Oxford Instruments plc

11 June 2024

Announcement of full-year results for the 12 months to 31 March 2024

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

Adjusted[1]	**Full year to 31 March 2024**	Full year to 31 March 2023	% change reported	% change constant currency[4]
Revenue	**£470.4m**	£444.7m	+5.8%	+9.8%
Adjusted operating profit	**£80.3m**	£80.5m	(0.2%)	+3.7%
Adjusted operating profit margin	**17.1%**	18.1%	(100bps)	(100bps)
Adjusted profit before taxation	**£83.3m**	£82.0m	+1.6%	
Adjusted basic earnings per share	**109.0p**	112.7p	(3.3%)	
Cash conversion[2]	**64%**	88%		
Net cash[3]	**£83.8m**	£100.2m		

Statutory	**Full year to 31 March 2024**	Full year to 31 March 2023	% change reported
Revenue	**£470.4m**	£444.7m	+5.8%
Operating profit	**£68.3m**	£72.4m	(5.7%)
Operating profit margin	**14.5%**	16.3%	(180bps)
Profit before taxation	**£71.3m**	£73.5m	(3.0%)
Basic earnings per share	**87.7p**	101.6p	(13.7%)
Dividend per share for the year (total)	**20.8p**	19.5p	+6.7%

Summary and outlook

Richard Tyson, CEO of Oxford Instruments plc, said:

"I am pleased with the results for the full year and the development of the business during the year. 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."

Financial highlights

- Revenue growth of 9.8% at constant currency
- Underlying book-to-bill positive at 1.03[5], despite our strategic decision to move away from sensitive product areas in China
- Order book at £302m (2023: £320m), providing good visibility for year ahead
- Adjusted operating profit of £80.3m broadly in line with last year (2023: £80.5m); growth of 3.7% at constant currency
- Adjusted operating profit margin 17.1% (2023: 18.1%) down 100bps, primarily reflecting losses incurred in our quantum business as a result of ceasing commercial activities in China and continued operational investment
- Normalised cash conversion of 64%, excluding expenditure on facility expansion, reflects increase in working capital to support major site move and growth
- 6.7% increase in the total dividend to 20.8p (2023: 19.5p)

Operational highlights

- 7% semiconductor revenue growth reflects greater exposure to compound semiconductor market and improved H2 demand for analysis tools
- Double-digit growth in materials analysis and healthcare & life science markets underpinned by strong research funding
- New state-of-the-art compound semiconductor facility in Severn Beach now operational
- Further investment for growth includes expansion of Belfast microscopy and scientific camera facility
- Withdrawal of quantum commercial activities in China, in response to geopolitical dynamics, resulted in in-year losses
- Action taken to focus resources on non-sensitive areas in China and grow revenue in other regions
- Agreement to purchase FemtoTools AG, a leading developer of nanoindentation instruments
- Carbon reduction goals accelerated to achieve net zero in Scopes 1 and 2 by 2030

Strategy update

- *A new lens on Oxford Instruments with a plan for significant value creation, focusing on two distinct business divisions – Imaging and Analysis and Advanced Technologies:*
    - ‘Build on and improve’ our excellent Imaging and Analysis business (recent adjusted operating profit margin history 22–24%)
    - ‘Fix, improve and grow’ in Advanced Technologies (recent adjusted operating profit margin history 0–4%)

- *Driving improved organisational execution:*
    - Deeper focus on fewer markets and product technologies to enhance growth
    - Customer service and operational performance step change
    - Simplified organisation and improved cost efficiency
    - Capital allocation priorities designed to create long-term value creation, maximising shareholder returns

- *Medium-term targets:*
    - 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% of revenue in R&D
    - Strong ROCE (currently 29%)
    - Selective acquisitions bringing complementary capabilities

Notes

1. Adjusted items exclude the amortisation and impairment of acquired intangible assets, acquisition items, other significant non-recurring items, and the mark-to-market movement of financial derivatives. A full definition of adjusted numbers can be found in the finance review and Note 2.
2. Normalised 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.

The financial information in this preliminary announcement has been prepared in accordance with UK adopted international accounting standards and IAS 34 *interim financial reporting*. The Group has applied all accounting standards and interpretations issued relevant to its operations and effective for accounting periods beginning on 1 April 2023. The IFRS accounting policies have been applied consistently to all periods.

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Oxford Instruments management will present its full-year results at Deutsche Numis to analysts and investors at 9.00am today (Tuesday 11 June), The presentation will be streamed live at https://brrmedia.news/OXIG_PR_23/24 and a recording will be made available later today at www.oxinst.com/investors-content/financial-reports-and-presentations.

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Notes to Editors

About Oxford Instruments plc

Oxford Instruments provides academic and commercial organisations worldwide with market-leading scientific technology and expertise across its key market segments: Materials Analysis, Healthcare & Life Science and Semiconductors.

