DIRECTORS' RESPONSIBILITIES

in relation to the Annual Report

The Directors are responsible for preparing the Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with UK-adopted International Accounting Standards and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- for the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report/Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board

RICHARD TYSON
Chief Executive Officer

GAVIN HILL
Chief Financial Officer

10 June 2024

Financial Statements

CONSOLIDATED STATEMENT OF INCOME
Year ended 31 March 2024

	Note	2024 Adjusted £m	2024 Adjusting items (note 2) £m	2024 Total £m	2023 Adjusted £m	2023 Adjusting items (note 2) £m	2023 Total £m
Revenue	1	470.4	–	470.4	444.7	–	444.7
Cost of sales		(228.0)	–	(228.0)	(214.5)	–	(214.5)
Gross profit		242.4	–	242.4	230.2	–	230.2
Other operating income		–	3.3	3.3	–	–	–
Research and development	3	(39.1)	–	(39.1)	(35.9)	(0.8)	(36.7)
Selling and marketing		(74.5)	–	(74.5)	(65.4)	–	(65.4)
Administration and shared services		(58.7)	(14.6)	(73.3)	(52.9)	(10.3)	(63.2)
Foreign exchange gain/(loss)		10.2	(0.7)	9.5	4.5	3.0	7.5
Operating profit		80.3	(12.0)	68.3	80.5	(8.1)	72.4
Financial income	6	4.7	–	4.7	2.7	–	2.7
Financial expenditure	7	(1.7)	–	(1.7)	(1.2)	(0.4)	(1.6)
Profit/(loss) before income tax	1	83.3	(12.0)	71.3	82.0	(8.5)	73.5
Income tax (expense)/credit	8	(20.3)	(0.3)	(20.6)	(17.0)	2.1	(14.9)
Profit/(loss) for the year attributable to equity shareholders of the parent		63.0	(12.3)	50.7	65.0	(6.4)	58.6

Earnings per share		2024 Adjusted pence	2024 Total pence	2023 Adjusted pence	2023 Total pence
Basic earnings per share	10				
From profit for the year		109.0	87.7	112.7	101.6
Diluted earnings per share	10				
From profit for the year		107.5	86.5	111.3	100.3

The attached notes form part of these Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2024

	Note	2024 £m	2023 £m
Profit for the year		50.7	58.6
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to Consolidated Statement of Income			
Foreign exchange translation differences		(5.5)	5.3
Items that will not be reclassified to Consolidated Statement of Income			
Remeasurement loss in respect of post-retirement benefits	24	(19.4)	(38.6)
Tax credit on items that will not be reclassified to Consolidated Statement of Income		4.8	9.7
Total other comprehensive expense		(20.2)	(23.6)
Total comprehensive income for the year attributable to equity shareholders of the parent		30.6	35.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Note	2024 £m	2023 £m
Assets			
Non-current assets			
Property, plant and equipment	12	80.5	59.3
Intangible assets	13	137.9	132.1
Right-of-use assets	14	32.4	31.4
Long-term receivables		1.3	0.5
Derivative financial instruments	22	0.2	0.4
Retirement benefit asset	24	16.1	26.4
Deferred tax assets	8	13.7	12.5
		282.1	262.6
Current assets			
Inventories	15	108.4	81.4
Trade and other receivables	16	114.7	113.2
Current income tax receivable		1.0	0.5
Derivative financial instruments	22	2.3	1.6
Cash and cash equivalents	18	97.8	112.7
		324.2	309.4
Total assets		606.3	572.0
Equity			
Capital and reserves attributable to the company's equity shareholders			
Share capital	25	2.9	2.9
Share premium		62.6	62.6
Other reserves		0.2	0.2
Translation reserve		7.4	12.9
Retained earnings		292.6	265.4
		365.7	344.0
Liabilities			
Non-current liabilities			
Bank loans	19	0.9	0.9
Lease payables	14	28.6	26.2
Deferred tax liabilities	8	12.9	7.8
		42.4	34.9
Current liabilities			
Bank loans and overdrafts	19	13.1	11.6
Trade and other payables	20	166.2	159.4
Lease payables	14	4.8	5.2
Current income tax payables		7.6	8.1
Derivative financial instruments	22	0.1	1.2
Provisions	21	6.4	7.6
		198.2	193.1
Total liabilities		240.6	228.0
Total liabilities and equity		606.3	572.0

The Financial Statements were approved by the Board of Directors on 10 June 2024 and signed on its behalf by:

RICHARD TYSON
Director

GAVIN HILL
Director

Company number: 775598

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2024

	Share capital £m	Share premium £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
As at 1 April 2023	2.9	62.6	0.2	12.9	265.4	344.0
Profit for the year	–	–	–	–	50.7	50.7
Foreign exchange translation differences	–	–	–	(5.5)	–	(5.5)
Remeasurement loss in respect of post-retirement benefits	–	–	–	–	(19.4)	(19.4)
Tax credit on items that will not be reclassified to Consolidated Statement of Income	–	–	–	–	4.8	4.8
Total comprehensive (expense)/income	–	–	–	(5.5)	36.1	30.6
Share-based payment transactions	–	–	–	–	3.0	3.0
Income tax on share-based payment transactions	–	–	–	–	(0.5)	(0.5)
Proceeds from shares issued	–	–	–	–	–	–
Dividends	–	–	–	–	(11.4)	(11.4)
Total transactions with owners:	–	–	–	–	(8.9)	(8.9)
As at 31 March 2024	2.9	62.6	0.2	7.4	292.6	365.7
As at 1 April 2022	2.9	62.5	0.2	7.6	243.2	316.4
Profit for the year	–	–	–	–	58.6	58.6
Foreign exchange translation differences	–	–	–	5.3	–	5.3
Remeasurement loss in respect of post-retirement benefits	–	–	–	–	(38.6)	(38.6)
Tax credit on items that will not be reclassified to Consolidated Statement of Income	–	–	–	–	9.7	9.7
Total comprehensive income	–	–	–	5.3	29.7	35.0
Share-based payment transactions	–	–	–	–	2.4	2.4
Income tax on share-based payment transactions	–	–	–	–	0.7	0.7
Proceeds from shares issued	–	0.1	–	–	–	0.1
Dividends	–	–	–	–	(10.6)	(10.6)
Total transactions with owners:	–	0.1	–	–	(7.5)	(7.4)
As at 31 March 2023	2.9	62.6	0.2	12.9	265.4	344.0

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2024

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Profit for the year		50.7	58.6
Adjustments for:			
Income tax expense	8	20.6	14.9
Net financial income		(3.0)	(1.1)
Fair value movement on financial derivatives		0.7	(3.0)
WITec post-acquisition gross margin adjustment		–	0.5
Impairment of capitalised development costs	13	–	0.8
Amortisation of right-of-use assets	14	5.0	4.6
Depreciation of property, plant and equipment	12	5.3	4.8
Amortisation of intangible assets	13	9.8	10.7
Charge in respect of equity settled employee share schemes	26	3.0	2.4
Contributions paid to the pension scheme more than the charge to operating profit		(8.0)	(11.7)
Increase in inventories	27	(26.3)	(15.6)
Increase in receivables	27	(2.7)	(19.6)
(Decrease)/increase in payables and provisions	27	(2.8)	17.4
Increase in customer deposits	27	7.1	9.2
Cash generated from operations		59.4	72.9
Interest paid		(0.9)	(0.7)
Income taxes paid		(16.1)	(5.7)
Net cash from operating activities		42.4	66.5
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		0.5	0.2
Acquisition of property, plant and equipment		(27.0)	(32.3)
Acquisition of subsidiaries, net of cash acquired	11	(13.4)	(4.8)
Capitalised development expenditure		(0.7)	(0.6)
Interest received		3.1	1.1
Net cash used in investing activities		(37.5)	(36.4)
Cash flows from financing activities			
Proceeds from issue of share capital		–	0.1
Interest paid on lease liabilities	14	(0.8)	(0.5)
Payment of capital element of leases	14	(4.0)	(5.1)
Repayment of borrowings		(1.8)	(0.5)
Dividends paid		(11.4)	(10.6)
Net cash used in financing activities		(18.0)	(16.6)
Change in cash and cash equivalents		(13.1)	13.5
Cash and cash equivalents at beginning of the year		101.5	87.7
Effect of exchange rate fluctuations on cash held		(2.9)	0.3
Cash and cash equivalents at end of the year	18	85.5	101.5
Comprised of:			
Cash and cash equivalents as per the Consolidated Statement of Financial Position	18	97.8	112.7
Bank overdrafts	23	(12.3)	(11.2)
		85.5	101.5

MATERIAL ACCOUNTING POLICIES

Year ended 31 March 2024

Oxford Instruments plc (the 'Company') is a company incorporated and domiciled in the UK.

The Group Financial Statements have been prepared in accordance with UK adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006 and interpretations issued by the IFRS Interpretations Committee (IFRIC) applicable to companies reporting under UK adopted IFRS.

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

The Financial Statements have been prepared on a going concern basis based on the Directors' opinion, after making reasonable enquiries, that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Group's business activities and factors that are considered likely to affect its performance and position in the future are set out in the Strategic Report on pages 10 to 33. The Finance Review on pages 58 to 69 discloses information relevant to the Group's financial position, its cash flows, borrowing facilities and liquidity.

The directors have considered the appropriateness of the going concern basis of preparation following a detailed assessment of the risks to the Group as outlined above, up to 30 June 2025, being a period of at least 12 months from approval of the Report and Financial Statements.

On 19 March 2024 the Group entered into a new multi-currency revolving facility agreement, which is committed until March 2028 with 15-month and 12-month extension options at the end of the first and second years respectively. The facility has been entered into with four banks and comprises a Euro-denominated multi-currency facility of €95m and a US Dollar denominated multi-currency facility of $150m. Debt covenants are net debt to EBITDA less than 3.0 times and EBITDA to interest greater than 4.0 times. At the date of approving these financial statements, the facility remains undrawn.

The relatively diverse nature of the Group together with its current financial strength provides a solid foundation. In its going concern assessment, the directors considered several scenarios, including base case and downside scenarios. The assessment is based on Board-approved budget, incorporating severe but plausible scenarios in the forecast. These scenarios reflected a 25% reduction in the Group's performance, a 25% increase in working capital and a third scenario of incorporating both. In each scenario the Group's cash balances remained positive and the facility remains undrawn throughout the going concern period to 30 June 2025.

Based on this assessment, incorporating a review of current position, the scenarios, the principal risks and mitigation, the Directors have a reasonable expectation that the group will be able to continue operating and meet its liabilities as the fall due over the period to 30 June 2025 and there are no material uncertainties which may cast significant doubt over its ability to continue as a going concern.

(a) Changes in accounting standards

IFRS 17 Insurance Contracts provides consistent principles for all aspects of accounting for insurance contracts within the scope of the standard. The standard is effective for years beginning on or after 1 January 2023 with a requirement to restate comparatives.

The Group has reviewed whether its arrangements meet the accounting definition of an insurance contract. While some contracts may transfer an element of insurance risk, they relate to warranty and service type agreements that are issued in connection with the Group's sales of its goods or services and therefore will continue to be measured under IFRS 15 Revenue from Contracts with Customers and IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Directors are not aware of any other contracts where IFRS 17 would have a material impact on the Consolidated Financial Statements.

There are no other new standards or interpretations issued by the IASB that had a significant impact on the Consolidated Financial Statements.

There are no standards or amendments that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(b) Significant estimates and judgements

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Significant judgements

In the opinion of the Group there is one key judgement made in the preparation of the Financial Statements in respect of which taking a different view would have a material impact on the Financial Statements:

Provision for inventory

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

Significant estimates

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

MATERIAL ACCOUNTING POLICIES continued

Year ended 31 March 2024

Measurement of defined benefit scheme liabilities

The Group recognises and measures costs relating to defined benefit pension schemes in accordance with IAS 19 (Revised) Employee Benefits. In applying IAS 19 (Revised) the costs are assessed in accordance with the advice of independent qualified actuaries. This requires certain estimates and assumptions in relation to future changes in salaries and inflation, as well as mortality rates, expected returns on plan assets and the selection of suitable discount rates. The factors affecting these assumptions are influenced by wider macroeconomic factors that are largely outside of the Group's control. Sensitivity analysis is set out in Note 24.

Provisions for IP-related claims

Provisions for IP-related claims are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past expectations or events which can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances which can be subject to change. Amounts provided represent the Group's best estimate of exposure based on currently available information.

Key assumptions surrounding estimation uncertainty relate to estimating potential royalty or profit sharing rates surrounding any product-related intellectual property claims (see Note 21).

Acquisition of First Light Imaging SAS (First Light Imaging)

On the acquisition of a business in order to comply with IFRS 3 (Revised) Business Combinations it is necessary to reflect the assets and liabilities acquired at their fair value. This requires certain estimates and assumptions in relation to, inter alia, the forecast performance of the acquired business, the expected life of certain intangible assets and the likely future customer base of the business. In order to assist in undertaking this Fair Value exercise, the Group appointed an external firm of advisors. The exercise is incomplete as at the date of this report so the fair value adjustments are reported on a provisional basis. The provisional fair value adjustments arising from this review are set out in Note 11 on page 171.

(c) Basis of preparation and consolidation

The Financial Statements are presented in Sterling, rounded to the nearest £0.1m and are prepared on the historical cost basis except as described below under the heading '(e) Financial instruments'.

The Group Financial Statements include the accounts of Oxford Instruments plc and its subsidiary companies adjusted to eliminate intra-Group balances and any unrealised gains and losses or income and expenses arising from intra-Group transactions.

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The results of subsidiary companies are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The acquisition method is used to account for the acquisition of subsidiaries.

