relating to previous impairments. Impairments are included within gross profit.

Inventory carried at net realisable value is £0.2m (2023: £1.7m).

16 Trade and other receivables

	2024 £m	2023 as restated[1] £m
Trade receivables	88.5	91.3
Less provision for impairment of receivables	(3.6)	(3.5)
Net trade receivables	84.9	87.8
Accrued income	11.7	9.4
Prepayments	9.9	6.6
Other receivables	8.2	9.4
	114.7	113.2

1. The trade receivable and accrued income amounts in the table above have been restated to correct an amount recognised within revenue which had not been invoiced to the customer. As a result, at 31st March 2023 trade receivables have reduced by £4.6m, and accrued income has increased by £4.6m.

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:

	2024 £m	2023 3m
UK	11.6	17.5
China	16.1	16.2
Japan	15.5	15.8
USA	24.3	29.8
Germany	6.4	7.4
Rest of Europe	16.1	10.6
Rest of Asia	10.4	6.3
Rest of World	4.4	3.0
	104.8	106.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

16 Trade and other receivables continued

The ageing of financial assets comprising net trade receivables and other receivables plus accrued income at the reporting date was:

	2024 £m	2023 £m
Current (not overdue)	54.7	63.1
Less than 31 days overdue	20.5	18.8
More than 30 but less than 91 days overdue	15.2	10.8
More than 90 days overdue	14.4	13.9
	104.8	106.6

In the current year £0.2m (2023: nil) of the provision against trade receivables and other receivables plus accrued income relates to balances less than 90 days overdue. The remaining balance 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:

	2024 £m	2023 £m
Balance at start of year	3.5	3.6
Increase/(decrease) in loss allowance recognised in the Consolidated Statement of Income during the year	0.1	(0.1)
Balance at end of year	3.6	3.5

The loss allowance is recognised in the administration and shared services line in the Consolidated Statement of Income.

17 Contract assets and liabilities

	2024			2023 as restated[1]		
	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	9.4	(52.1)	(21.3)	4.2	(41.3)	(21.2)
Acquired balances	–	(0.4)	(0.7)	–	–	–
Transfers in the period from contract assets to trade receivables	(9.4)	–	–	(4.2)	–	–
Amounts included in contract liabilities that were recognised as revenue during the period	–	48.5	21.3	–	38.6	21.2
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	11.7	–	–	9.4	–	–
Cash received in advance of performance and not recognised as revenue during the period	–	(54.4)	(22.2)	–	(49.4)	(21.3)
Balance at 31 March	11.7	(58.4)	(22.9)	9.4	(52.1)	(21.3)

1. Details of restatement of prior year numbers can be found in note 16.

Contract assets and 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.

18 Cash and cash equivalents

	2024 £m	2023 £m
Cash balances	97.8	112.7
Bank overdrafts (Note 19)	(12.3)	(11.2)
Cash and cash equivalents in the Consolidated Statement of Cash Flows	85.5	101.5

19 Borrowings

	2024 £m	2023 £m
Current		
Bank loans at First Light Imaging	0.4	–
Covid-19 loan at WITec	0.4	0.4
Bank overdrafts	12.3	11.2
At the end of the year	13.1	11.6

	2024 £m	2023 £m
Non-current		
Bank loans at First Light Imaging	0.4	–
Covid-19 loan at WITec	0.5	0.9
At the end of the year	0.9	0.9

On 19 March 2024, the Group entered into a new multi-currency revolving facility agreement, which is committed until March 2028 with 15-month and 12-month extension options at the end of the first and second years respectively. The facility has been entered into with four banks and comprises a euro-denominated multi-currency facility of €95m and a US dollar denominated multi-currency facility of $150m. Debt covenants are net debt to EBITDA less than 3.0 times and EBITDA to interest greater than 4.0 times.

The Group's undrawn committed facilities available at 31 March 2024 were £200.2m, comprising the undrawn portion of the Group's £200.2m revolving credit facilities.

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 2024 were £18.3m (2023: £18.8m).

A reconciliation of the Group's borrowings balances is shown below.

	2024 £m	2023 £m
Balance at the beginning of the year	12.5	10.5
Increase in borrowings (from acquisition of First Light Imaging)	2.2	–
Repayment of borrowings (cash flow from financing activities)	(1.8)	(0.5)
Increase/(decrease) in bank overdrafts	1.1	2.5
Interest charged	0.9	0.7
Interest paid	(0.9)	(0.7)
At the end of the year	14.0	12.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20 Trade and other payables

	2024 £m	2023 £m
Trade payables	32.6	30.3
Customer deposits	58.4	52.1
Social security and other taxes	6.3	6.1
Accrued expenses	39.3	44.9
Deferred income	22.9	21.3
Other payables	6.7	4.7
	166.2	159.4

21 Provisions for other liabilities and charges

	Warranties £m	IP-related claims £m	Other £m	Total £m
Balance as at 1 April 2023	3.6	0.6	3.4	7.6
Provisions made during the year	3.5	–	1.3	4.8
Provisions used during the year	(1.8)	–	(1.3)	(3.1)
Provisions released during the year	(2.1)	–	(0.7)	(2.8)
Exchange differences	–	–	(0.1)	(0.1)
Balance as at 31 March 2024	3.2	0.6	2.6	6.4
Amounts falling due before one year	3.2	0.6	2.6	6.4
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.