Innovation is the driving force behind Oxford Instruments' growth and success, supporting its core purpose to accelerate the breakthroughs that create a brighter future for our world. The vigorous search for new ways to make our world greener, healthier and more productive is driving unprecedented levels of R&D investment in new materials and techniques to support productivity and decarbonisation worldwide, creating a significant opportunity for Oxford Instruments to grow.

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

Founded in 1959 as the first technology business to be spun out from Oxford University, Oxford Instruments is now a global company listed on the FTSE250 index of the London Stock Exchange (OXIG).

For more information, visit www.oxinst.com

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. 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. 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 FY 24/25.

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.

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.

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. 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 and Analysis** and **Advanced Technologies**.

Imaging and Analysis will comprise our microscopy and cameras business (Andor) and our materials analysis businesses (Asylum Research, Magnetic Resonance, NanoAnalysis and WITec). On an indicative and unaudited basis, recent adjusted operating margin for this division is in the range 20–24%.

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. On an indicative and unaudited basis, recent adjusted operating margin for this division is in the range 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 and 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, healthcare & life science, and semiconductors.

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 underway. 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;
- 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 and 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 and 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, healthcare & life science, and semiconductors – will enable us to maximise our impact in all three markets, while deriving efficiencies from this more targeted approach.

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 and 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.

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

Operations Review

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 and 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

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.

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, and 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.

End market	Revenue	% constant currency[1] growth vs full year to 31 March 2023	% of Group revenue full year to 31 March 2024
Materials Analysis	£201.0m	14.4%	43%
Semiconductors	£126.9m	6.9%	27%
Healthcare & Life Science	£90.6m	10.7%	19%
Other	£51.9m	(0.6%)	11%

Sector review

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)
- 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[2] operating profit	**£46.4m**	£40.5m	+14.6%	+20.2%
Adjusted[2] 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. Orders adjusted for the impact of £23m prior year China orders removed from the order book.
3. Details of adjusting items can be found in Note 2 to the full year financial statements.

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 refusals. 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 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;
- 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.

Research & Discovery

The sector's products comprise:

- Scientific cameras, microscopy and accompanying software (Andor)
- Cryogenic and superconducting magnet technology (NanoScience)
- 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. Orders adjusted for the impact of prior year China orders removed from the order book.
3. Details of adjusting items can be found in Note 2 to the full year financial statements.

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 25.0% 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 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 focus area 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.

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 above. In line with this, a wide-ranging operational programme has recently begun in Belfast, which will be the pilot site, with learnings 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 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%		

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 addressed, and a period of consolidation and regrouping is underway 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 investments 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 underway provide a good platform from which to support growth and enhanced performance. These include:

- The implementation of fully integrated service management systems 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;
- 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 and Analysis and Advanced Technologies, supporting a fully integrated approach as the whole organisation aligns around 'customer-first' ways of working.

Finance review

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.

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 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: 112.7). 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.

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 include 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 growth 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 our 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 at 27% of total Group revenue, 58% of which comes from the China market. 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, reducing the need for customers to order ahead. 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 order book 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%).

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 the FY25 financial year we are changing our organisational structure to two divisions: Imaging and Analysis and Advanced Technologies. Our Materials Analysis businesses, Andor and Japan MRI will form the Imaging and 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 FY 23 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 2023/24 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%.

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 57.8m (2023: 57.7m).

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 2023/24 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.

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)
Payment of capital element of leases	(4.0)	(5.1)
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 benefitted from accelerated capital allowances on the new semiconductor facility currently under construction, partly contributing to cash tax being lower than the accounting charge.

Investment in Research and Development (R&D)

Total cash spend on R&D in the year was £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

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, 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	**295.3**	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 announcement. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review.

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

Forward-looking statements

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

Gavin Hill

Chief Financial Officer

10 June 2024

Consolidated Statement of Income
Year ended 31 March 2024

	2024			2023		
	Adjusted	**Adjusting items (note 2)**	**Total**	Adjusted	Adjusting items (note 2)	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**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	**(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	**4.7**	**-**	**4.7**	2.7	-	2.7
Financial expenditure	**(1.7)**	**-**	**(1.7)**	(1.2)	(0.4)	(1.6)
Profit/(loss) before income tax	**83.3**	**(12.0)**	**71.3**	82.0	(8.5)	73.5
Income tax (expense)/credit	**(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	**pence**		**pence**	pence		pence
Basic earnings per share						
From profit for the year	**109.0**		**87.7**	112.7		101.6
Diluted earnings per share						
From profit for the year	**107.5**		**86.5**	111.3		100.3

Consolidated Statement of Comprehensive Income
Year ended 31 March 2024

	2024	2023
	£m	£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	**(5.6)**	5.3
Items that will not be reclassified to Consolidated Statement of Income		
Remeasurement loss in respect of post-retirement benefits	**(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	**30.5**	35.0