(d) Consideration of climate change

In preparing the Financial Statements, the Directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure, see pages 40 to 50. There has been no material impact identified on the financial reporting judgements and estimates. In particular, the Directors considered the impact of climate change in respect of the following areas:

- going concern and viability of the Group;
- cash flow forecasts used in the impairment assessments of non-current assets including goodwill; and
- carrying value and useful economic lives of property, plant and equipment.

Whilst there is currently no medium-term impact expected from climate change, the Directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's Financial Statements.

(e) Financial instruments

Financial assets and liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Forward foreign exchange contracts (derivative financial instruments) of the Group are used to hedge its exposure to foreign currency risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes. The Group has chosen not to apply hedge accounting in respect of these exposures. All derivatives are initially recognised at fair value; attributable transaction costs are recognised in profit or loss as incurred. Foreign exchange contracts are classified as 'fair value through profit and loss' under IFRS 9. Subsequent to initial recognition, derivatives are measured at fair value and gains or losses on the settlement of such derivatives are recognised in operating expenses. Where such derivatives relate to the following year's exposure, any gains or losses resulting from the change in fair value are recognised as an adjusting item in operating expenses.

The fair value of forward exchange contracts is their market price at the Consolidated Statement of Financial Position date, being the present value of the forward price. The gain or loss on remeasurement to fair value of forward exchange contracts is recognised immediately in the Consolidated Statement of Income.

Contingent purchase consideration is measured at fair value at the date of acquisition and subsequently carried at fair value, with movements recognised in the Consolidated Statement of Income.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Statement of Income over the period of the borrowing on an effective interest basis.

(f) Property, plant and equipment

Property, plant and equipment is stated at historical cost less provisions for impairment (see accounting policy k) and depreciation which, with the exception of freehold land which is not depreciated and rental assets (see below), is provided on a straight-line basis over each asset's estimated economic life. Depreciation is provided based on historical cost less estimated residual value. The principal estimated economic lives used for this purpose are:

Freehold buildings, long leasehold land and buildings	50 years
Furniture and fittings	10 years
Machinery and other equipment	5 to 10 years
Computer equipment	4 years
Vehicles	4 years

Machinery and other equipment, computer equipment and vehicles are included within the 'Plant and equipment' subheading in Note 12.

For leasehold improvements, where the length of the lease is less than the principal estimated economic lives noted above, the length of the lease is used.

(g) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 31 March 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the assets, liabilities and contingent liabilities acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP.

The Group expenses transaction costs associated with its acquisitions and movements in liabilities relating to contingent consideration within the Consolidated Statement of Income in conformity with IFRS 3.

Goodwill arising on acquisitions is stated at cost less any accumulated impairment losses and allocated to cash generating units that are anticipated to benefit from the combination. It is not amortised but is tested annually for impairment (see accounting policy k), or more frequently when there is an indicator that the unit may be impaired.

(ii) Development costs

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

(iii) Acquired intangible assets

An intangible asset acquired with a subsidiary undertaking is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be reliably measured. The asset is amortised through the Consolidated Statement of Income over its useful economic life.

(iv) Amortisation

Amortisation of intangible assets is charged to the Consolidated Statement of Income on a systematic basis in proportion to the use of the assets over their estimated useful economic lives as follows:

Capitalised development costs	3 to 5 years
Technology-related acquired intangibles	5 to 14 years
Customer-related acquired intangibles	6 months to 15 years
Development costs acquired intangibles	10 years
Software	10 years

Customer-related acquired intangible assets include a number of different types of asset. For example, the shorter end of the useful economic life relates to the order book of acquired businesses, whilst the longer useful economic life relates to assets such as trademarks.

(h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently stated at their amortised cost less appropriate provision for impairment. The provision for impairment of receivables is based on lifetime expected credit losses, which is then updated for any reasonable and supportable forward-looking information and expectations. Lifetime expected credit losses are calculated by assessing historic credit loss experience. The movement in the provision is recognised in the Consolidated Statement of Income.

(i) Inventories

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

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

As outlined in Note (r) below, the revenue associated with both the sale and installation of certain complex products is recognised at the time that the installation is completed. The net realisable value associated with complex products is included in finished goods inventories where the installation has not yet been completed.

MATERIAL ACCOUNTING POLICIES continued

Year ended 31 March 2024

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at amortised cost.

Cash and cash equivalents comprise cash balances and call deposits and are carried at amortised cost. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

(k) Impairment of non-current assets

All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying value may be impaired. Additionally, goodwill is subject to an annual impairment review.

For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows from other groups of assets.

An impairment loss is recognised in the Consolidated Statement of Income under the administration and shared services heading, to the extent that an asset's carrying value, or a cash generating unit's carrying value, exceeds its recoverable amount, which represents the higher of its net realisable value and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or from the cash generating unit to which it relates. The present value is calculated using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset concerned.

Impairment losses recognised in previous periods for an asset other than goodwill are reversed if there has been a change in estimates used to determine the asset's recoverable amount, but only to the extent that the carrying amount of the asset does not exceed its carrying amount had the impairment loss not been recognised in previous periods. Impairment losses in respect of goodwill are not reversed.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit.

(l) Employee benefits

The Group operates a number of defined benefit and defined contribution plans which require contributions to be made to independent trustee-administered funds.

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Income as incurred.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that current and past employees have earned in return for their service in prior periods. That benefit is discounted to determine its present value and is deducted from the fair value of any plan assets.

Surpluses in schemes are recognised as assets only if they represent economic benefits available to the Group in the future. The calculation is performed by a qualified actuary using the projected unit credit method.

All actuarial gains and losses in calculating the Group's net obligation are recognised in the Consolidated Statement of Comprehensive Income in the year.

The charge to the Consolidated Statement of Income reflects the current service cost. The interest expense or income is calculated on the net defined benefit asset by applying the discount rate to the net defined benefit asset, and is included within financial expenditure or financial income in the Consolidated Statement of Income respectively.

(iii) Share-based payment transactions

The fair value of equity settled share option programmes is measured at grant date and charged to the Consolidated Statement of Income, with a corresponding increase in equity, on a straight-line basis over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is only due to market performance conditions not being met.

(m) Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision for warranty and product-related liability is recognised when the underlying products are sold. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A provision for a claim or dispute is made when it is considered probable that an adverse outcome will occur and the amount of the loss can be reasonably estimated.

Contractual and other provisions represent the Directors' best estimate of the cost of settling future obligations where the Directors, taking into account professional advice received, assess that it is more likely than not that such proceedings may be successful.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liabilities.

(n) Customer deposits

Customer deposits are classified as contract liabilities and included within trade and other payables in the Statement of Financial Position.

Customer deposits represent the cash payments received or consideration due from customers prior to the recognition of revenue in respect of product sales; for example, deposits received on order (and shipment in the case of complex products where revenue is not recognised until installation).

(o) Government grants

Grants from governments are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Consolidated Statement of Income over the period necessary to match them with the costs they are intended to compensate. Government grants relating to property, plant and equipment are deducted from the carrying amount of the asset and are credited to the Consolidated Statement of Income on a straight-line basis over the expected useful economic lives of the related assets.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Statement of Income over the period of the borrowings on an effective interest basis.

(q) Revenue

Revenue is recognised in the Consolidated Statement of Income when the performance conditions in the contract with the customer are met.

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

Revenue is allocated between the product and installation based on the relative standalone selling prices of those products and installation activities. Where it is difficult to establish a standalone selling price by market comparator, the standalone selling price is estimated, where required, by applying the cost plus margin approach.

A receivable is recognised for products when control passes over to customer, and for installation when the customer confirms acceptance of the installation, since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the performance obligations met by the Group exceed the payment, a contract asset is recognised. If the payments exceed the performance obligation, a contract liability is recognised.

In the NanoScience business, which is part of the Research & Discovery segment, certain contracts for the sale of more complex systems are deemed to comprise just one performance condition as customers are unable to realise the economic benefit from having received the equipment without the specialist installation. Given the highly interdependent nature of the product and installation, this performance condition is met, and the revenue recognised, when the customer confirms acceptance of the installed product at their premises.

In the Service & Healthcare segment, revenue for fixed term maintenance and support contracts is recognised over time using the output method by determining the proportion of the elapsed time relative to the contract period. Where the Service & Healthcare segment makes asset sales, similar considerations as those set out for the other segments as outlined above are applied.

Revenue excludes value added tax and similar sales-based taxes and is stated before commission payable to agents which is recognised in cost of sales.

(r) Income taxes

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

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

Tax positions are reviewed to assess whether a provision should be made based on prevailing circumstances. Tax provisions are included within current taxation liabilities. Deferred tax positions are measured on an undiscounted basis.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Where there is uncertainty surrounding an income tax position, consideration is given to whether the tax authority (with full knowledge of the facts) would probably be more or less likely to accept the uncertain tax position. If the conclusion reached is that it is probable that the tax authority would not accept a tax position a provision is calculated either as the most likely outcome (where the possible outcomes are binary or concentrated on one value) or as the expected value (where there is a range of possible outcomes) depending on which method would provide the better prediction for the resolution of the uncertainty.

MATERIAL ACCOUNTING POLICIES continued

Year ended 31 March 2024

(s) Leases

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

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. If such remeasurement is required, it is performed using the original incremental borrowing rate, unless there is a change in estimated lease term; in which case it is performed using a new incremental borrowing rate.

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

Short-term leases and leases of low-value assets

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

(t) Segment reporting

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, including any revenues and expenses that relate to transactions with any of the Group's other components. Operating components are combined into aggregated operating segments to the extent that they have similar economic characteristics. Aggregated operating segments' operating results are reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, for which discrete financial information is available. Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

A reportable segment is an aggregated operating segment in respect of which revenue or profit exceeds 10% of the Group total. Discrete financial information is disclosed for each reportable segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Segment information

The Group has nine operating segments. These operating segments have been combined into three aggregated operating segments to the extent that they have similar economic characteristics, with relevance to products and services, type and class of customer, methods of sale and distribution and the regulatory environment in which they operate. Each of these three aggregated operating segments is a reportable segment. The aggregated operating segments are as follows:

- the Materials & Characterisation segment comprises a group of businesses focusing on applied R&D and commercial customers, enabling the fabrication and characterisation of materials and devices down to the atomic scale;
- the Research & Discovery segment comprises a group of businesses providing advanced solutions that create unique environments and enable measurements down to the molecular and atomic level which are used in fundamental research; and
- the Service & Healthcare segment provides customer service and support for the Group's products and the service of third-party healthcare imaging systems.

The Group's internal management structure and financial reporting systems differentiate the three aggregated operating segments based on the economic characteristics discussed above.

Reportable segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. The operating results of each are regularly reviewed by the Chief Operating Decision Maker, which is deemed to be the Executive Directors. Discrete financial information is available for each segment and used by the Executive Directors for decisions on resource allocation and to assess performance. No asset information is presented below as this information is not presented in reporting to the Group's Executive Directors.

On 9 January 2024, the Group acquired 100% of the issued share capital of First Light Imaging which has been integrated into the Research & Discovery segment. Further information can be found in Note 11.

Results

2024	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Total £m
Total segment revenue	252.2	142.1	76.1	470.4
Segment adjusted operating profit	46.4	13.6	20.3	80.3

2023	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Total £m
Total segment revenue	234.5	139.4	70.8	444.7
Segment adjusted operating profit	40.5	18.0	22.0	80.5

Revenue in the Materials & Characterisation and Research & Discovery segments represents the sale of products. Revenue in the Service & Healthcare segment relates to service income. No individual customer accounts for more than 10% of revenue.

As at 31 March 2024, the Group had unfulfilled performance obligations under IFRS 15 of £301.5m (2023: £319.6m). It is anticipated that £277.3m (2023: £303.0m) of this balance will be satisfied within one year. The remainder is anticipated to be satisfied in the following financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 Segment information continued

Reconciliation of reportable segment profit

2024	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
Segment adjusted operating profit	46.4	13.6	20.3	–	80.3
Intellectual property litigation settlement	–	3.3	–	–	3.3
Adjustments relating to defined benefit pension schemes	–	–	–	(0.4)	(0.4)
Transaction-related costs	–	(1.0)	–	–	(1.0)
Restructuring costs and charges associated with management changes	(1.7)	–	–	(2.0)	(3.7)
Intellectual property litigation costs	–	(0.4)	–	–	(0.4)
Amortisation and impairment of acquired intangibles	(3.0)	(6.1)	–	–	(9.1)
Fair value movement on financial derivatives	–	–	–	(0.7)	(0.7)
Financial income	–	–	–	4.7	4.7
Financial expenditure	–	–	–	(1.7)	(1.7)
Profit/(loss) before income tax	41.7	9.4	20.3	(0.1)	71.3

2023	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
Segment adjusted operating profit	40.5	18.0	22.0	–	80.5
Restructuring costs	(0.4)	–	–	–	(0.4)
Release of provision on disposal	–	–	0.4	–	0.4
Intellectual property litigation	–	(0.5)	–	–	(0.5)
Impairment of capitalised development costs	(0.8)	–	–	–	(0.8)
WITec post-acquisition gross margin adjustment	(0.5)	–	–	–	(0.5)
Amortisation and impairment of acquired intangibles	(3.1)	(6.2)	–	–	(9.3)
Fair value movement on financial derivatives	–	–	–	3.0	3.0
Financial income	–	–	–	2.7	2.7
Financial expenditure	–	–	–	(1.6)	(1.6)
Profit before income tax	35.7	11.3	22.4	4.1	73.5

2024	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
Capital expenditure	(18.0)	(6.6)	(0.1)	(2.3)	(27.0)
Depreciation of property, plant and equipment	(3.3)	(1.5)	–	(0.5)	(5.3)
Amortisation of right-of-use assets	(2.4)	(0.4)	–	(2.2)	(5.0)
Amortisation and impairment of acquired intangibles	(3.5)	(6.3)	–	–	(9.8)
Capitalised development expenditure	(0.1)	(0.6)	–	–	(0.7)

2023	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
Capital expenditure	(28.6)	(2.7)	–	(1.0)	(32.3)
Depreciation of property, plant and equipment	(3.0)	(1.2)	–	(0.6)	(4.8)
Amortisation of right-of-use assets	(2.1)	(0.5)	–	(2.0)	(4.6)
Amortisation and impairment of acquired intangibles	(6.0)	(6.3)	–	–	(12.3)
Capitalised development expenditure	(0.4)	(0.2)	–	–	(0.6)

The Group's revenue by destination of the end user is as follows:

Revenue	2024 £m	2023 £m
UK	30.4	29.4
China	127.4	107.4
Japan	43.5	46.7
USA	111.6	121.2
Germany	35.5	32.1
Rest of Europe	50.3	43.4
Rest of Asia	50.6	47.1
Rest of World	21.1	17.4
	470.4	444.7

Non-current assets (excluding deferred tax)	2024 £m	2023 £m
UK	191.0	189.6
Germany	32.1	34.8
USA	12.5	13.9
Japan	6.2	1.9
China	4.0	2.9
Rest of Europe	22.1	6.5
Rest of Asia	0.2	0.2
Rest of World	0.3	0.3
	268.4	250.1

2 Adjusting items

In the preparation of adjusted numbers, the Directors exclude certain items in order to assist with comparability between peers and to give what they consider to be a better indication of the underlying performance of the business. In determining whether an event or transaction is an adjusting item, the Directors consider quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Examples of exceptional items include acquisition-related costs, one-time past service costs on defined benefit pension schemes, and one-time intellectual property litigation costs.