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.

		2024		2023 as restated[1,2]	
	Fair value hierarchy £m	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets measured at fair value					
Derivative financial assets:					
– Foreign currency contracts	2	2.5	2.5	2.0	2.0
Financial assets measured at amortised cost					
Long-term receivables		1.3		0.5	
Trade receivables		84.9		87.8	
Other receivables and accrued income		15.1		13.0	
Cash and cash equivalents		97.8		112.7	
Financial liabilities measured at fair value					
Derivative financial liabilities:					
– Foreign currency contracts	2	(0.1)	(0.1)	(1.2)	(1.2)
Financial liabilities measured at amortised cost					
Trade and other payables		(78.6)		(79.9)	
Bank overdrafts		(12.3)		(11.2)	
Borrowings		(1.7)		(1.3)	
Lease payables		(33.4)		(31.4)	

1. The other receivables and accrued income and trade and other payables balances in the table above, as at 31 March 2023, have been restated to remove the tax-related balances which do not meet the accounting definition of financial assets and liabilities. As a result, at 31 March 2023, other receivables and accrued income were reduced by £5.8m, while trade and other payables were reduced by £6.1m.
2. Details of restatements of prior period numbers for trade receivables and other receivables and accrued income can be found in note 16.

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. Tax-related receivables and payables are excluded from the above table as these are not considered to be financial assets and liabilities.

Lease payables

The lease liability is measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

22 Financial instruments continued

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 (ie as prices) or indirectly (ie derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

There have been no transfers between levels during the year.

23 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% (2023: 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 2024 amount to £0.1m (2023: £1.2m) and those recognised as an asset amount to £2.5m (2023: £2.0m).

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 2).

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.

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 2024 are set out in Note 19.

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 2024 is as shown below:

	2024 £m	2023 as restated[1] £m
Long-term receivables	1.3	0.5
Trade receivables	84.9	87.8
Other receivables and accrued income	15.1	13.0
Cash and cash equivalents	97.8	112.7
Derivative financial instruments	2.5	2.0
	201.6	216.0

1. Details of restatements of prior period numbers for trade receivables and other receivables and accrued income can be found in note 16.

The maximum exposure to credit risk for trade receivables is discussed in Note 16.

Other receivables include £4.8m (2023: £5.8m) in respect of VAT and similar taxes which are not past due date.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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.

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 26), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 Financial risk management continued

Maturity of financial liabilities

2024	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	(0.1)	0.1	0.1	–	–
Trade and other payables	(78.6)	78.6	78.6	–	–
Bank overdrafts	(12.3)	12.3	12.3	–	–
Borrowings	(1.7)	1.7	1.2	0.5	–
Lease payables	(33.4)	36.8	5.3	17.3	14.2
	(126.1)	129.5	97.5	17.8	14.2

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	(79.9)	79.9	79.9	–	–
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
	(125.0)	125.0	97.2	14.7	13.0

	Carrying amount 2024 £m	Carrying amount 2023 £m
Variable rate instruments		
Cash and cash equivalents	97.8	112.7
Bank overdrafts	(12.3)	(11.2)
Fixed rate instruments		
Financial assets	–	–
Bank loans	(1.7)	(1.3)

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.

2024	1% increase in interest rates £m	10% weakening in Sterling £m	10% strengthening in Sterling £m
Impact on adjusted profit (Note 2)	0.9	(15.4)	15.5
Impact on reported profit	0.9	(12.2)	12.2
Impact on equity	0.7	(11.6)	11.6

2023	1% increase in interest rates £m	10% weakening in Sterling £m	10% strengthening in Sterling £m
Impact on adjusted profit (Note 2)	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

24 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:

	2024 £m	2023 £m
Present value of funded obligations	223.6	225.1
Fair value of plan assets	(239.7)	(251.5)
Recognised asset for defined benefit obligations	(16.1)	(26.4)

The reconciliation of the opening and closing balances of the present value of the defined benefit obligation is as follows:

	2024 £m	2023 £m
Benefit obligation at the beginning of the year	225.1	300.0
Past service cost	0.4	–
Interest on defined benefit obligation	10.5	8.2
Benefits paid	(11.0)	(12.3)
Remeasurement (gain)/loss on obligation	(1.4)	(70.8)
Benefit obligation at the end of the year	223.6	225.1

The reconciliation of the opening and closing balances of the present value of the fair value of plan assets is as follows:

	2024 £m	2023 £m
Fair value of plan assets at the beginning of the year	251.5	351.7
Interest on plan assets	12.0	9.8
Contributions by employer	8.5	12.2
Benefits paid	(11.0)	(12.3)
Administrative expenses	(0.5)	(0.5)
Actual return on assets excluding interest income	(20.8)	(109.4)
Fair value of plan assets at the end of the year	239.7	251.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24 Retirement benefit obligations continued

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 expense recognised in the Consolidated Statement of Income is:

	2024 £m	2023 £m
Total defined benefit income	(1.0)	(1.1)
Contributions to defined contribution schemes	6.5	6.2
	5.5	5.1

Pension costs are recorded in the following lines in the Consolidated Statement of Income:

	2024 £m	2023 £m
Cost of sales	2.1	1.7
Research and development	1.6	1.5
Selling and marketing costs	1.3	1.4
Administration and shared services	2.0	2.1
Financial income	(1.5)	(1.6)
	5.5	5.1

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 £8.5m (2023: £8.2m) for the financial year. In the prior 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.

