CHAIR'S STATEMENT

A strong platform for growth

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

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

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

NEIL CARSON
Chair

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

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

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

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

A new purpose

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

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

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

Sustainability

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

People at the heart of our success

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

A fond farewell to Ian Barkshire

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

Further Board changes in the year

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

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

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

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

Dividend

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

Looking ahead

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

NEIL CARSON
Chair

10 June 2024

CHIEF EXECUTIVE OFFICER'S REVIEW

Robust financial performance and a refreshed strategy through a new lens

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

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

RICHARD TYSON
Chief Executive Officer

www.oxinst.com

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

Orders

£459.1m

(2023: £511.6m)

Revenue

£470.4m

(2023: £444.7m)

Adjusted operating profit

£80.3m

(2023: £80.5m)

Operating margin

17.1%

(2023: 18.1%)

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

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

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

A strong platform for growth

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

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

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

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

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

Our strategy for the future

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

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

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

CHIEF EXECUTIVE OFFICER'S REVIEW continued

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

Our future divisional structure

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

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

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

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

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

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

Imaging & Analysis
Microscopy, cameras, analytical instruments and software

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

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

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

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

The rationale for the planned reporting change is as follows.

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

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

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

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

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

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

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

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

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

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

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

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

Group-level strategic priorities

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

Improve our customers' experience

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

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

Drive a step change in operational performance and productivity

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

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

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

Simplify our organisational structure

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

Focus on our key strengths

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

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

CHIEF EXECUTIVE OFFICER'S REVIEW continued

Capital allocation priorities

These can be summarised as follows:

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

Journey to growth and higher margins

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

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

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

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

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

A clear purpose

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

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

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

People and planet

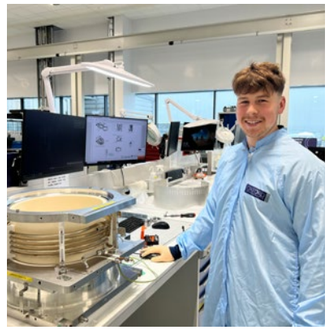
I have visited almost all our global sites since joining last autumn and have been impressed by the energy and commitment of the colleagues I have met at every level of the organisation. Our engagement scores are high, at 78%, based on the organisation-wide survey carried out last September. But there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

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

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

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

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



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

Summary and outlook

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

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

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

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

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

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

RICHARD TYSON
Chief Executive Officer

10 June 2024

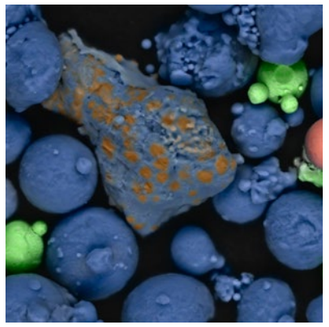
REASONS TO INVEST

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

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

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

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



See CEO Review / **Pages 10 to 15**

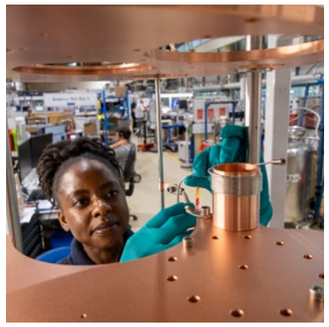
Leading positions in attractive structural growth markets

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

See Operations Review / **Pages 26 to 33**

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

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



See Sustainability Report / **Pages 34 to 57**

Track record of delivery, driving returns

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

See Finance Review / **Pages 58 to 69**

Clear opportunities to accelerate growth and enhance margins

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

See CEO Review / **Pages 10 to 15**

Strong balance sheet and attractive financial profile supporting investment in growth

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

See Finance Review / **Pages 58 to 69**

OUR BUSINESS MODEL

Helping to create a **more sustainable future**

Driven by our purpose

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

Impacted by:

Our stakeholders

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

Our markets

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

Our management of risk

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

How we add value

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

Our core activities

Fundamental research

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

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

Applied R&D

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

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

Production and testing

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

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

Driven by our strategic objectives

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

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

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

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

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

Our operations

Supported by our sectors

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

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

Find out more / **Page 33**

Outcomes

Revenue

£470.4m

+9.8% at constant currency

Adjusted operating profit

£80.3m

+3.7% at constant currency

Adjusted EPS

109.0p

(3.3%)

Return on capital employed

29.1%

Underpinned by strong demand for our products and services:

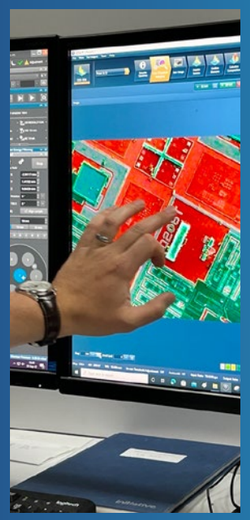
- Technology leadership in three end markets with sustainable, structural growth drivers
- Customers across academic (55%) and commercial (45%) markets
- Global demand with strong positions across Asia (47% of revenue), North America (26% of revenue) and Europe (25% of revenue)

How we invest our capital:

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

ENGAGING WITH OUR STAKEHOLDERS

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

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

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

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

MATT HISCOCK
Head of Product Science, Materials Analysis

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

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

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

The Board receives reports and updates on such engagement and the views and feedback gathered from stakeholders are used to inform discussion and decision-making.