These adjusting items are excluded in the calculation of adjusted operating profit, adjusted profit before tax, adjusted profit for the year, adjusted EBITDA, adjusted EPS, adjusted cash conversion and adjusted effective tax rate. Details of adjusting items are given below.

Adjusted EBITDA is calculated by adding back depreciation of property, plant and equipment, amortisation of right-of-use assets and amortisation of intangible assets to adjusted operating profit, and can be found in the Consolidated Statement of Cash Flows. The calculation of adjusted EPS can be found in Note 10. Adjusted effective tax rate is calculated by dividing the share of tax attributable to adjusted profit before tax by adjusted profit before tax. The definition of cash conversion is set out in the Finance Review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2 Adjusting items continued

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

	2024 Operating profit £m	2024 Profit before income tax £m	2023 Operating profit £m	2023 Profit before income tax £m
Statutory measure	68.3	71.3	72.4	73.5
Intellectual property litigation settlement	(3.3)	(3.3)	–	–
Release of provision on disposal	–	–	(0.4)	(0.4)
Adjustments relating to defined benefit pension schemes	0.4	0.4	–	–
Transaction-related costs	1.0	1.0	–	–
WITec post-acquisition gross margin adjustment	–	–	0.5	0.5
Restructuring costs and charges associated with management changes	3.7	3.7	0.4	0.4
Intellectual property litigation costs	0.4	0.4	0.5	0.5
Impairment of capitalised development costs	–	–	0.8	0.8
Amortisation and impairment of acquired intangibles	9.1	9.1	9.3	9.3
Fair value movement on financial derivatives	0.7	0.7	(3.0)	(3.0)
Unwind of discount in respect of contingent consideration	–	–	–	0.4
Total adjusting items	12.0	12.0	8.1	8.5
Adjusted measure	80.3	83.3	80.5	82.0
Adjusted income tax expense		(20.3)		(17.0)
Adjusted profit	80.3	63.0	80.5	65.0
Adjusted effective tax rates		24.4%		20.7%

Intellectual property litigation settlement

This represents one-off settlement income in the Research & Discovery segment from defending our intellectual property.

Release of provision on disposal

The costs in the prior year represent the release of the provision on disposal of the OI Healthcare business in the US in 2020.

Adjustments relating to defined benefit pension schemes

During the year, the Group recognised a one-off charge of £0.4m in respect of removing the pension increase exchange at retirement option for deferred members. This past service cost is reflected in the retirement benefit obligations as shown in Note 24.

Transaction-related costs

These represent the costs of one-off charges incurred at the balance sheet date relating to transactional work.

WITec post-acquisition gross margin adjustment

The finished goods and work-in-progress inventories were revalued to fair value, based on selling price less costs to sell. The adjustments in the prior period relate to the gross margin which would have been earned on post-acquisition sales to 31 March 2023, but which has been absorbed into the acquisition date fair value. This has not occurred, as all such inventory at the acquisition date had been delivered to customers by 31 March 2023.

Restructuring costs and charges associated with management changes

In the current year, these represent £1.7m of costs associated with the relocation of production facilities within the semiconductor business and charges of £2.0m incurred in respect of the recruitment of the new CEO and one-off dual-running costs associated with this appointment. In the prior year, these represent the costs of one-off restructuring charges within the Materials & Characterisation segment.

Intellectual property litigation costs

These represent one-off legal costs to defend our intellectual property.

Impairment of capitalised development costs

During the prior year, the Group reviewed the capitalised development costs to ensure they remained directly related to targeted product or software developments. The one-off non-cash impairment relates to delays in market launch of specific development projects within the Materials & Characterisation segment.

Amortisation and impairment of acquired intangibles

Adjusted profit excludes the non-cash amortisation and impairment of acquired intangible assets and goodwill.

Fair value movement on financial derivatives

Under IFRS 9, all derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, they are also measured at fair value. In respect of instruments used to hedge foreign exchange risk and interest rate risk, the Group does not take advantage of the hedge accounting rules provided for in IFRS 9 since that standard requires certain stringent criteria to be met in order to hedge account, which, in the particular circumstances of the Group, are considered by the Board not to bring any significant economic benefit. Accordingly, the Group accounts for these derivative financial instruments at fair value through profit or loss. To the extent that instruments are hedges of future transactions, adjusted profit for the year is stated before changes in the valuation of these instruments so that the underlying performance of the Group can be more clearly seen.

Unwind of discount in respect of contingent consideration

Adjusted profit in the prior year excluded the unwind of the discount in respect of the contingent consideration on the acquisition of WITec.

Adjusted income tax expense

Statutory income tax is adjusted for the income tax impact on the adjusting items described above. In the current year, adjusted income tax also includes a prior year adjustment in relation to deferred tax recognised on the Asylum intangibles.

Reconciliation of changes in cash and cash equivalents to movement in net cash after borrowings

	2024 £m	2023 £m
Net (decrease)/increase in cash and cash equivalents	(13.1)	13.5
Effect of exchange rate fluctuations on cash held	(2.9)	0.3
Movement in net cash in the year	(16.0)	13.8
Bank loans at First Light Imaging acquired	(2.2)	–
Repayment of borrowings	1.8	0.5
Net cash after borrowings at the start of the year	100.2	85.9
Net cash after borrowings at the end of the year	83.8	100.2

Reconciliation of net cash after borrowings to Statement of Financial Position

	2024 £m	2023 £m
Bank loans at First Light Imaging	(0.8)	–
Covid-19 loan at WiTec	(0.9)	(1.3)
Overdrafts	(12.3)	(11.2)
Cash and cash equivalents	97.8	112.7
Net cash after borrowings at the end of the year	83.8	100.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3 Research and development (R&D)

The total research and development spend by the Group is as follows:

2024	Materials & Characterisation £m	Research & Discovery £m	Total £m
R&D expense charged to the Consolidated Statement of Income	28.0	11.1	39.1
Less: depreciation of R&D-related fixed assets	–	(0.2)	(0.2)
Add: amounts capitalised as fixed assets	0.2	–	0.2
Less: amortisation and impairment of R&D costs previously capitalised as intangibles	(0.5)	(0.1)	(0.6)
Add: amounts capitalised as intangible assets	0.1	0.6	0.7
Total cash spent on R&D during the year	27.8	11.4	39.2

2023	Materials & Characterisation £m	Research & Discovery £m	Total £m
R&D expense charged to the Consolidated Statement of Income	26.5	10.2	36.7
Less: depreciation of R&D-related fixed assets	–	(0.3)	(0.3)
Add: amounts capitalised as fixed assets	–	–	–
Less: amortisation of R&D costs previously capitalised as intangibles	(2.1)	(0.1)	(2.2)
Add: amounts capitalised as intangible assets	0.4	0.2	0.6
Total cash spent on R&D during the year	24.8	10.0	34.8

4 Employee information

Personnel costs incurred during the year were as follows:

	2024 £m	2023 £m
Wages and salaries	131.5	121.9
Social security costs	15.5	17.1
Contributions to defined contribution plans (Note 24)	6.4	6.1
Defined benefit income (Note 24)	(1.0)	(1.1)
Charge in respect of employee share options	3.0	2.4
	155.4	146.4

Directors' emoluments are disclosed in the Remuneration Report on pages 120 to 143 of this Report and Financial Statements.

The average monthly number of people employed by the Group (including Directors and temporary employees) during the year was as follows:

	2024 Number	2023 Number
Production	894	796
Sales and Marketing	555	495
Research and Development	487	456
Administration and Shared Services	308	280
	2,244	2,027

5 Auditor's remuneration

	2024 £'000	2023 £'000
Audit of these Financial Statements	345	250
Amounts received by the auditor and its associates in respect of:		
– Audit of Financial Statement of subsidiaries pursuant to legislation	757	542
– Audit-related assurance services	50	47
– Other assurance services	8	8
Total fees payable to the auditor and its associates	1,160	847

6 Financial income

	2024 £m	2023 £m
Interest receivable	3.2	1.1
Interest credit on pension scheme net assets	1.5	1.6
	4.7	2.7

7 Financial expenditure

	2024 £m	2023 £m
Bank interest payable	0.9	0.7
Interest on lease liabilities	0.8	0.5
Unwind of discount on contingent consideration	–	0.4
	1.7	1.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

8 Taxation

Income tax expense

	2024 £m	2023 £m
Recognised in the Consolidated Statement of Income		
Current tax expense		
Current year	17.1	10.2
Adjustment in respect of prior years	1.1	0.3
	18.2	10.5
Deferred tax expense		
Origination and reversal of temporary differences	1.6	5.1
Adjustment in respect of prior years	0.8	(0.7)
	2.4	4.4
Total tax expense	20.6	14.9
Reconciliation of effective tax rate		
Profit before income tax	71.3	73.5
Income tax using the weighted average statutory tax rate of 25% (2023: 21%)	17.8	15.4
Effect of:		
Tax rates other than the weighted average statutory rate	(0.2)	0.3
Change in rate at which deferred tax recognised	–	1.0
Transaction costs, deferred consideration and impairments not deductible for tax	0.4	–
Non-taxable income and expenses	0.7	(1.4)
Adjustment in respect of prior years	1.9	(0.4)
Total tax expense	20.6	14.9
Taxation credit recognised directly in other comprehensive income		
Current tax – relating to employee benefits	(2.1)	–
Deferred tax – relating to employee benefits	(2.7)	(9.7)
Taxation (credit)/charge recognised directly in equity		
Current tax – relating to share options	(0.6)	–
Deferred tax – relating to share options	1.1	(0.7)

The rate of UK corporation tax increased to 25% from 1 April 2023. The UK deferred tax assets and liabilities have been calculated based on the enacted rate of 25%.

The Group carries tax provisions in relation to uncertain tax positions arising from the possible outcome of negotiations with tax authorities. The provision is calculated using the expected value method from a range of possibilities and assumes that the tax authorities have full knowledge of the facts. Such provisions reflect the geographical spread of the Group's operations and the variety of jurisdictions in which it carries out its activities.

Deferred tax

	Property, plant and equipment £m	Inventory £m	Employee benefits £m	Intangible assets £m	Tax losses £m	Other £m	Total £m
Balance at 1 April 2022	(0.9)	3.2	(7.8)	(7.0)	6.7	4.1	(1.7)
Recognised in income	(3.1)	0.4	(2.5)	2.0	(1.5)	0.3	(4.4)
Recognised in other comprehensive income	–	–	9.7	–	–	–	9.7
Recognised directly in equity	–	–	0.7	–	–	–	0.7
Effect of movements in foreign exchange rates	–	0.1	–	–	0.3	–	0.4
Balance at 31 March 2023	(4.0)	3.7	0.1	(5.0)	5.5	4.4	4.7
Recognised in income	(3.4)	0.7	1.0	1.4	(2.1)	–	(2.4)
Recognised in other comprehensive income	–	–	2.7	–	–	–	2.7
Recognised directly in equity	–	–	(1.1)	–	–	–	(1.1)
Acquired on business combination	–	–	–	(2.5)	–	–	(2.5)
Effect of movements in foreign exchange rates	(0.1)	(0.1)	(0.3)	–	–	(0.1)	(0.6)
Balance at 31 March 2024	(7.5)	4.3	2.4	(6.1)	3.4	4.3	0.8

The deferred tax category of 'Other' includes deferred tax recognised on accounting general liability accruals/provisions, deferred revenue and bad debts. Deferred tax is recognised on provisions made against inventory on which tax relief has not yet been granted.