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 £8.7m to the UK defined benefit plan in the next financial year.

Remeasurement gains and losses shown in the Consolidated Statement of Comprehensive Income:

	2024 £m	2023 £m
Actual return on assets excluding interest income	(20.8)	(109.4)
Experience loss on scheme obligations	(5.4)	(10.3)
Changes in assumptions underlying the present value of scheme obligations:		
– Financial	3.1	78.3
– Demographic	3.7	2.8
Actuarial losses recorded in the Statement of Comprehensive Income	(19.4)	(38.6)

The table below shows the sensitivity of the Consolidated Statement of Financial Position to changes in the significant pension assumptions:

	2024 £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	223.6	226.5	225.9	231.0
Fair value of plan assets	(239.7)	(239.7)	(239.7)	(239.7)
Surplus	(16.1)	(13.2)	(13.8)	(8.7)

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 2024 by a qualified independent actuary.

The major assumptions used by the actuary for the purposes of IAS 19 were (in nominal terms):

	2024 %	2023 %
Discount Rate	4.8	4.8
Rate of increase in pensions in payment ('3LPI')	2.2	2.3
Rate of increase in pensions in payment ('5LPI')	2.9	3.0
Rate of inflation ('CPI')	2.3	2.4
Rate of inflation ('RPI')	3.0	3.2
Mortality – pre and post-retirement	91% of S2PA tables (93% for females) future improvement in line with CMI 2022 with 1.25% long-term trend	97% of S2PA tables (99% for females) future improvement in line with CMI 2021 with 1.25% long-term trend

As at 31 March 2024 the weighted average duration of the defined benefit obligations was 13 years (2023: 13.5 years).

The mortality assumptions imply the following expected future lifetime from age 65:

	2024 years	2023 years
Pre-retirement – males	23.2	23.2
Pre-retirement – females	25.3	25.3
Post-retirement – males	21.8	21.9
Post-retirement – females	23.8	23.8

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

24 Retirement benefit obligations continued

The assets in the plan were:

	2024 £m	2023 £m
Equities	7.5	62.9
Corporate and Emerging Market Bonds	22.9	22.1
Gilts	174.3	113.5
Property	–	5.4
Insurance-linked funds	5.8	12.2
Credit and global loan funds	0.1	0.1
Hedge funds	24.3	25.5
Cash	4.8	9.8
	239.7	251.5

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.

25 Capital and reserves

Issued and fully paid ordinary shares:

	2024 Number of shares	2023 Number of shares
At the beginning of the year	57,712,508	57,654,455
Issued for cash	201,284	58,053
At the end of the year	57,913,792	57,712,508

	2024		2023	
	Number of shares	£m	Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of 5 pence each	57,913,792	2.9	57,712,508	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.

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.

26 Share option schemes

Share Incentive Plan (SIP)

UK employees may be eligible to participate in the Group's HM Revenue and Customs-approved SIP. Participating employees may make a cash contribution to the SIP of up to £1,800 each year. The Group contributes a further amount equal to 20% of the employee's contribution. Independent trustees then purchase partnership and matching shares in the market on behalf of the employees. Subject to the rules of the SIP, matching shares may be withdrawn without forfeiture after they have been held for three years', provided the participant has remained an employee. On a similar basis, shares can be withdrawn tax-free after five years' service.

Long-Term Incentive Plan (LTIP)

Under the LTIP awards of nominally priced options of £0.05, conditional share awards or cash conditional awards may be made annually to certain senior managers.

Subject to vesting based on the achievement of performance targets and the rules of the LTIP, options granted under the plan may have a life of ten years, including a vesting period of three years. Subject to vesting based on performance and the rules of the LTIP, conditional share awards and cash conditional awards will vest appropriately three years after the award date. Awards were valued using the Black-Scholes option pricing models with the exception of options relating to the total shareholder return tranche which were valued using Stochastic option-pricing models. Under the LTIP, Richard Tyson was granted two awards of nominally priced options of £0.05, which comprised part of the buy-out arrangements to replace the 2021 and 2022 LTIP awards from his previous employer, TT Electronics plc, which lapsed in connection with his joining the company. Further information can be found in the Directors' Remuneration Report on page 136.