Consolidated Statement of Financial Position
As at 31 March 2024

	2024 **£m**	2023 £m
Assets		
Non-current assets		
Property, plant and equipment	**80.5**	59.3
Intangible assets	**137.9**	132.1
Right-of-use assets	**32.4**	31.4
Long-term receivables	**1.3**	0.5
Derivative financial instruments	**0.2**	0.4
Retirement benefit asset	**16.1**	26.4
Deferred tax assets	**13.7**	12.5
	282.1	262.6
Current assets		
Inventories	**108.4**	81.4
Trade and other receivables	**114.7**	113.2
Current income tax receivable	**1.0**	0.5
Derivative financial instruments	**2.3**	1.6
Cash and cash equivalents	**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	**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	**0.9**	0.9
Lease payables	**28.6**	26.2
Deferred tax liabilities	**12.9**	7.8
	42.4	34.9
Current liabilities		
Bank loans and overdrafts	**13.1**	11.6
Trade and other payables	**166.2**	159.4
Lease payables	**4.8**	5.2
Current income tax payables	**7.6**	8.1
Derivative financial instruments	**0.1**	1.2
Provisions	**6.4**	7.6
	198.2	193.1
Total liabilities	**240.6**	228.0
Total liabilities and equity	**606.3**	572.0

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)**
Issue of share capital	**-**	**-**	**-**	**-**	**-**	**-**
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

	2024 £m	2023 £m
Cash flows from operating activities		
Profit for the year	**50.7**	58.6
Adjustments for:		
Income tax expense	**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	**-**	0.8
Amortisation of right-of-use assets	**5.0**	4.6
Depreciation of property, plant and equipment	**5.3**	4.8
Amortisation of intangible assets	**9.8**	10.7
Charge in respect of equity settled employee share schemes	**3.0**	2.4
Cash payments to the pension scheme more than the charge to operating profit	**(8.0)**	(11.7)
Increase in inventories	**(26.3)**	(15.6)
Increase in receivables	**(2.7)**	(19.6)
(Decrease)/increase in payables and provisions	**(2.8)**	17.4
Increase in customer deposits	**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	**(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	**(0.8)**	(0.5)
Payment of capital element of leases	**(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	**85.5**	101.5
Comprised of:		
Cash and cash equivalents as per the Consolidated Statement of Financial Position	**97.8**	112.7
Bank overdrafts	**(12.3)**	(11.2)
	85.5	101.5

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 9th January 2024, the Group acquired 100% of the issued share capital of First Light Imaging which has been integrated into the Research & Discovery segment.

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.

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 and charges associated with management changes	(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 intangibles	**(3.5)**	**(6.2)**	**-**	**-**	**(9.7)**
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 intangibles	(6.0)	(6.3)	-	-	(12.3)
Capitalised development expenditure	(0.4)	(0.2)	-	-	(0.6)

Revenue	**2024**	2023
	£m	£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**	2023
	£m	£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 definded 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.

Reconciliation between operating profit and profit before income tax and adjusted profit

	2024		2023	
	Operating profit	**Profit before income tax**	Operating profit	Profit before income tax
	£m	**£m**	£m	£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.

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 excludes 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	**(13.0)**	13.5
Effect of exchange rate fluctuations on cash held	**(3.0)**	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	**(0.7)**	-
Covid-19 loan at WITec	**(1.0)**	(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

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 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.

5 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.

6 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

7 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 announcement. 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	**Provisional adjustments**	**Provisional fair value**
	£m	**£m**	**£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.

Risk Management

Audit, risk and internal control

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. 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.

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. Below 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 [xx]. 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 key accountabilities and features of our risk governance framework are summarised below.

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 below.

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 in the Annual Report.

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 announcement.

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.
- 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.

Our methodical approach to risk management is summarised below. The principal risks and uncertainties detailed below are identified, reported, and monitored through this process.

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

Evaluation of risk

Careful consideration is given to:

i) the specific scenarios in which the risk could arise; and
ii) the various potential impacts which the risk could present.

Mitigation implementation

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

Review risk

An embedded, cyclical process review

i) determination of principal risks and uncertainties; and

ii) 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 below.

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, that was identified as part of the emerging risk review. It is disclosed as principal risk 2 and further details are set out below. The Committee agreed with management's assessment that business transformation constitutes a principal risk 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.

A simplified version of this matrix is included in the Annual Report 2024, to be published in June. 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 and IT 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. We have also added a new risk related to business transformation. Our assessment of that 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. We summarise each risk below, explaining why it is relevant for the Group, setting out the potential consequences should it materialise and detailing the risk mitigation mechanisms. Risks are managed at Board level and are not assigned an individual risk owner.

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

2: Operational transformation

Context: Following its latest strategy review an operational transformation program 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 program

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

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
- Increased lead times and potential of being unable to fulfil orders
- Increased stock holding adversely impacting cash conversion

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

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

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

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

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: Unchanged

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

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 in the Annual Report.

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 customer's 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

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