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

	Assets		Liabilities		Net	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Gross assets/(liabilities)	15.6	15.6	(14.8)	(10.9)	0.8	4.7
Offset	(1.9)	(3.1)	1.9	3.1	–	–
Net assets/(liabilities)	13.7	12.5	(12.9)	(7.8)	0.8	4.7

Deferred tax assets have not been recognised in respect of the following items:

	2024 £m	2023 £m
Tax losses	0.5	0.3

The tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets recognised on tax losses relate to gross unrecognised losses of £2.3m (2023: £1.1m). Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available in the subsidiaries concerned against which the Group can utilise the brought forward tax losses.

No deferred tax liability has been recognised in respect of £59.2m (2023: £50.6m) of undistributed earnings of overseas subsidiaries since the majority of such distributions would not be taxable. In other cases the Group considers that it is able to control the timing of remittances so that any tax is not expected to arise in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

9 Dividends

The following dividends per share were paid by the Group:

	2024 pence	2023 pence
Previous period final dividend	14.9	13.7
Current period interim dividend	4.9	4.6
	19.8	18.3

The following dividends per share were proposed by the Group in respect of each accounting period presented:

	2024 pence	2023 pence
Interim dividend	4.9	4.6
Final dividend	15.9	14.9
	20.8	19.5

The final dividend for the year to 31 March 2023 of 14.9 pence per share was approved by shareholders at the Annual General Meeting on 19 September 2023 and was paid on 12 October 2023. The interim dividend for the year to 31 March 2024 of 4.9 pence was approved by a sub-committee of the Board on 13 November 2023 and was paid on 12 January 2024.

The proposed final dividend for the year ended 31 March 2024 of 15.9 pence per share was not provided at the year end and is subject to shareholder approval at the Annual General Meeting on 25 July 2024. It is expected to be paid on 20 August 2024, to shareholders on the register on the record date of 12 July 2024, with an ex-dividend date of 11 July 2024 and with the last date of election for the Dividend Reinvestment Plan (DRIP) being 30 July 2024.

10 Earnings per share

Basic earnings per ordinary share (EPS) is calculated by dividing the profit attributable to equity shareholders of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares held by the Employee Benefit Trust, which have been treated as if they had been cancelled.

For the purposes of calculating diluted and diluted adjusted EPS, the weighted average number of ordinary shares is adjusted to include the weighted average number of ordinary shares that would be issued on the conversion of all potentially dilutive ordinary shares expected to vest, relating to the company's share-based payment plans. Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease EPS.

The following table shows the weight average number of shares used in the calculation and the effect of share options on the calculation of diluted earnings per share:

	2024 Shares million	2023 Shares million
Weighted average number of shares outstanding	57.9	57.7
Less: weighted average number of shares held by Employee Benefit Trust	(0.1)	–
Weighted average number of shares used in calculation of basic earnings per share	57.8	57.7
Effect of shares under option	0.8	0.7
Number of ordinary shares per diluted earnings per share calculations	58.6	58.4

Basic and diluted EPS are based on the profit for the period attributable to equity shareholders of the parent, as reported in the Consolidated Statement of Income. Adjusted and diluted adjusted EPS are based on adjusted profit for the period, as reported in Note 2:

	2024		2023	
	£m	Pence	£m	Pence
Profit attributable to equity shareholders of the parent/Basic EPS	50.7	87.7	58.6	101.6
Total underlying adjustments to profit before tax (Note 2)	12.0	20.8	8.5	14.7
Related tax effects	0.3	0.5	(2.1)	(3.6)
Adjusted profit attributable to equity shareholders of the parent/adjusted EPS	63.0	109.0	65.0	112.7
Diluted basic EPS		86.5		100.3
Diluted adjusted EPS		107.5		111.3

11 Acquisitions

Acquisition of First Light Imaging

On 9 January 2024, the Group acquired 100% of the issued share capital of First Light Imaging SAS ('First Light Imaging') on a cash-free, debt-free basis for consideration of €18.7m (£16.0m), of which €3.0m (£2.5m) was conditional on trading performance over a period of 12 months from the acquisition. The conditions for the deferred consideration were meeting certain revenue, order and margin thresholds. In the calculations below, it has been assumed that these thresholds have been met.

The book and provisional fair value of the assets and liabilities acquired is given in the table below. Provisional values have been used for all assets and liabilities, including deferred tax, because the initial acquisition accounting is incomplete at the date of this report. Fair value adjustments have been made to better align the accounting policies of the acquired business with the Group accounting policies and to reflect the fair value of assets and liabilities acquired.

	Book value £m	Provisional adjustments £m	Provisional fair value £m
Intangible assets	0.1	10.3	10.4
Property, plant and equipment	0.5	–	0.5
Right-of-use assets	0.7	–	0.7
Inventories	1.7	–	1.7
Trade and other receivables	2.9	–	2.9
Deferred tax	–	(2.6)	(2.6)
Trade and other payables	(2.1)	–	(2.1)
Lease liabilities	(0.7)	–	(0.7)
Bank loans	(2.2)	–	(2.2)
Cash	0.6	–	0.6
Net assets acquired	1.5	7.7	9.2
Goodwill			5.4
Total consideration			14.6
Net debt acquired			1.6
Deferred consideration after discounting to transaction date			(2.8)
Net cash outflow relating to the acquisition			13.4

The goodwill arising is considered to represent the value of the acquired workforce and the value of technology that has not been individually fair valued.

Acquisition-related costs in the year of £0.7m were expensed to the Consolidated Statement of Income as an adjusting item in the administration and shared services cost line. There were no acquisition-related costs in the prior year.

The acquisition contributed revenue of £0.6m, adjusted operating loss of £0.6m and a statutory loss before tax of £0.6m to the Group's profit for the prior year.

If the acquisition had occurred on the first day of the year the acquisition would have contributed revenue of £5.7m, adjusted operating profit of £0.3m and a statutory result before tax of £0.3m in the year.

Acquisition of WITec

On 31 August 2021, the Group acquired 100% of the issued share capital of WITec Wissenschaftliche Instrumente und Technologie GmbH ('WITec') on a cash-free, debt-free basis for consideration of €42m (£36.0m), of which €5m (£4.3m) was conditional on trading performance over a period of 12 months from the acquisition. The conditions for the deferred consideration were meeting certain revenue, order and margin thresholds.

In the prior year, contingent consideration of £4.8m was paid based on the performance of the Oxford Instruments WITec business in the year to 31 August 2022. The difference of £0.5m between contingent consideration provided at acquisition and that paid in January 2023 was due to an adjustment to the net assets purchased.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

12 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
Balance at 1 April 2022	21.8	40.4	8.3	70.5
Additions	24.2	6.0	2.1	32.3
Disposals	(0.1)	(3.7)	(0.3)	(4.1)
Exchange differences	–	0.4	0.1	0.5
Balance at 31 March 2023 and 1 April 2023	45.9	43.1	10.2	99.2
Additions – business combinations	0.1	0.3	0.1	0.5
Additions	15.8	9.7	1.5	27.0
Disposals	(0.6)	(0.5)	(0.1)	(1.2)
Exchange differences	0.3	0.4	(0.2)	0.5
Balance at 31 March 2024	**61.5**	**53.0**	**11.5**	**126.0**
Depreciation and impairment losses				
Balance at 1 April 2022	5.5	27.4	5.9	38.8
Depreciation charge for the year	0.4	4.0	0.4	4.8
Disposals	–	(3.7)	(0.3)	(4.0)
Exchange differences	–	0.3	–	0.3
Balance at 31 March 2023 and 1 April 2023	5.9	28.0	6.0	39.9
Depreciation charge for the year	0.5	4.2	0.6	5.3
Disposals	(0.5)	(0.5)	(0.1)	(1.1)
Exchange differences	–	1.4	–	1.4
Balance at 31 March 2024	**5.9**	**33.1**	**6.5**	**45.5**
Carrying amounts				
Balance at 1 April 2022	16.3	13.0	2.4	31.7
Balance at 31 March 2023 and 1 April 2023	40.0	15.1	4.2	59.3
Balance at 31 March 2024	**55.6**	**19.9**	**5.0**	**80.5**

Included within land and buildings are assets under construction with additions in the year of £12.2m and a carrying amount of £33.2m (2023: £31.3m).

13 Intangible assets

	Goodwill £m	Customer-related acquired intangibles £m	Technology-related acquired intangibles £m	Development costs acquired intangibles £m	Development costs internally generated £m	Software £m	Total £m
Cost							
Balance at 1 April 2022	122.6	33.1	98.2	1.8	49.2	4.3	309.2
Additions – internally generated	–	–	–	–	0.6	–	0.6
Disposals	–	–	–	–	(12.5)	–	(12.5)
Effect of movements in foreign exchange rates	2.0	1.0	2.8	–	–	–	5.8
Balance at 31 March 2023 and 1 April 2023	124.6	34.1	101.0	1.8	37.3	4.3	303.1
Additions – business combinations	5.4	0.2	10.1	–	–	0.1	15.8
Additions – internally generated	–	–	–	–	0.7	0.2	0.9
Disposals	–	–	–	–	(2.8)	–	(2.8)
Effect of movements in foreign exchange rates	(0.8)	(0.4)	(1.3)	–	–	–	(2.5)
Balance at 31 March 2024	**129.2**	**33.9**	**109.8**	**1.8**	**35.2**	**4.6**	**314.5**
Amortisation and impairment losses							
Balance at 1 April 2022	22.2	24.8	71.9	1.5	45.2	2.9	168.5
Amortisation and impairment charged	–	1.4	7.8	0.1	2.2	–	11.5
Disposals – other	–	–	–	–	(12.5)	–	(12.5)
Effect of movements in foreign exchange rates	0.7	0.8	1.9	–	–	0.1	3.5
Balance at 31 March 2023 and 1 April 2023	22.9	27.0	81.6	1.6	34.9	3.0	171.0
Amortisation and impairment charged	–	1.2	7.9	–	0.6	0.1	9.8
Disposals	–	–	–	–	(2.8)	–	(2.8)
Effect of movements in foreign exchange rates	(0.3)	(0.4)	(0.6)	(0.3)	0.1	0.1	(1.4)
Balance at 31 March 2024	**22.6**	**27.8**	**88.9**	**1.3**	**32.8**	**3.2**	**176.6**
Carrying amounts							
Balance at 1 April 2022	100.4	8.3	26.3	0.3	4.0	1.4	140.7
Balance at 31 March 2023 and 1 April 2023	101.7	7.1	19.4	0.2	2.4	1.3	132.1
Balance at 31 March 2024	**106.6**	**6.1**	**20.9**	**0.5**	**2.4**	**1.4**	**137.9**

During the year the Group made impairments of £nil (2023: £0.8m) in respect of capitalised development costs. Further information can be found in Note 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

13 Intangible assets continued

The following intangible assets are considered material by the Directors as they represent 98% (2023: 97%) of total acquired intangible assets:

	2024			2023
	£m	Amortisation period years	Remaining amortisation period years	£m
Trademarks – Andor	3.9	15.0	4.8	4.7
Technology, know-how and patents – Andor:				
– Product related	7.3	12.0	1.8	11.9
– Software related	–	10.0	–	0.9
Trademarks – WITec	2.0	10.0	7.6	2.3
Technology, know-how and patents – WITec	2.4	5.0	2.6	3.6
Trademarks – First Light Imaging	0.2	2.0	1.8	–
Technology, know-how and patents – First Light Imaging:				
– OCAM	0.3	12.0	11.8	–
– C-RED	9.3	14.0	13.8	–
Technology, know-how and patents – Asylum	1.0	12.0	0.7	2.4

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill was allocated to individual CGUs as follows:

	2024 £m	2023 £m
Materials & Characterisation		
NanoAnalysis	9.9	10.0
Magnetic Resonance	2.3	2.3
WITec	21.0	21.5
Research & Discovery		
Andor	66.7	61.2
NanoScience	6.7	6.7
	106.6	101.7

In the current year, Andor includes a provisional goodwill amount of £5.4m relating to the acquisition of First Light Imaging as shown in Note 11. All other movements in the year relate to changes in exchange rates.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Accounting standards require an impairment test to be carried out by determining the recoverable amount of each CGU which contains goodwill. The recoverable amount is calculated as the higher of the fair value less costs to sell or the value in use of the CGU. In the Group's case, the recoverable amount is based on value in use calculations. Value in use is calculated by discounting expected future cash flows and in particular Board-approved five-year cash flow forecasts, prepared by the management of each CGU and reviewed and amended by Group management as necessary, together with 2.5% per annum growth for the subsequent 20 years. This rate was considered to be at or below long-term market trends for the Group's businesses.

Key assumptions

The key assumptions are those regarding discount rates and growth rates.

The growth rates are at or below the Group's view on long-term trends within its markets. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The post-tax weighted average costs of capital used for Materials & Characterisation and Research & Discovery in impairment testing are 13.1%-13.6% (2023: 12.8%-13.3%) and 13.1%-13.6% (2023: 12.8%-13.3%) respectively, in line with the risk associated with each of the business segments. Management has estimated these discount rates by reference to past experience and an industry average weighted cost of capital as adjusted for appropriate risk factors reflecting current economic circumstances and the risk profiles of each CGU.

Sensitivity analysis

The Group's estimate of impairments are most sensitive to changes in the discount rate and forecast growth rate. Sensitivity analysis has been carried out by reference to both of these assumptions. This demonstrated that a 460 basis point increase in the discount rate would be required in order to eliminate the headroom of £27.1m in the recently acquired WITec business – along with a 20% deterioration from the five-year forecast. Similarly, a reduction in the growth rate to -6.2% – again, along with a 20% deterioration from the five-year forecast, would be required in order to result in an impairment in that business. No reasonably possible change in assumptions would result in an impairment in the other businesses.

14 Leases

The Group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation and in others to be reset periodically to market rental rates. In some jurisdictions' property leases, the periodic rent is fixed over the lease term.