Share option schemes that have been discontinued but for which options were outstanding at the year end include the following:

Performance Share Plan (PSP)

Under the PSP, awards of nominally priced options of £0.05 were made annually to certain senior managers. The last grants were made under this scheme in 2022. Awards to persons other than the Executive Directors may also be referred to as Medium Term Incentive Plan awards ('MTIP'). Subject to vesting based on the achievement of performance targets and the rules of the PSP, awards may have a life of ten years, including a vesting period of a minimum of three years. Options were valued using the Black-Scholes option-pricing models.

Executive Share Option Scheme (ESO)

Under the ESO awards of approved options, unapproved options and share appreciation rights were made annually to certain senior managers. The last grants were made under this scheme in 2016. The exercise prices were determined according to the mid-market closing share price on the day before the date of grant. Subject to vesting based on the achievement of performance targets and the rules of the ESO, awards may have a life of ten years, including a vesting period of a minimum of three years. Options were valued using the Black-Scholes option-pricing models.

Performance conditions

Awards under the ESO, PSP and LTIP schemes may be or may have been subject to the achievement of certain performance conditions. The performance conditions applicable for the Executive Directors of Oxford Instruments plc, can be found in the Directors' Remuneration Report on pages 120 to 143.

Administrative expenses include a charge of £3.0m (2023: £2.4m) in respect of the cost of providing share-based remuneration. The cost of share awards is calculated by estimating the fair value of the award at grant date and spreading that amount over the vesting period after adjusting for an expectation of non-vesting.

For awards granted in the years ended 31 March 2024 and 2023, the fair value and the assumptions used in the calculation are as follows:

	LTIP: CEO November 2023	LTIP CEO buy-out 2021 November 2023	LTIP CEO buy-out 2022 November 2023	LTIP CFO September 2023	LTIP: Options September 2023	LTIP: Conditional Shares September 2023	PSP: MTIP June 2022	PSP June 2022
Weighted average fair value of options granted	£16.99	£11.04	£13.38	£18.19	£19.09	£21.16	£18.86	£18.86
Share price at grant date	£20.55	£20.55	£20.55	£21.75	£21.75	£21.75	£19.40	£15.80
Exercise price	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05
Expected volatility	41.3%	31.5%	30.9%	40.5%	40.5%	n/a	47.3%	47.3%
Expected option life	3 years	0.5 years	1.5 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	–	–	–	–	0.9%	0.9%	0.9%	0.9%
Risk-free interest rate	4.4%	5.3%	4.9%	4.4%	4.4%	n/a	2.1%	2.1%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 Share option schemes continued

Movements in the share option schemes during the year were as follows:

	Executive Share Option Scheme		Performance Share Plan		Long-Term Incentive Plan	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at 1 April 2022	137,278	£8.83	741,768	£0.05	–	–
Granted	–	–	163,687	£0.05	–	–
Forfeited	–	–	(4,989)	£0.05	–	–
Exercised	(8,163)	£8.80	(52,260)	£0.05	–	–
Lapsed	(3,446)	£9.44	(19,830)	£0.05	–	–
Outstanding at 31 March 2023	125,669	£8.82	828,376	£0.05	–	–
Granted	–	–	–	–	216,207	£0.05
Forfeited	–	–	(25,533)	£0.05	–	–
Exercised	(18,623)	£8.93	(180,018)	£0.05	–	–
Lapsed	(8,317)	£10.28	(318)	£0.05	(15,635)	£0.05
Outstanding at 31 March 2024	**98,729**	**£8.68**	**622,507**	**£0.05**	**200,572**	**£0.05**
Exercisable at 31 March 2024	**98,729**	**£8.68**	**362,419**	**£0.05**	**12,237**	**£0.05**
Exercisable at 31 March 2023	125,669	£8.82	402,140	£0.05	–	–

The number and weighted average exercise prices of those options are as follows:

The weighted average share price at the time of exercise of the options was £23.42 (2023: £22.03).

The weighted average remaining contractual life for the share options as at 31 March 2024 was one year (2023: one year).

The total consideration received from exercise of options in the year was £0.0m (2023: £0.1m).

27 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 2022	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 and 1 April 2023	81.4	115.7	(116.1)	(52.1)	28.9
Working capital movement	**26.3**	**2.7**	**2.8**	**(7.1)**	**24.7**
First Light Imaging-related flows	**1.9**	**2.9**	**(5.0)**	**(0.4)**	**(0.6)**
Exchange differences	**(1.2)**	**(2.8)**	**4.7**	**1.2**	**1.9**
FV movement on financial derivatives	**–**	**–**	**(0.7)**	**–**	**(0.7)**
As at 31 March 2024	**108.4**	**118.5**	**(114.3)**	**(58.4)**	**54.2**

1. Receivables and payables include derivative financial instruments.

28 Commitments and contingencies

The Group has entered into agreements in respect of the new Severn Beach site for its Plasma Technology business. At 31 March 2024 commitments for future expenditure are £8.0m (2023: £5.6m) and include capital expenditure, fit-out costs, plant and machinery, furniture and computer equipment.

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.

29 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:

	2024 £m	2023 £m
Short-term employee benefits	**4.8**	4.2
Post-employment benefits	**0.2**	0.1
Share-based payment charges	**2.6**	1.8
Total	**7.6**	6.1

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.

30 Subsequent events

Acquisition of FemtoTools AG

On 7 June 2024, the Group agreed to purchase 100% of the share capital of FemtoTools AG for an initial consideration of CHF 17m, subject to certain closing conditions which are expected to be satisfied within four weeks of signing these financial statements. Additional consideration of up to CHF 7m is conditional on trading performance over a period of 33 months.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Notes	2024 £m	2023 £m
Assets			
Non-current assets			
Intangible assets	d	1.2	1.3
Tangible assets	c	0.6	0.4
Right-of-use assets		0.1	0.1
Investments in subsidiary undertakings	e	356.9	324.6
Trade and other receivables	f	3.0	41.8
Derivative financial instruments		0.2	0.4
Retirement benefit asset		3.7	6.0
Deferred tax assets	i	2.1	2.3
		367.8	376.9
Current assets			
Trade and other receivables	f	48.3	20.2
Derivative financial instruments		2.5	7.8
Cash and cash equivalents		34.1	62.4
		84.9	90.4
Total assets		452.7	467.3
Equity			
Capital and reserves attributable to the company's equity shareholders			
Share capital		2.9	2.9
Share premium		62.6	62.6
Capital redemption reserve		0.1	0.1
Other reserves		7.6	7.6
Retained earnings		276.1	286.4
		349.3	359.6
Liabilities			
Non-current liabilities			
Derivative financial instruments		–	–
		–	–
Current liabilities			
Bank overdrafts	h	2.6	0.2
Corporation tax		–	0.4
Derivative financial instruments		2.3	7.2
Trade and other payables	g	98.5	99.9
		103.4	107.7
Total liabilities		103.4	107.7
Total liabilities and equity		452.7	467.3

The company's profit for the financial year was £1.8m (2023: £29.1m). Other comprehensive expense in the year was £3.3m (2023: expense of £6.6m). The expense will not subsequently be reclassified to statement of income.

The Financial Statements were approved by the Board of Directors on 10 June 2024 and signed on its behalf by:

RICHARD TYSON
Director

GAVIN HILL
Director

Company number: 775598

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2024

	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 2023	2.9	62.6	0.1	7.6	286.4	359.6
Profit for the year					1.8	1.8
Other comprehensive expense:	–	–	–	–		
– Remeasurement of defined benefit liability, net of tax					(3.3)	(3.3)
Total comprehensive expense for the year	–	–	–	–	(1.5)	(1.5)
– Share options awarded to employees	–	–	–	–	1.9	1.9
– Share options awarded to employees of subsidiaries	–	–	–	–	1.1	1.1
– Tax charge in respect of share options	–	–	–	–	(0.3)	(0.3)
– Proceeds from shares issued	–	–	–	–	–	–
– Dividends paid	–	–	–	–	(11.5)	(11.5)
As at 31 March 2024	2.9	62.6	0.1	7.6	276.1	349.3
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 income:	–	–	–	–		
– 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

Details of issued, authorised and allotted share capital are included in Note 25 to the Group Financial Statements.

Details of the Group's share option schemes are included in Note 26 to the Group Financial Statements.

Details of the Group's defined benefit pension scheme are included in Note 24 to the Group Financial Statements.

Details of dividends paid are included in Note 9 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 2024

(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 instrument 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. The going concern of the parent company is intrinsically linked with the Group, which it heads. Further details on the Group's going concern can be found on pages 69 and 79 to 81.

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 receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. 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 payables

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

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 19 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 156.

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 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 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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

(a) Accounting policies continued

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 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.

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 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.

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.

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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

(b) Profit for the year

The company's profit for the financial year was £1.8m (2023: £29.1m). Other comprehensive expense in the year was £3.3m (2023: expense of £6.6m). The expense will not subsequently be reclassified to statement of income.

The auditor's remuneration comprised £345,000 (2023: £250,000) for the statutory audit.

The average number of people employed by the company (including Directors) during the year was 84 (2023: 79). All these individuals were involved in administration.

The aggregate payroll costs (including Directors) of these people were as follows:

	2024 £m	2023 £m
Wages and salaries	9.3	7.3
Social security costs	1.4	1.5
Other pension costs	0.4	0.3
	11.1	9.1

The share-based payment charge was £1.9m (2023: £1.4m). Details of the Group's share option schemes are included in Note 26 to the Group Financial Statements.

Full details of the emoluments paid to Directors can be found in the Remuneration Report on pages 120 to 143.