The Group also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would expose the Group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Group.

The Group leases assets including land and buildings, vehicles and machinery. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	Property leases £m	Other leases £m	Total £m
Cost			
Balance at 1 April 2022	25.0	2.6	27.6
Additions	17.4	0.8	18.2
Modifications	(1.0)	–	(1.0)
Disposals	–	(0.5)	(0.5)
Exchange differences	1.1	0.1	1.2
Balance at 31 March 2023	42.5	3.0	45.5
Additions – business combinations	0.7	–	0.7
Additions	5.8	0.2	6.0
Disposals	(1.1)	(0.2)	(1.3)
Exchange differences	(1.5)	(0.1)	(1.6)
Balance at 31 March 2024	**46.4**	**2.9**	**49.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

14 Leases continued

	Property leases £m	Other leases £m	Total £m
Amortisation and impairment losses			
Balance at 1 April 2022	8.4	1.3	9.7
Amortisation charge for the year	4.1	0.5	4.6
Disposals	–	(0.5)	(0.5)
Exchange differences	0.3	–	0.3
Balance at 31 March 2023	12.8	1.3	14.1
Amortisation charge for the year	4.5	0.5	5.0
Disposals	(1.6)	(0.1)	(1.7)
Exchange differences	(0.5)	–	(0.5)
Balance at 31 March 2024	15.2	1.7	16.9
Carrying amounts			
Balance at 1 April 2022	16.6	1.3	17.9
Balance at 31 March 2023 and 1 April 2023	29.7	1.7	31.4
Balance at 31 March 2024	31.2	1.2	32.4

Lease payables

	2024 £m	2023 £m
Balance at beginning of year	31.4	18.4
Additions – business combinations	0.7	–
Additions	6.0	18.1
Modifications	–	(1.0)
Payments made (cash flows from financing activities)	(4.8)	(5.6)
Interest charge	0.8	0.5
Effect of movements in foreign exchange rates	(0.7)	1.0
	33.4	31.4
Amounts falling due after more than one year	28.6	26.2
Amounts falling due in less than one year	4.8	5.2

Amounts recognised in Consolidated Statement of Income

	2024 £m	2023 £m
Interest on lease liabilities	(0.8)	(0.5)
Amortisation of right-of-use assets	(5.0)	(4.6)

Amounts recognised in Consolidated Statement of Cash Flows

The total cash outflow for leases in the year ended 31 March 2024 was £4.8m (2023: £5.6m).

15 Inventories

	2024 £m	2023 £m
Raw materials and consumables	59.0	39.8
Work in progress	27.3	23.5
Finished goods	22.1	18.1
	108.4	81.4

The amount of inventory recognised as an expense was £182.4m (2023: £172.8m). In the ordinary course of business, the Group makes impairment provisions for slow-moving, excess and obsolete inventory as appropriate. Inventory is stated after charging impairments of £1.2m in the current period (2023: £1.3m). In the current year, £nil (2023: £nil) was reversed relating to previous impairments. Impairments are included within gross profit.

Inventory carried at net realisable value is £0.2m (2023: £1.7m).

16 Trade and other receivables

	2024 £m	2023 as restated[1] £m
Trade receivables	88.5	91.3
Less provision for impairment of receivables	(3.6)	(3.5)
Net trade receivables	84.9	87.8
Accrued income	11.7	9.4
Prepayments	9.9	6.6
Other receivables	8.2	9.4
	114.7	113.2

1. The trade receivable and accrued income amounts in the table above have been restated to correct an amount recognised within revenue which had not been invoiced to the customer. As a result, at 31st March 2023 trade receivables have reduced by £4.6m, and accrued income has increased by £4.6m.

Trade receivables are non-interest-bearing. Standard credit terms provided to customers differ according to business and country and are typically between 30 and 60 days.

The maximum exposure to credit risk for trade and other receivables plus accrued income, by geographic region, was:

	2024 £m	2023 £m
UK	11.6	17.5
China	16.1	16.2
Japan	15.5	15.8
USA	24.3	29.8
Germany	6.4	7.4
Rest of Europe	16.1	10.6
Rest of Asia	10.4	6.3
Rest of World	4.4	3.0
	104.8	106.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

16 Trade and other receivables continued

The ageing of financial assets comprising net trade receivables and other receivables plus accrued income at the reporting date was:

	2024 £m	2023 £m
Current (not overdue)	54.7	63.1
Less than 31 days overdue	20.5	18.8
More than 30 but less than 91 days overdue	15.2	10.8
More than 90 days overdue	14.4	13.9
	104.8	106.6

In the current year £0.2m (2023: nil) of the provision against trade receivables and other receivables plus accrued income relates to balances less than 90 days overdue. The remaining balance relates to balances more than 90 days overdue.

The movement of the Group's expected credit losses provision in respect of trade receivables and other receivables plus accrued income are as follows:

	2024 £m	2023 £m
Balance at start of year	3.5	3.6
Increase/(decrease) in loss allowance recognised in the Consolidated Statement of Income during the year	0.1	(0.1)
Balance at end of year	3.6	3.5

The loss allowance is recognised in the administration and shared services line in the Consolidated Statement of Income.

17 Contract assets and liabilities

	2024			2023 as restated[1]		
	Contract asset	Contract liability		Contract asset	Contract liability	
	Accrued income £m	Customer deposits £m	Deferred income £m	Accrued income £m	Customer deposits £m	Deferred income £m
Balance at 1 April	9.4	(52.1)	(21.3)	4.2	(41.3)	(21.2)
Acquired balances	–	(0.4)	(0.7)	–	–	–
Transfers in the period from contract assets to trade receivables	(9.4)	–	–	(4.2)	–	–
Amounts included in contract liabilities that were recognised as revenue during the period	–	48.5	21.3	–	38.6	21.2
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	11.7	–	–	9.4	–	–
Cash received in advance of performance and not recognised as revenue during the period	–	(54.4)	(22.2)	–	(49.4)	(21.3)
Balance at 31 March	11.7	(58.4)	(22.9)	9.4	(52.1)	(21.3)

1. Details of restatement of prior year numbers can be found in note 16.

Contract assets and contract liabilities are included within trade and other receivables and trade and other payables respectively on the face of the Consolidated Statement of Financial Position.

Payment terms for the sale of large goods typically require payment of a deposit on order, with the remaining payments due on shipment, and in some cases installation. For lower value goods, payment is typically required at shipment. Maintenance and service contracts are generally paid in full at inception. There is no financing component in the arrangements, and contracts are for specified, pre-agreed amounts with no variable element.

18 Cash and cash equivalents

	2024 £m	2023 £m
Cash balances	97.8	112.7
Bank overdrafts (Note 19)	(12.3)	(11.2)
Cash and cash equivalents in the Consolidated Statement of Cash Flows	85.5	101.5

19 Borrowings

	2024 £m	2023 £m
Current		
Bank loans at First Light Imaging	0.4	–
Covid-19 loan at WITec	0.4	0.4
Bank overdrafts	12.3	11.2
At the end of the year	13.1	11.6

	2024 £m	2023 £m
Non-current		
Bank loans at First Light Imaging	0.4	–
Covid-19 loan at WITec	0.5	0.9
At the end of the year	0.9	0.9

On 19 March 2024, the Group entered into a new multi-currency revolving facility agreement, which is committed until March 2028 with 15-month and 12-month extension options at the end of the first and second years respectively. The facility has been entered into with four banks and comprises a euro-denominated multi-currency facility of €95m and a US dollar denominated multi-currency facility of $150m. Debt covenants are net debt to EBITDA less than 3.0 times and EBITDA to interest greater than 4.0 times.

The Group's undrawn committed facilities available at 31 March 2024 were £200.2m, comprising the undrawn portion of the Group's £200.2m revolving credit facilities.

Bank overdrafts reflect the aggregated overdrawn balances of Group companies (even if those companies have other positive cash balances). The overdrafts are held with the Group's relationship banks.

The Group's uncommitted overdraft facilities at 31 March 2024 were £18.3m (2023: £18.8m).

A reconciliation of the Group's borrowings balances is shown below.

	2024 £m	2023 £m
Balance at the beginning of the year	12.5	10.5
Increase in borrowings (from acquisition of First Light Imaging)	2.2	–
Repayment of borrowings (cash flow from financing activities)	(1.8)	(0.5)
Increase/(decrease) in bank overdrafts	1.1	2.5
Interest charged	0.9	0.7
Interest paid	(0.9)	(0.7)
At the end of the year	14.0	12.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20 Trade and other payables

	2024 £m	2023 £m
Trade payables	32.6	30.3
Customer deposits	58.4	52.1
Social security and other taxes	6.3	6.1
Accrued expenses	39.3	44.9
Deferred income	22.9	21.3
Other payables	6.7	4.7
	166.2	159.4

21 Provisions for other liabilities and charges

	Warranties £m	IP-related claims £m	Other £m	Total £m
Balance as at 1 April 2023	3.6	0.6	3.4	7.6
Provisions made during the year	3.5	–	1.3	4.8
Provisions used during the year	(1.8)	–	(1.3)	(3.1)
Provisions released during the year	(2.1)	–	(0.7)	(2.8)
Exchange differences	–	–	(0.1)	(0.1)
Balance as at 31 March 2024	3.2	0.6	2.6	6.4
Amounts falling due before one year	3.2	0.6	2.6	6.4
Amounts falling due after more than one year	–	–	–	–

Warranty provisions

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business and included within the Group companies' standard terms and conditions. Warranty commitments typically apply for a 12-month period. The provision represents the Directors' best estimate of the Group's liability based on past experience.

Intellectual property-related claims

The company has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent the Directors' best estimate of the likely outcome. The timing of utilisation of these provisions is frequently uncertain, reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent the Directors' best estimate of the future cost of settling obligations arising from past activity and reflect the Directors' assessment of the likely settlement method, which may change over time. However, no provision is made for proceedings which have been brought by other parties against Group companies unless the Directors, taking into account professional advice received, assess that it is more likely than not that such proceedings may be successful. In respect of the provision for IP-related claims the range of possible outcomes is between £nil and £0.6m.

Other provisions

Other provisions relate to various obligations including obligations in respect of onerous contracts, product-related liabilities, dilapidation provisions and provisions for other claims.

22 Financial instruments

Fair values of financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		2024		2023 as restated[1,2]	
	Fair value hierarchy £m	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets measured at fair value					
Derivative financial assets:					
– Foreign currency contracts	2	2.5	2.5	2.0	2.0
Financial assets measured at amortised cost					
Long-term receivables		1.3		0.5	
Trade receivables		84.9		87.8	
Other receivables and accrued income		15.1		13.0	
Cash and cash equivalents		97.8		112.7	
Financial liabilities measured at fair value					
Derivative financial liabilities:					
– Foreign currency contracts	2	(0.1)	(0.1)	(1.2)	(1.2)
Financial liabilities measured at amortised cost					
Trade and other payables		(78.6)		(79.9)	
Bank overdrafts		(12.3)		(11.2)	
Borrowings		(1.7)		(1.3)	
Lease payables		(33.4)		(31.4)	

1. The other receivables and accrued income and trade and other payables balances in the table above, as at 31 March 2023, have been restated to remove the tax-related balances which do not meet the accounting definition of financial assets and liabilities. As a result, at 31 March 2023, other receivables and accrued income were reduced by £5.8m, while trade and other payables were reduced by £6.1m.
2. Details of restatements of prior period numbers for trade receivables and other receivables and accrued income can be found in note 16.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the above table.

Derivative financial instruments

Derivative financial instruments are marked-to-market using market prices.

Fixed and floating rate borrowings

The fair value of fixed and floating rate borrowings is estimated by discounting the future contracted principal and interest cash flows using the market rate of interest at the reporting date.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the carrying amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine their fair value. Advances received are excluded from other payables above as these are not considered to be financial liabilities. Tax-related receivables and payables are excluded from the above table as these are not considered to be financial assets and liabilities.

Lease payables

The lease liability is measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

22 Financial instruments continued

Fair value hierarchy

The table above gives details of the valuation method used in arriving at the fair value of financial instruments. The different levels have been identified as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

There have been no transfers between levels during the year.

23 Financial risk management

The Group's multinational operations and debt financing expose it to a variety of financial risks. In the course of its business, the Group is exposed to foreign currency risk, interest rate risk, liquidity risk, commodity risk and credit risk. Financial risk management policies are set by the Board of Directors. These policies are implemented by a central treasury function that has formal procedures to manage foreign exchange risk, interest rate risk and liquidity risk, including, where appropriate, the use of derivative financial instruments. Commodity risk is managed locally by the operating businesses. The Group has clearly defined authority and approval limits.

In accordance with its Treasury Policy, the Group does not hold or use derivative financial instruments for trading or speculative purposes. Such instruments are only used to manage the risks arising from operating or financial assets or liabilities or highly probable future transactions.

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates. In common with a number of other companies, the Group has decided that the additional costs of meeting the extensive documentation requirements of IFRS 9 to apply hedge accounting to derivative financial instruments used for hedging exposure to foreign currency and interest rate volatility cannot be justified. Accordingly, the Group does not use hedge accounting for such derivatives.

Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of Sterling (translational exposures). The Group has operations around the world which record their results in a variety of different local functional currencies. In countries where the Group does not have operations, it invariably has some customers or suppliers that transact in a foreign currency. The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies but the Group's primary exposures relate to the US Dollar, the Euro and the Japanese Yen. To reduce uncertainty, the Group maintains a rolling hedge of forward contracts equivalent to 80% (2023: 80%) of the exposure expected to arise over the following 12 months. The remaining 20% is sold on the spot market. The fair value of outstanding currency contracts recognised as a liability as at 31 March 2024 amount to £0.1m (2023: £1.2m) and those recognised as an asset amount to £2.5m (2023: £2.0m).