(c) Tangible fixed assets

	Furniture and fittings £m	Computer equipment £m	Total £m
Cost			
Balance at 1 April 2023	0.1	1.7	1.8
Additions	0.1	0.3	0.4
Disposals	0.0	0.0	0.0
Balance at 31 March 2024	**0.2**	**2.0**	**2.2**
Depreciation			
Balance at 1 April 2023	0.0	1.4	1.4
Charge for year	0.1	0.1	0.2
Disposals	0.0	0.0	0.0
Balance at 31 March 2024	**0.1**	**1.5**	**1.6**
Net book value			
Balance at 31 March 2023	0.1	0.3	0.4
Balance at 31 March 2024	**0.1**	**0.5**	**0.6**

(d) Intangible assets

	Software £m
Cost	
Balance at 1 April 2023 and 31 March 2024	**3.1**
Depreciation and impairment losses	
Balance at 1 April 2023	1.8
Charge for year	0.1
Balance at 31 March 2024	**1.9**
Net book value	
Balance at 1 April 2023 and 31 March 2024	1.2

(e) Investments

	Investments in subsidiary undertakings £m
Cost or valuation	
Balance at 1 April 2023	343.3
Expense in respect of share options transferred to subsidiary undertakings	1.1
Additions	31.2
Balance at 31 March 2024	**375.6**
Impairment	
Balance at 1 April 2023 and 31 March 2024	**18.7**
Net book value	
Balance at 31 March 2023	324.6
Balance at 31 March 2024	**356.9**

During the year the company contributed intercompany receivable balances in exchange for an issue of shares in its subsidiary, Oxford Instruments Overseas Holdings Limited.

Related undertakings of the Group

The following disclosure is provided in accordance with Section 409 of the Companies Act 2006.

As of 31 March 2024, 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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

(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	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
First Light Imaging Corporation	5	1209 Orange Street, Wilmington DE 19801, United States	Common stock	100
First Light Imaging Pte. Ltd.	5, 6	541 Orchard Road, #09-01 Liat Towers, 238881, Singapore	Ordinary shares	100
First Light Imaging SAS		Europarc Sainte Victoire Bâtiment 5, Route de Valbrillant Le Canet, 13590 Meyreuil France	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		Sumitomo Fudosan Osaki Twin Building East, 5-1-18 Kita-Shinagawa, Shinagawa-ku, Tokyo, 141-0001, 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
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 2024. Oxford Instruments plc will issue a guarantee pursuant to S479A in relation the liabilities of the entity.
5. Financial year end is 31 December.
6. Voluntary strike-off in progress

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

(f) Trade and other receivables

	2024 £m	2023 £m
Amounts falling due after one year:		
Amounts owed by subsidiary undertaking	3.0	41.8
Amounts falling due within one year:		
Amounts owed by subsidiary undertaking	43.1	18.5
Other receivables	1.1	0.3
Prepayment and accrued income	4.1	1.4
	48.3	20.2

Amounts owed by subsidiary undertakings are interest-free, unsecured and repayable on demand.

The company has no immediate intention to recall £3.0m (2023: £41.8m) 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

	2024 £m	2023 £m
Amounts falling due within one year:		
Trade payables	3.0	0.3
Amounts owed to subsidiary undertaking	82.5	85.7
Tax, social security and sales-related taxes	2.3	1.7
Accruals and deferred income	10.7	12.2
	98.5	99.9

Amounts owed to subsidiary undertakings are interest-free and repayable on demand.

(h) Bank overdraft

	2024 £m	2023 £m
Current		
Bank overdraft	2.6	0.2
At the end of the year	2.6	0.2

(i) Deferred tax asset

	2024 £m	2023 £m
Balance at 1 April	2.3	0.1
Statement of income debit	0.1	(0.8)
Other comprehensive income credit	(0.3)	3.0
Balance at 31 March	2.1	2.3

The amounts of deferred tax assets are as follows:

	Recognised	
	2024 £m	2023 £m
Excess of depreciation over corresponding capital allowance	0.2	0.4
Employee benefits – pension and share scheme	1.9	1.9
	2.1	2.3

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.

The rate of UK corporation tax increased to 25% from 1 April 2023. The UK deferred tax assets and liabilities have been calculated based on the enacted rate of 25%.

(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 24 to the Group Financial Statements. The contributions paid by the company to the Oxford Instruments Pension Scheme were £2.0m (2023: £2.8m). The company's share of the retirement benefit asset was £3.7m (2023: £6.0m).

(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 (2023: £10.0m) in respect of bank overdraft facilities, of which £nil (2023: £nil) was drawn at the year end.

(l) Commitments

At 31 March 2024, capital commitments contracted were £nil (2023: £nil) and authorised were £nil (2023: £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 120 to 143. There were no other significant transactions with key management personnel in either the current or preceding year.

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 2024 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 2024 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 material 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 four years, covering the years ended 31 March 2021 to 31 March 2024. 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.