Movements in the fair value of derivative financial instruments are recognised in the Consolidated Statement of Income immediately. However, in order to facilitate a more meaningful comparison of the Group's performance year-on-year, the elements of these movements that relate to hedges in respect of future sales are treated as an adjusting item in the calculation of adjusted earnings (Note 2).

The Group's translational exposures to foreign currency risks can relate both to the Consolidated Statement of Income and net assets of overseas subsidiaries. The Group's policy is not to hedge the translational exposure that arises on consolidation of the Consolidated Statements of Income of overseas subsidiaries.

Interest rate risk

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates. The Group's policy is to use a mixture of revolving short and medium-term floating rate debt underpinned by longer-term fixed rate debt. The short and medium-term floating rate debt provides flexibility to reduce debt levels as appropriate. The longer-term fixed rate debt provides stability and cost certainty to the Group's financing structure.

Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk by maintaining adequate committed lines of funding from high-quality lenders. The facilities committed to the Group as at 31 March 2024 are set out in Note 19.

Credit risk

Credit risk arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial assets such as cash balances, derivative financial instruments, accrued income, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables and cash balances. The amounts recognised in the Consolidated Statement of Financial Position are net of expected credit losses, which are estimated by the Group's management based on the Group's historical experience of losses, along with consideration of any reasonably and supportable forward-looking information and expectations. Due to its wide geographic base and large number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables. The Group's experience of credit loss is minimal, which has and continues to be mitigated through receiving payment in advance of delivery or using trade guarantees provided by the Group's relationship banks. In the unusual event of a particular issue with a particular customer, a specific provision will be made if appropriate. Trade receivables are subject to credit limits and control and approval procedures in the operating companies. There has been no material change in the Group's experience of credit losses over the reporting period.

Credit risk associated with cash balances and derivative financial instruments is managed by transacting with financial institutions with high-quality credit rating. In particular, a Board-approved policy sets out guidelines for which categories of institutions may be used and the maximum amount which may be invested with each institution within a particular category. Accordingly, the Group's associated credit risk is limited. The Group has no significant concentration of credit risk. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Group Consolidated Statement of Financial Position.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk by type of asset at 31 March 2024 is as shown below:

	2024 £m	2023 as restated[1] £m
Long-term receivables	1.3	0.5
Trade receivables	84.9	87.8
Other receivables and accrued income	15.1	13.0
Cash and cash equivalents	97.8	112.7
Derivative financial instruments	2.5	2.0
	201.6	216.0

1. Details of restatements of prior period numbers for trade receivables and other receivables and accrued income can be found in note 16.

The maximum exposure to credit risk for trade receivables is discussed in Note 16.

Other receivables include £4.8m (2023: £5.8m) in respect of VAT and similar taxes which are not past due date.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board's long-term objective is to have an efficient capital structure by maintaining a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. This is monitored by reference to the ratio of net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) and the Board has set itself internal limits, which are well inside any covenants the Group has with lenders. The Group maintains the right to purchase its own shares in the market; the timing of these purchases would depend on market prices. Buy and sell decisions are made on a specific transaction basis by the Board.

Each year the Board carefully considers the appropriate level of dividend payments. In doing this, the Board looks to increase dividends in line with underlying earnings, although the Board will also take into account other considerations in its decision-making process. The Board does not have a policy to pay a fixed dividend yield or to maintain a fixed rate of dividend cover but assesses both of these metrics in line with sustained earnings growth.

The Board encourages employees to hold shares in the company. As well as various share option plans (full details of which are given in Note 26), from April 2008 all UK employees have been offered the opportunity to take part in a Share Incentive Plan (SIP). Under this plan, employees are able to invest up to £1,800 each tax year in shares in the company. The company awards one additional free share (a matching share) for every five shares bought by each employee.

There were no changes to the Group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 Financial risk management continued

Maturity of financial liabilities

2024	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due one to five years £m	Due more than five years £m
Foreign exchange contracts	(0.1)	0.1	0.1	–	–
Trade and other payables	(78.6)	78.6	78.6	–	–
Bank overdrafts	(12.3)	12.3	12.3	–	–
Borrowings	(1.7)	1.7	1.2	0.5	–
Lease payables	(33.4)	36.8	5.3	17.3	14.2
	(126.1)	129.5	97.5	17.8	14.2

2023	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due one to five years £m	Due more than five years £m
Foreign exchange contracts	(1.2)	1.2	1.2	–	–
Trade and other payables	(79.9)	79.9	79.9	–	–
Bank overdrafts	(11.2)	11.2	11.2	–	–
Borrowings	(1.3)	1.3	0.4	0.9	–
Lease payables	(31.4)	31.4	4.5	13.8	13.0
	(125.0)	125.0	97.2	14.7	13.0

	Carrying amount 2024 £m	Carrying amount 2023 £m
Variable rate instruments		
Cash and cash equivalents	97.8	112.7
Bank overdrafts	(12.3)	(11.2)
Fixed rate instruments		
Financial assets	–	–
Bank loans	(1.7)	(1.3)

Sensitivity analysis

The Group has estimated the impact on the Consolidated Statement of Income and on equity of the following changes in market conditions at the balance sheet date:

- one percentage point increase in interest rates;
- ten percentage point weakening in the value of Sterling against all currencies; and
- ten percentage point strengthening in the value of Sterling against all currencies.

The sensitivities above represent the Directors' view of reasonably possible changes in each risk variable, not worst-case scenarios or stress tests. The outputs from the sensitivity analysis are estimates of the impact of market risk assuming that the specified changes occur at the year end and are applied to the risk exposures at that date. Accordingly, they show the impact on the balance sheet of an instantaneous shock. The calculations include all hedges in place at the year end.

Actual results in the future may differ materially from these estimates due to commercial actions taken to mitigate any potential losses from such rate movements, to the interaction of more than one sensitivity occurring and to further developments in global financial markets. As such, this table should not be considered as a projection of likely future gains and losses.

2024	1% increase in interest rates £m	10% weakening in Sterling £m	10% strengthening in Sterling £m
Impact on adjusted profit (Note 2)	0.9	(15.4)	15.5
Impact on reported profit	0.9	(12.2)	12.2
Impact on equity	0.7	(11.6)	11.6

2023	1% increase in interest rates £m	10% weakening in Sterling £m	10% strengthening in Sterling £m
Impact on adjusted profit (Note 2)	0.9	(10.2)	10.2
Impact on reported profit	0.9	(7.5)	7.5
Impact on equity	0.8	(6.1)	6.1

24 Retirement benefit obligations

The Group operates a defined benefit plan in the UK. The plan offers pensions in retirement and death in service benefit to members. Pension benefits are related to members' final salary at retirement and their length of service. The scheme has been closed to new members since 2001 and closed to future accrual since 2010.

The amounts recognised in the Consolidated Statement of Financial Position are:

	2024 £m	2023 £m
Present value of funded obligations	223.6	225.1
Fair value of plan assets	(239.7)	(251.5)
Recognised asset for defined benefit obligations	(16.1)	(26.4)

The reconciliation of the opening and closing balances of the present value of the defined benefit obligation is as follows:

	2024 £m	2023 £m
Benefit obligation at the beginning of the year	225.1	300.0
Past service cost	0.4	–
Interest on defined benefit obligation	10.5	8.2
Benefits paid	(11.0)	(12.3)
Remeasurement (gain)/loss on obligation	(1.4)	(70.8)
Benefit obligation at the end of the year	223.6	225.1

The reconciliation of the opening and closing balances of the present value of the fair value of plan assets is as follows:

	2024 £m	2023 £m
Fair value of plan assets at the beginning of the year	251.5	351.7
Interest on plan assets	12.0	9.8
Contributions by employer	8.5	12.2
Benefits paid	(11.0)	(12.3)
Administrative expenses	(0.5)	(0.5)
Actual return on assets excluding interest income	(20.8)	(109.4)
Fair value of plan assets at the end of the year	239.7	251.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24 Retirement benefit obligations continued

Defined contribution schemes

In the UK, employees are offered participation in the defined contribution Oxford Instruments Stakeholder Plan. The company contribution rate and employee contribution rate varies between grades and whether the individual had previously been in the defined benefit scheme. The company contribution ranges between 4% and 14% of base salary. The Group also operates a 401k defined distribution plan in the US. Details of pension schemes contributions made in respect of Directors can be found in the Remuneration Report.

The expense recognised in the Consolidated Statement of Income is:

	2024 £m	2023 £m
Total defined benefit income	(1.0)	(1.1)
Contributions to defined contribution schemes	6.5	6.2
	5.5	5.1

Pension costs are recorded in the following lines in the Consolidated Statement of Income:

	2024 £m	2023 £m
Cost of sales	2.1	1.7
Research and development	1.6	1.5
Selling and marketing costs	1.3	1.4
Administration and shared services	2.0	2.1
Financial income	(1.5)	(1.6)
	5.5	5.1

The Group has agreed a basis for deficit recovery payments with the trustees of the UK pension scheme. The deficit recovery payments are payable through to and including 2026 and will rise by approximately 3% per annum. The annual deficit recovery payment was £8.5m (2023: £8.2m) for the financial year. In the prior year, the Directors decided to make an additional one-off payment of £4.0m to the UK pension scheme to reduce the Group's exposure.

In 2018 the trustees of the UK defined benefit scheme, in consultation with the company, reduced its exposure to on-risk assets (a portfolio of market-focused asset classes, the majority being equities) with a corresponding increase in its liability-driven investments, with the objective of steering a more stable journey to being fully funded. The pension fund's gross exposure to on-risk assets fell from 85% to 45%; the majority of transactions required to make this change were completed in February 2018. As a result, the level of risk inherent in the investment strategy is now significantly lower than previously, in addition to a substantial reduction in funding level volatility. Following investment outperformance and contributions made by the Group in the year to 31 March 2022 the allocation to on-risk assets has been further reduced to 35%, with a view to further reduction in funding level volatility.

The Group has considered the requirements of IFRIC 14. The terms of the scheme give the Group the right to recover any surplus assets on the scheme upon wind-up and therefore management has concluded that there is no impact on the amounts recognised in respect of retirement benefit obligations, i.e. there is no need to apply the 'asset ceiling'.

The Group expects to contribute approximately £8.7m to the UK defined benefit plan in the next financial year.

Remeasurement gains and losses shown in the Consolidated Statement of Comprehensive Income:

	2024 £m	2023 £m
Actual return on assets excluding interest income	(20.8)	(109.4)
Experience loss on scheme obligations	(5.4)	(10.3)
Changes in assumptions underlying the present value of scheme obligations:		
– Financial	3.1	78.3
– Demographic	3.7	2.8
Actuarial losses recorded in the Statement of Comprehensive Income	(19.4)	(38.6)

The table below shows the sensitivity of the Consolidated Statement of Financial Position to changes in the significant pension assumptions:

	2024 £m	Discount rate (-0.1% p.a.) £m	Inflation rate (+0.1% p.a.) £m	Life expectancy (+one year) £m
Present value of funded obligations	223.6	226.5	225.9	231.0
Fair value of plan assets	(239.7)	(239.7)	(239.7)	(239.7)
Surplus	(16.1)	(13.2)	(13.8)	(8.7)

The valuation of defined benefit liabilities is most sensitive to changes in the discount rate, inflation rate and mortality rate. The sensitivities have been calculated by running the liability calculations in full using the alternative assumptions. In each case, only the indicated assumption has changed by the amount stated. For the inflation sensitivity, the impact on the assumptions that are based on RPI inflation, such as CPI inflation and the inflation-linked pension increases, has been included.

Defined benefit scheme – UK

A full actuarial valuation of the UK plan was carried out as at 31 March 2021 which, for reporting purposes, has been updated to 31 March 2024 by a qualified independent actuary.

The major assumptions used by the actuary for the purposes of IAS 19 were (in nominal terms):

	2024 %	2023 %
Discount Rate	4.8	4.8
Rate of increase in pensions in payment ('3LPI')	2.2	2.3
Rate of increase in pensions in payment ('5LPI')	2.9	3.0
Rate of inflation ('CPI')	2.3	2.4
Rate of inflation ('RPI')	3.0	3.2
Mortality – pre and post-retirement	91% of S2PA tables (93% for females) future improvement in line with CMI 2022 with 1.25% long-term trend	97% of S2PA tables (99% for females) future improvement in line with CMI 2021 with 1.25% long-term trend

As at 31 March 2024 the weighted average duration of the defined benefit obligations was 13 years (2023: 13.5 years).

The mortality assumptions imply the following expected future lifetime from age 65:

	2024 years	2023 years
Pre-retirement – males	23.2	23.2
Pre-retirement – females	25.3	25.3
Post-retirement – males	21.8	21.9
Post-retirement – females	23.8	23.8

The assumptions have been chosen by the Directors from a range of possible actuarial assumptions, which, due to the timescales covered, may not be borne out in practice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24 Retirement benefit obligations continued

The assets in the plan were:

	2024 £m	2023 £m
Equities	7.5	62.9
Corporate and Emerging Market Bonds	22.9	22.1
Gilts	174.3	113.5
Property	–	5.4
Insurance-linked funds	5.8	12.2
Credit and global loan funds	0.1	0.1
Hedge funds	24.3	25.5
Cash	4.8	9.8
	239.7	251.5

Where assets have no observable market price a valuation will be provided by the fund manager. The scheme's investment manager will accept that valuation if it is within the expected range of performance. Otherwise, the investment manager will query the valuation with the fund manager. Complex financial instruments are valued by the scheme's investment manager who uses financial models which take as their input the characteristics of the instrument and observable market data such as swap rates.

The UK pension scheme implements a liability hedge strategy which is designed to protect the scheme's funding level from changes in gilt yields and inflation expectations. The liability hedge strategy consists of a portfolio of gilts, gilt derivatives, interest rate and inflation swaps. At 31 March 2019, the liability hedge strategy fully covered the scheme's liabilities from changes in gilt yields and inflation expectations. However, this is not a precise match for the IAS 19 defined benefit obligation, which is based on corporate bond yields rather than gilt yields.

25 Capital and reserves

Issued and fully paid ordinary shares:

	2024 Number of shares	2023 Number of shares
At the beginning of the year	57,712,508	57,654,455
Issued for cash	201,284	58,053
At the end of the year	57,913,792	57,712,508

	2024		2023	
	Number of shares	£m	Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of 5 pence each	57,913,792	2.9	57,712,508	2.9

The holders of the ordinary shares are entitled to receive dividends as declared, a proportionate amount of capital on a winding up of the company and one vote per share at meetings of the company.

Other reserves comprise the capital redemption reserve, which represents the nominal value of shares repurchased and then cancelled during the year ended 31 March 1999.

The foreign exchange translation reserve comprises all foreign exchange differences arising since 1 April 2004 from the translation of the Group's net investments in foreign subsidiaries into Sterling.

26 Share option schemes

Share Incentive Plan (SIP)

UK employees may be eligible to participate in the Group's HM Revenue and Customs-approved SIP. Participating employees may make a cash contribution to the SIP of up to £1,800 each year. The Group contributes a further amount equal to 20% of the employee's contribution. Independent trustees then purchase partnership and matching shares in the market on behalf of the employees. Subject to the rules of the SIP, matching shares may be withdrawn without forfeiture after they have been held for three years', provided the participant has remained an employee. On a similar basis, shares can be withdrawn tax-free after five years' service.

Long-Term Incentive Plan (LTIP)

Under the LTIP awards of nominally priced options of £0.05, conditional share awards or cash conditional awards may be made annually to certain senior managers.

Subject to vesting based on the achievement of performance targets and the rules of the LTIP, options granted under the plan may have a life of ten years, including a vesting period of three years. Subject to vesting based on performance and the rules of the LTIP, conditional share awards and cash conditional awards will vest appropriately three years after the award date. Awards were valued using the Black-Scholes option pricing models with the exception of options relating to the total shareholder return tranche which were valued using Stochastic option-pricing models. Under the LTIP, Richard Tyson was granted two awards of nominally priced options of £0.05, which comprised part of the buy-out arrangements to replace the 2021 and 2022 LTIP awards from his previous employer, TT Electronics plc, which lapsed in connection with his joining the company. Further information can be found in the Directors' Remuneration Report on page 136.

Share option schemes that have been discontinued but for which options were outstanding at the year end include the following:

Performance Share Plan (PSP)

Under the PSP, awards of nominally priced options of £0.05 were made annually to certain senior managers. The last grants were made under this scheme in 2022. Awards to persons other than the Executive Directors may also be referred to as Medium Term Incentive Plan awards ('MTIP'). Subject to vesting based on the achievement of performance targets and the rules of the PSP, awards may have a life of ten years, including a vesting period of a minimum of three years. Options were valued using the Black-Scholes option-pricing models.

Executive Share Option Scheme (ESO)

Under the ESO awards of approved options, unapproved options and share appreciation rights were made annually to certain senior managers. The last grants were made under this scheme in 2016. The exercise prices were determined according to the mid-market closing share price on the day before the date of grant. Subject to vesting based on the achievement of performance targets and the rules of the ESO, awards may have a life of ten years, including a vesting period of a minimum of three years. Options were valued using the Black-Scholes option-pricing models.

Performance conditions

Awards under the ESO, PSP and LTIP schemes may be or may have been subject to the achievement of certain performance conditions. The performance conditions applicable for the Executive Directors of Oxford Instruments plc, can be found in the Directors' Remuneration Report on pages 120 to 143.

Administrative expenses include a charge of £3.0m (2023: £2.4m) in respect of the cost of providing share-based remuneration. The cost of share awards is calculated by estimating the fair value of the award at grant date and spreading that amount over the vesting period after adjusting for an expectation of non-vesting.

For awards granted in the years ended 31 March 2024 and 2023, the fair value and the assumptions used in the calculation are as follows:

	LTIP: CEO November 2023	LTIP CEO buy-out 2021 November 2023	LTIP CEO buy-out 2022 November 2023	LTIP CFO September 2023	LTIP: Options September 2023	LTIP: Conditional Shares September 2023	PSP: MTIP June 2022	PSP June 2022
Weighted average fair value of options granted	£16.99	£11.04	£13.38	£18.19	£19.09	£21.16	£18.86	£18.86
Share price at grant date	£20.55	£20.55	£20.55	£21.75	£21.75	£21.75	£19.40	£15.80
Exercise price	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05
Expected volatility	41.3%	31.5%	30.9%	40.5%	40.5%	n/a	47.3%	47.3%
Expected option life	3 years	0.5 years	1.5 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	–	–	–	–	0.9%	0.9%	0.9%	0.9%
Risk-free interest rate	4.4%	5.3%	4.9%	4.4%	4.4%	n/a	2.1%	2.1%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 Share option schemes continued

Movements in the share option schemes during the year were as follows:

	Executive Share Option Scheme		Performance Share Plan		Long-Term Incentive Plan	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at 1 April 2022	137,278	£8.83	741,768	£0.05	–	–
Granted	–	–	163,687	£0.05	–	–
Forfeited	–	–	(4,989)	£0.05	–	–
Exercised	(8,163)	£8.80	(52,260)	£0.05	–	–
Lapsed	(3,446)	£9.44	(19,830)	£0.05	–	–
Outstanding at 31 March 2023	125,669	£8.82	828,376	£0.05	–	–
Granted	–	–	–	–	216,207	£0.05
Forfeited	–	–	(25,533)	£0.05	–	–
Exercised	(18,623)	£8.93	(180,018)	£0.05	–	–
Lapsed	(8,317)	£10.28	(318)	£0.05	(15,635)	£0.05
Outstanding at 31 March 2024	**98,729**	**£8.68**	**622,507**	**£0.05**	**200,572**	**£0.05**
Exercisable at 31 March 2024	**98,729**	**£8.68**	**362,419**	**£0.05**	**12,237**	**£0.05**
Exercisable at 31 March 2023	125,669	£8.82	402,140	£0.05	–	–

The number and weighted average exercise prices of those options are as follows:

The weighted average share price at the time of exercise of the options was £23.42 (2023: £22.03).

The weighted average remaining contractual life for the share options as at 31 March 2024 was one year (2023: one year).

The total consideration received from exercise of options in the year was £0.0m (2023: £0.1m).

27 Working capital movements

Reconciliation of movements in working capital

	Inventories £m	Receivables[1] £m	Payables and provisions[1] £m	Customer Deposits £m	Total £m
As at 1 April 2022	65.3	95.8	(107.5)	(41.3)	12.3
Working capital movement	15.6	19.6	(16.9)	(9.2)	9.1
WITec-related flows	–	–	5.3	–	5.3
Exchange differences	0.5	0.3	–	(1.6)	(0.8)
FV movement on financial derivatives	–	–	3.0	–	3.0
As at 31 March 2023 and 1 April 2023	81.4	115.7	(116.1)	(52.1)	28.9
Working capital movement	**26.3**	**2.7**	**2.8**	**(7.1)**	**24.7**
First Light Imaging-related flows	**1.9**	**2.9**	**(5.0)**	**(0.4)**	**(0.6)**
Exchange differences	**(1.2)**	**(2.8)**	**4.7**	**1.2**	**1.9**
FV movement on financial derivatives	**–**	**–**	**(0.7)**	**–**	**(0.7)**
As at 31 March 2024	**108.4**	**118.5**	**(114.3)**	**(58.4)**	**54.2**

1. Receivables and payables include derivative financial instruments.

28 Commitments and contingencies

The Group has entered into agreements in respect of the new Severn Beach site for its Plasma Technology business. At 31 March 2024 commitments for future expenditure are £8.0m (2023: £5.6m) and include capital expenditure, fit-out costs, plant and machinery, furniture and computer equipment.

In an international group of companies, a variety of legal claims arise from time to time. The Board, having taken legal advice, is of the opinion that any ongoing actions and investigations will not have a material impact on the Group's financial position.

29 Related parties

All transactions with related parties are conducted on an arm's length basis and in accordance with normal business terms. Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of key management personnel is as follows:

	2024 £m	2023 £m
Short-term employee benefits	**4.8**	4.2
Post-employment benefits	**0.2**	0.1
Share-based payment charges	**2.6**	1.8
Total	**7.6**	6.1

Key management personnel include the Executive Directors and the Management Board.

Short-term employee benefits comprise salary and benefits earned during the year and bonuses awarded for the year.

30 Subsequent events

Acquisition of FemtoTools AG

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

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Notes	2024 £m	2023 £m
Assets			
Non-current assets			
Intangible assets	d	1.2	1.3
Tangible assets	c	0.6	0.4
Right-of-use assets		0.1	0.1
Investments in subsidiary undertakings	e	356.9	324.6
Trade and other receivables	f	3.0	41.8
Derivative financial instruments		0.2	0.4
Retirement benefit asset		3.7	6.0
Deferred tax assets	i	2.1	2.3
		367.8	376.9
Current assets			
Trade and other receivables	f	48.3	20.2
Derivative financial instruments		2.5	7.8
Cash and cash equivalents		34.1	62.4
		84.9	90.4
Total assets		452.7	467.3
Equity			
Capital and reserves attributable to the company's equity shareholders			
Share capital		2.9	2.9
Share premium		62.6	62.6
Capital redemption reserve		0.1	0.1
Other reserves		7.6	7.6
Retained earnings		276.1	286.4
		349.3	359.6
Liabilities			
Non-current liabilities			
Derivative financial instruments		–	–
		–	–
Current liabilities			
Bank overdrafts	h	2.6	0.2
Corporation tax		–	0.4
Derivative financial instruments		2.3	7.2
Trade and other payables	g	98.5	99.9
		103.4	107.7
Total liabilities		103.4	107.7
Total liabilities and equity		452.7	467.3

The company's profit for the financial year was £1.8m (2023: £29.1m). Other comprehensive expense in the year was £3.3m (2023: expense of £6.6m). The expense will not subsequently be reclassified to statement of income.

The Financial Statements were approved by the Board of Directors on 10 June 2024 and signed on its behalf by:

RICHARD TYSON
Director

GAVIN HILL
Director

Company number: 775598

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2024

	Share capital £m	Share premium account £m	Capital Redemption Reserve £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
As at 1 April 2023	2.9	62.6	0.1	7.6	286.4	359.6
Profit for the year					1.8	1.8
Other comprehensive expense:	–	–	–	–		
– Remeasurement of defined benefit liability, net of tax					(3.3)	(3.3)
Total comprehensive expense for the year	–	–	–	–	(1.5)	(1.5)
– Share options awarded to employees	–	–	–	–	1.9	1.9
– Share options awarded to employees of subsidiaries	–	–	–	–	1.1	1.1
– Tax charge in respect of share options	–	–	–	–	(0.3)	(0.3)
– Proceeds from shares issued	–	–	–	–	–	–
– Dividends paid	–	–	–	–	(11.5)	(11.5)
As at 31 March 2024	2.9	62.6	0.1	7.6	276.1	349.3
As at 1 April 2022	2.9	62.5	0.1	7.6	271.7	344.8
Profit for the year					29.1	29.1
Other comprehensive income:	–	–	–	–		
– Remeasurement of defined benefit liability, net of tax					(6.6)	(6.6)
Total comprehensive income for the year	–	–	–	–	22.5	22.5
– Share options awarded to employees	–	–	–	–	1.4	1.4
– Share options awarded to employees of subsidiaries	–	–	–	–	1.0	1.0
– Tax credit in respect of share options	–	–	–	–	0.4	0.4
– Proceeds from shares issued	–	0.1	–	–	–	0.1
– Dividends paid	–	–	–	–	(10.6)	(10.6)
As at 31 March 2023	2.9	62.6	0.1	7.6	286.4	359.6

Details of issued, authorised and allotted share capital are included in Note 25 to the Group Financial Statements.

Details of the Group's share option schemes are included in Note 26 to the Group Financial Statements.

Details of the Group's defined benefit pension scheme are included in Note 24 to the Group Financial Statements.

Details of dividends paid are included in Note 9 to the Group Financial Statements.

Other reserves relates to premium on shares issued as part of acquisitions made in the year to 31 March 1987.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Year ended 31 March 2024

(a) Accounting policies

Basis of preparation

Oxford Instruments plc is a company incorporated and domiciled in the UK. These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) on the historical cost basis, except that derivative financial instrument are stated at their fair value.

In preparing these Financial Statements, the company applied the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006.

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

- a cash flow statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new, but not yet effective, accounting standards; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated Financial Statements of Oxford Instruments plc include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-based Payments in respect of Group settled share-based payments; and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

As permitted by Section 408 of the Companies Act 2006, a separate statement of income for the company has not been included in these Financial Statements.

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

Going concern

The Financial Statements have been prepared on a going concern basis, based on the Directors' opinion, after making reasonable enquiries, that the company has adequate resources to continue in operational existence for the foreseeable future. The going concern of the parent company is intrinsically linked with the Group, which it heads. Further details on the Group's going concern can be found on pages 69 and 79 to 81.