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.
- Considering the adequacy of the Group's banking facilities and ability to meet key financial covenants.
- Testing the arithmetic accuracy of the model, challenging the assumptions applied and where possible agreeing the model to supporting documentation, including order books.
- Considering the appropriateness of the downside scenarios and challenging the Directors on the completeness and level of downside assumptions based on our industry knowledge.
- Review of the Directors' downside scenario modelling forecasts, modelling scenarios to covenants and consideration of the likelihood of occurrence and feasible actions to increase headroom.
- 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 falling outside of the period considered 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	95% (2023: 91%) of Group profit before tax (PBT)		
	94% (2023: 99%) of Group revenue		
	85% (2023: 94%) of Group total assets		
Key audit matters		**2024**	**2023**
	Revenue recognition	✓	✓
	Inventory provisioning	✓	–
Materiality	**Group financial statements as a whole**		
	£3.5m (2023: £3.68m) based on 5% (2023: 5%) 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, non-significant full scope, or other in-scope with specified procedures. We considered that a component is significant if it either represents over 15% of Group revenues, 15% of PBT, or significant by risk. A full scope audit was undertaken for the significant components, along with certain components which had full scope local statutory reporting requirements. This provided total coverage of 54% of revenues and 56% of PBT, of which 32% and 49% respectively was performed by the Group engagement team, with the remainder performed by local BDO member firms. Full scope procedures provided coverage of 62% across total Group assets. Specific procedures, including revenue testing, were performed on the other in scope components representing 40% of Group revenues and 39% of PBT, of which 22% and 26% respectively was performed by the Group engagement team. Specified procedures provided coverage of 23% across total Group assets.

We have scoped in and classified four components as significant, all of which are in the UK and Northern Ireland. Four other components have been scoped in, including the Parent company in the UK, with the others being in the UK, Germany and Japan. All these have been audited under full scope audit procedures. In addition, there are seven other in-scope components where specified audit procedures have been undertaken.

The three significant UK components, and the Parent company were audited by the Group engagement team, with the fourth 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 three of the other in-scope components. Local BDO member firms performed the audit work on the remaining two full scope components (Germany and Japan), in addition to the two other specified procedures components. The remaining two components have been subject to specified audit procedures using Group materiality by the Group engagement team. All other components were scoped in for analytical review procedures performed by the Group audit team to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

INDEPENDENT AUDITOR'S REPORT continued
TO THE MEMBERS OF OXFORD INSTRUMENTS PLC

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 other in scope 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;
- Involvement of climate-related specialist in evaluating managements risk assessment; 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 Report 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 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.

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 £470.4 million; 2023: £444.7 million)** Refer to para (q) (accounting policy) and note 1 (financial disclosures).	Given the nature of the products' varying INCO 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 INCO terms have been met and when the installation element of the sale has been completed. Therefore, because there is a manual assessment, there is judgement and the ability to manipulate revenue cut-off, leading this to be a key audit matter.	Our procedures included: Testing, on a sample basis, whether specific product revenue transactions 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 and the terms of sale within the associated contracts. Revenue recognition was tested by confirming relevant INCO terms to supporting evidence, including installation acceptances or shipping/delivery dates to carrier, as appropriate. 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.
Inventory provisioning **(Inventories: £108.4 million (2023: £81.4 million)** Refer to para (b and i) (accounting policy) and note 15 (financial disclosures).	During our audit, we identified inventory provisioning as a key audit matter due to the inherent complexity of the group's inventory provision calculations and the significant judgments made by management in determining the appropriate level of provision required. The complexity in inventory provisioning for this manufacturing Group arises from a variety of factors, including the diverse range of products, and the estimation processes required to assess potential obsolescence. Slow-moving and obsolete inventory provision is generally system generated and determined with respect to the ageing of inventory and forecast demand/usage. The provision percentage for raw materials in particular is significant in the subsidiaries that produce products at greater volumes. Whilst historically the annual movement in provisions held over inventory are low, the amounts cumulatively held on the statement of financial position are significant, and therefore any changes in assessments over valuations could have a material income statement impact.	We critically reviewed and challenged the assumptions and methodologies used by management in the calculation of inventory provisions, including an assessment of historical data and trends. We critically challenged management's assessment of those provisions by performing our own stand back procedures. These included discussions with engineers and other members outside of the finance team, to determine any changes in the status of each of the inventory lines, including obsolescence. We have assessed the completeness over these provisions, by reviewing the subsequent sale of finished items held within year-end inventory, and reviewed items held within raw materials to ensure that they are still used within the business, and to consider whether there is evidence that an inventory provision is required. Where we have become aware of changes in the pattern of customer orders through our inquiries and other procedures performed, we have challenged management as to whether these changes in circumstances may indicate additional provisions required. We performed a retrospective review of the prior year inventory provisions held by the group, to assess the reasonability of the estimation process. In addition to all of the procedures above, for certain components where ageing is used to calculate provisions, we have reviewed inventory provisions made by management, agreeing the invoice date which was used to calculate the age of inventory to supplier invoices and recalculated the provisions to corroborate the appropriateness of those provisions. **Key observations:** Based on the work performed, we consider the inventory provision assessed by management to be reasonable.

INDEPENDENT AUDITOR'S REPORT continued

TO THE MEMBERS OF OXFORD INSTRUMENTS PLC

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	
	2024 £m	2023 £m	2024 £m	2023 £m
Materiality	3.5	3.68	3.15	3.31
Basis for determining materiality	5% of Profit before tax	5% of Profit before tax	90% of group materiality	90% 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% (2023: 90%) of group materiality given the assessment of the components aggregation risk.	
Performance materiality	2.28	2.39	2.04	2.15
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% (2023: 30% and 90%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £1.1m to £3.15m (2023: £1.0m to £3.31m). In the audit of each component, we further applied performance materiality levels of 65% (2023: 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 (2023: £80,000) and £70,000 (2023: £70,000) for the group and parent company financial statements, respectively. 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 81; 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 page 81.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 148; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 72; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 70–78; and • The section describing the work of the audit committee set out on pages 110–116.