Taxation

Income tax on the statement of income for the year comprises current and deferred tax. Income tax is recognised in statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets are measured on an undiscounted basis.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Details of the Group's interest-bearing borrowings are included in Note 19 to the Group Financial Statements.

Intra-Group lending

The company has lent funds to and from its UK subsidiaries on interest-free terms. These amounts are repayable on demand. They are stated at cost less any impairment losses.

Derivative financial instruments

The company's accounting policies for financial instruments are the same as the Group's accounting policies under IFRS, namely IAS 32 Financial Instruments: Presentation, IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. These policies are set out in accounting policy '(e) Financial instruments' in the Group accounting policies, on page 156.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Computer equipment – 4 years
- Furniture and fittings – 4 years

Depreciation methods, useful lives and residual values are reviewed at each statement of financial position date.

Intangible assets

Intangible assets represents internally developed software. Amortisation is charged to the statement of income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software – 10 years

Impairment excluding deferred tax assets

Financial assets (including trade and other receivables)

Trade and other receivables are initially recognised at fair value and subsequently stated at their amortised cost less appropriate provision for impairment. The provision for impairment of debtors is based on lifetime expected credit losses, which is then updated for any reasonable and supportable forward-looking information and expectations. Lifetime expected credit losses are calculated by assessing historic credit loss experience. The movement in the provision is recognised in the company's statement of income.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

(a) Accounting policies continued

Non-financial assets

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

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in statement of income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

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

Employee benefits

Defined contribution plans

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

Defined benefit plans

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

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the company's obligations and that are denominated in the currency in which the benefits are expected to be paid. Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in statement of income. The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The company is the sponsoring employer of a Group-wide defined benefit pension plan. The net defined benefit cost of the plan is charged to participating entities on the basis of the proportion of scheme membership attributable to each legal entity at the reporting date. The contributions payable by the participating entities are determined using an agreed ratio which has been in place for approximately ten years.

Short-term benefits

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

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Share-based payment transactions

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

Where the company grants options over its own shares to the employees of its subsidiaries, it recognises, in its individual Financial Statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settled share-based payment charge recognised in its consolidated Financial Statements with the corresponding credit being recognised directly in equity. Amounts recharged to the subsidiary are recognised as a reduction in the cost of investment in subsidiary. If the amount recharged exceeds the increase in the cost of investment, the excess is recognised as a dividend.

Short-term leases and leases of low-value assets

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

Foreign currencies

The company enters into forward exchange contracts and options to mitigate the currency exposures that arise on sales and purchases denominated in foreign currencies. Transactions in foreign currencies are converted into Sterling at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the statement of financial position date. Exchange profits and losses arising from the above are dealt with in the statement of income.

Investments

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

Dividends on shares presented within Shareholders' funds

Dividends unpaid at the statement of financial position date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the Financial Statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

(b) Profit for the year

The company's profit for the financial year was £1.8m (2023: £29.1m). Other comprehensive expense in the year was £3.3m (2023: expense of £6.6m). The expense will not subsequently be reclassified to statement of income.

The auditor's remuneration comprised £345,000 (2023: £250,000) for the statutory audit.

The average number of people employed by the company (including Directors) during the year was 84 (2023: 79). All these individuals were involved in administration.

The aggregate payroll costs (including Directors) of these people were as follows:

	2024 £m	2023 £m
Wages and salaries	9.3	7.3
Social security costs	1.4	1.5
Other pension costs	0.4	0.3
	11.1	9.1

The share-based payment charge was £1.9m (2023: £1.4m). Details of the Group's share option schemes are included in Note 26 to the Group Financial Statements.

Full details of the emoluments paid to Directors can be found in the Remuneration Report on pages 120 to 143.

(c) Tangible fixed assets

	Furniture and fittings £m	Computer equipment £m	Total £m
Cost			
Balance at 1 April 2023	0.1	1.7	1.8
Additions	0.1	0.3	0.4
Disposals	0.0	0.0	0.0
Balance at 31 March 2024	**0.2**	**2.0**	**2.2**
Depreciation			
Balance at 1 April 2023	0.0	1.4	1.4
Charge for year	0.1	0.1	0.2
Disposals	0.0	0.0	0.0
Balance at 31 March 2024	**0.1**	**1.5**	**1.6**
Net book value			
Balance at 31 March 2023	0.1	0.3	0.4
Balance at 31 March 2024	**0.1**	**0.5**	**0.6**

(d) Intangible assets

	Software £m
Cost	
Balance at 1 April 2023 and 31 March 2024	**3.1**
Depreciation and impairment losses	
Balance at 1 April 2023	1.8
Charge for year	0.1
Balance at 31 March 2024	**1.9**
Net book value	
Balance at 1 April 2023 and 31 March 2024	1.2

(e) Investments

	Investments in subsidiary undertakings £m
Cost or valuation	
Balance at 1 April 2023	343.3
Expense in respect of share options transferred to subsidiary undertakings	1.1
Additions	31.2
Balance at 31 March 2024	**375.6**
Impairment	
Balance at 1 April 2023 and 31 March 2024	**18.7**
Net book value	
Balance at 31 March 2023	324.6
Balance at 31 March 2024	**356.9**

During the year the company contributed intercompany receivable balances in exchange for an issue of shares in its subsidiary, Oxford Instruments Overseas Holdings Limited.

Related undertakings of the Group

The following disclosure is provided in accordance with Section 409 of the Companies Act 2006.

As of 31 March 2024, the companies listed below and on the following pages are indirectly held by Oxford Instruments plc except for Oxford Instruments Industrial Products Holdings Limited, Oxford Instruments Nanotechnology Tools Holdings Limited and Oxford Instruments Overseas Holdings Limited, which are all 100% directly owned by Oxford Instruments plc.

The financial year end of each company is 31 March unless otherwise indicated.

All subsidiary undertakings are controlled by the Group and their results are fully consolidated in the Group's financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

(e) Investments continued

Subsidiaries

Company name	Note	Address	Ownership interest	% of class held
Andor Technology Limited		7 Millennium Way, Springvale Business Park, Belfast, NI, BT12 7AL	Ordinary shares	100
Andor Technology, Inc.		300 Baker Avenue, Suite 150, Concord MA 01742, United States	Common stock	100
Bitplane AG		Zurcherstrasse 6, 8952 Schlieren, Switzerland	Ordinary shares Preference shares	100
First Light Imaging Corporation	5	1209 Orange Street, Wilmington DE 19801, United States	Common stock	100
First Light Imaging Pte. Ltd.	5, 6	541 Orchard Road, #09-01 Liat Towers, 238881, Singapore	Ordinary shares	100
First Light Imaging SAS		Europarc Sainte Victoire Bâtiment 5, Route de Valbrillant Le Canet, 13590 Meyreuil France	Ordinary shares Preference shares	100
Oxford Instruments AFM Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments America Inc		300 Baker Avenue, Suite 150, Concord MA 01742, United States	Common stock	100
Oxford Instruments Asylum Research Inc		7416 Hollister Avenue, Santa Barbara, CA 93117, United States	Common stock	100
Oxford Instruments Australia Pty Limited		C/O ECOVIS, Suite 7, 13 Hickson Road, Dawes Point, New South Wales, Australia	Ordinary shares	100
Oxford Instruments Funding Limited	1	PO Box 175, Frances House, Sir William Place, St Peter Port, GY1 4HQ, Guernsey	Ordinary shares	100
Oxford Instruments GmbH		Borsigstrasse 15a, 65205, Wiesbaden, Germany	Ordinary shares	100
Oxford Instruments Holdings 2013 Inc		300 Baker Avenue, Suite 150, Concord MA 01742, United States	Common stock	100
Oxford Instruments Holdings Europe Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Holdings GmbH		Borsigstrasse 15a, 65205, Wiesbaden, Germany	Ordinary shares	100
Oxford Instruments India Private Limited		Plot No. A-279, Ground Floor Road No. 16A, Ambica Nagar, Wagle Industrial Estate, Thane (West), Thane, MH, 400604, India	Equity shares	100
Oxford Instruments Industrial Products Holdings Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Industrial Products Limited		Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Italia s.r.l.,		Via Della Chiusa 15, 20123, Milan, Italy	Capital stock	100
Oxford Instruments KK		Sumitomo Fudosan Osaki Twin Building East, 5-1-18 Kita-Shinagawa, Shinagawa-ku, Tokyo, 141-0001, Japan	Ordinary shares	100
Oxford Instruments Molecular Biotools Limited	2	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Nanotechnology Tools Holdings Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Nanotechnology Tools Limited		Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Nordiska AB		C/o TMF Sweden AB, Sergels Torg 12, 111 57, Stockholm, Sweden	Shares	100
Oxford Instruments Overseas Holdings 2008 Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Overseas Holdings Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Overseas Marketing GmbH		Borsigstrasse 15a, 65205, Wiesbaden, Germany	Ordinary shares	100
Oxford Instruments Overseas Marketing Limited		Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Private Limited		Messrs Tan Rajah & Cheah, 80 Raffles Place, #58-01 UOB Plaza 1, 048624, Singapore	Ordinary shares	100
Oxford Instruments SAS		9 Avenue du Canada, Immeuble 'Le Méridien', 91940 Les Ulis, France	Ordinary shares	100
Oxford Instruments Technologies Oy		Technopolis Innopoli 1, Tekniikantie 12, Espoo, 02150, Finland	Ordinary shares	100
Oxford Instruments Technology (Shanghai) Co. Ltd		Floor 1, Building 60, 461 Hongcao Road, Xuhui District, Shanghai, China	Registered capital	100
Oxford Instruments UK 2013 Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments X-Ray Technology Inc		360 El Pueblo Road, Scotts Valley CA 95066, United States	Common stock	100
Spectral Applied Research Inc		199 Bay Street, Suite 5300, Commerce Court West, Toronto ON M5L 1B9, Canada	Common shares	100
WITec (Beijing) Scientific Technology Co. Ltd.	3	Unit 1307A, Air China Plaza Tower 1, No. 36 Xiaoyun Road, Chaoyang District, 100027, Beijing, China	Registered capital	100
WITec Pte. Ltd.	3	25 International Business Park, #03-59A German Centre, 609916, Singapore	Ordinary shares	100
WITec Wissenschaftliche Instrumente und Technologie GmbH		Lise-Meitner-Str. 6, D-89081 Ulm, Germany	Ordinary shares	100

1. UK tax resident.
2. Dormant entity.
3. Financial year end is 31 August.
4. Entity to take advantage of s479A Companies Act 2006 (S479A) audit exemption for the year ending 31 March 2024. Oxford Instruments plc will issue a guarantee pursuant to S479A in relation the liabilities of the entity.
5. Financial year end is 31 December.
6. Voluntary strike-off in progress

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

(f) Trade and other receivables

	2024 £m	2023 £m
Amounts falling due after one year:		
Amounts owed by subsidiary undertaking	3.0	41.8
Amounts falling due within one year:		
Amounts owed by subsidiary undertaking	43.1	18.5
Other receivables	1.1	0.3
Prepayment and accrued income	4.1	1.4
	48.3	20.2

Amounts owed by subsidiary undertakings are interest-free, unsecured and repayable on demand.

The company has no immediate intention to recall £3.0m (2023: £41.8m) of these balances in the short term and so these amounts are classified as amounts falling due after more than one year.

(g) Trade and other payables

	2024 £m	2023 £m
Amounts falling due within one year:		
Trade payables	3.0	0.3
Amounts owed to subsidiary undertaking	82.5	85.7
Tax, social security and sales-related taxes	2.3	1.7
Accruals and deferred income	10.7	12.2
	98.5	99.9

Amounts owed to subsidiary undertakings are interest-free and repayable on demand.

(h) Bank overdraft

	2024 £m	2023 £m
Current		
Bank overdraft	2.6	0.2
At the end of the year	2.6	0.2

(i) Deferred tax asset

	2024 £m	2023 £m
Balance at 1 April	2.3	0.1
Statement of income debit	0.1	(0.8)
Other comprehensive income credit	(0.3)	3.0
Balance at 31 March	2.1	2.3

The amounts of deferred tax assets are as follows:

	Recognised	
	2024 £m	2023 £m
Excess of depreciation over corresponding capital allowance	0.2	0.4
Employee benefits – pension and share scheme	1.9	1.9
	2.1	2.3

The company recognises deferred tax assets only to the extent that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

The rate of UK corporation tax increased to 25% from 1 April 2023. The UK deferred tax assets and liabilities have been calculated based on the enacted rate of 25%.

(j) Pension commitments

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

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

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

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

Details of the scheme, its most recent actuarial valuation and its funding can be found in Note 24 to the Group Financial Statements. The contributions paid by the company to the Oxford Instruments Pension Scheme were £2.0m (2023: £2.8m). The company's share of the retirement benefit asset was £3.7m (2023: £6.0m).

(k) Guarantees

The company has given a guarantee to the pension scheme in respect of the liability of its UK subsidiaries to the pension scheme. The guarantee is for the excess of 105% of the liabilities of the scheme, calculated on the basis of Section 179 of the Pensions Act 2004, over the assets of the scheme.

The company and its UK subsidiaries have entered into a cross-guarantee for £10.0m (2023: £10.0m) in respect of bank overdraft facilities, of which £nil (2023: £nil) was drawn at the year end.

(l) Commitments

At 31 March 2024, capital commitments contracted were £nil (2023: £nil) and authorised were £nil (2023: £nil).

(m) Related party transactions

The company has a related party relationship with its Directors and Executive Officers and with its wholly owned subsidiary companies.

Transactions with key management personnel are disclosed in the Remuneration Report on pages 120 to 143. There were no other significant transactions with key management personnel in either the current or preceding year.