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.

INDEPENDENT AUDITOR'S REPORT continued

TO THE MEMBERS OF OXFORD INSTRUMENTS PLC

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, in-house legal counsel, internal audit 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, Listing Rules, along with the relevant financial reporting framework (UK adopted international accounting standards, United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice)).

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 management, in-house legal counsel and internal audit 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, revenue recognition and key areas of estimation uncertainty or judgement.

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 inventory provisioning, intangible assets impairment review, 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.

SANDRA THOMPSON (SENIOR STATUTORY AUDITOR)

For and on behalf of BDO LLP, Statutory Auditor

Reading, United Kingdom

11 June 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

HISTORICAL FINANCIAL SUMMARY

Consolidated Statement of Income	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m
Revenue from continuing operations	317.4	318.5	367.3	444.7	470.4
Adjusted operating profit from continuing operations[1]	50.5	56.7	66.3	80.5	80.3
Intellectual property litigation settlement	–	–	–	–	3.3
Transaction related costs	–	(0.4)	(0.4)	–	(1.0)
Release of provision on disposal	–	–	–	0.4	–
Adjustments relating to defined benefit pension schemes	0.6	–	–	–	(0.4)
WITec post-acquisition gross margin adjustment	–	–	(1.7)	(0.5)	–
Restructuring costs and charges associated with management changes	(0.2)	–	–	(0.4)	(3.7)
Intellectual property litigation costs	–	–	–	(0.5)	(0.4)
Impairment of inventory	(0.4)	–	–	–	–
Profit on disposal of associate	6.5	–	–	–	–
Impairment of capitalised development costs	(7.1)	(1.3)	–	(0.8)	–
Amortisation and impairment of acquired intangibles	(8.7)	(8.4)	(9.5)	(9.3)	(9.1)
Fair value movement on financial derivatives	(1.4)	6.4	(6.4)	3.0	(0.7)
Operating profit from continuing operations	39.8	53.0	48.3	72.4	68.3
Net financing (costs)/income	(1.0)	(0.8)	(0.7)	1.1	3.0
Profit before taxation from continuing operations	38.8	52.2	47.6	73.5	71.3
Income tax expense	(6.8)	(10.4)	(9.0)	(14.9)	(20.6)
Profit for the year from continuing operations	32.0	41.8	38.6	58.6	50.7
Adjusted profit before tax from continuing operations	49.5	55.9	65.9	82.0	83.3
Consolidated Statement of Financial Position					
Property, plant and equipment	21.8	21.1	31.7	59.3	80.5
Right-of-use assets	8.2	7.3	17.9	31.4	32.4
Intangible assets	135.5	122.6	140.7	132.1	137.9
Investment in associate	–	–	–	–	–
Long-term receivables	–	–	–	0.5	1.3
Deferred and current tax	2.7	3.9	(5.4)	(2.9)	(5.8)
Inventories	58.8	58.7	65.3	81.4	108.4
Trade and other receivables	72.0	76.0	95.8	115.2	117.2
Trade and other payables	(128.6)	(121.4)	(141.0)	(160.6)	(166.3)
Lease payables	(2.1)	(2.6)	(3.5)	(5.2)	(4.8)
Net assets excluding net cash	168.3	166.6	201.5	251.2	300.8
Cash and cash equivalents	119.5	128.0	96.4	112.7	97.8
Bank overdrafts	(24.1)	(30.4)	(8.7)	(11.2)	(12.3)
Bank borrowings	(27.9)	–	(1.8)	(1.3)	(1.7)
Net cash	67.5	97.6	85.9	100.2	83.8
Lease payables	(6.5)	(4.9)	(14.9)	(26.2)	(28.6)
Provisions	(8.4)	(9.4)	(7.8)	(7.6)	(6.4)
Retirement benefit obligations	30.7	16.3	51.7	26.4	16.1
Net assets employed/capital and reserves attributable to the company's equity holders	251.6	266.2	316.4	344.0	365.7

Cash flows from continuing operations	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m
Net cash from operating activities	55.2	42.0	49.1	66.5	41.6
Net cash generated from/(used in) investing activities	6.0	(5.1)	(45.6)	(36.4)	(36.7)
Net cash used in financing activities	(11.4)	(30.5)	(15.7)	(16.6)	(18.0)
Net increase/(decrease) in cash equivalents from continuing operations	49.8	6.4	(12.2)	13.5	(13.1)
Per ordinary share	pence	pence	pence	pence	pence
Earnings – continuing	55.9	72.8	67.1	101.6	87.7
Adjusted earnings[1]	70.2	78.6	94.3	112.7	109.0
Dividends	–	17.0	18.1	19.5	20.8
Employees	Number	Number	Number	Number	Number
Average number of employees	1,585	1,619	1,878	2,027	2,244

1. Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in Note 2 to the Group Financial Statements.

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