See pages 90 to 95 for details of how we engage with our stakeholders and page 96 for our statement in accordance with Section 172(1) of the Companies Act 2006.

Customers

Customer intimacy helps us to identify additional opportunities to deliver increased value to our customers, as we strive to be the scientific instrumentation partner in every significant lab and production facility across the world.

Employees

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

Shareholders

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

Suppliers

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

Local communities

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

Society

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

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

OUR STRATEGY

Our purpose:

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

Our opportunity:

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

Our strategic priorities

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

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

Our ways of working

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

Key medium-term performance indicators

Enhance growth, margins and returns:

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

How we'll deliver

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

KEY PERFORMANCE INDICATORS

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

Measuring our performance

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

Financial KPIs

Revenue growth (%)

5.8%

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

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

Cash flow conversion (%)*

64%

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

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

Adjusted earnings per share (EPS) growth (%)

(3.3)%

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

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

Adjusted operating profit margin (%)

17.1%

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

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

Return on capital employed (ROCE) (%)

29.1%

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

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

* Normalised.

Strategic KPIs

Investment in R&D (%)

8.3%

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

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

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

Value added (#)

1.52

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

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

Why we measure: To measure efficiency.

Absolute carbon emissions (Scope 1 and 2) tCO_2e

2,786

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

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

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

Carbon emissions intensity (tCO_2e per £m revenue)

5.92

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

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

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

Non-financial KPIs

Employee engagement (%)

78%

23/24	**78%**
22/23	78%
20/21**	77%

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

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

Serious injuries (#)

0

2023	**0**
2022	0
2021	1

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

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

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

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

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

OPERATIONS REVIEW

A robust performance

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

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

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

Group performance

Orders

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

Revenue

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

Profitability

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

Revenue split by end market

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

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

1. For definition refer to Note on page 2.

Materials & Characterisation

The Materials & Characterisation sector's products comprise:

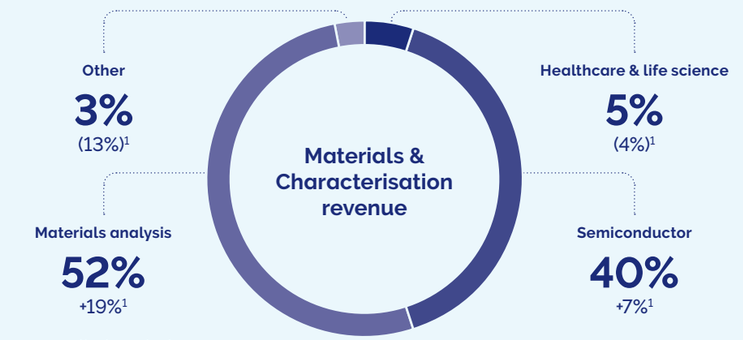
- **a range of microscopy and analysis techniques and software to identify and interpret the properties of materials and samples (Asylum Research, NanoAnalysis, Magnetic Resonance and WITec, collectively known as our Materials Analysis businesses); and**
- **advanced etch and deposition systems for compound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

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

Key highlights

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

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



1. Revenue growth at constant currency.

OPERATIONS REVIEW continued

Materials & Characterisation continued

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

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

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

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

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

Market drivers and performance

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

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

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

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

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

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

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

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

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

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

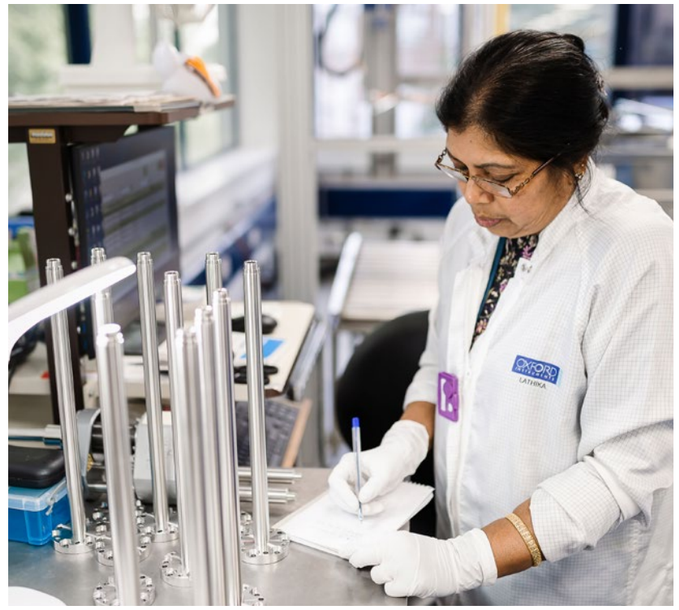
The silicon semiconductor market is extremely well established, with silicon devices present in every aspect of consumer electronics. Here, our materials analysis business' imaging and analysis tools are used to assess the properties and performance of devices at the nanoscale, supporting R&D, quality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

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

Operational developments

This has been a strong year for Materials & Characterisation.

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



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

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

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

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

Key developments in R&D include the launch of:

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

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

OPERATIONS REVIEW continued

Research & Discovery

The Research & Discovery sector's products comprise:

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

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

Key highlights

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

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

1. Revenue growth at constant currency.

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

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

Market drivers and performance

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

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

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

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

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

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

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

OPERATIONS REVIEW continued

Research & Discovery continued

Operational developments

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

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

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

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

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

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

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

Service & Healthcare

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

Key highlights

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

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

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

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

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

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

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

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

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

SUSTAINABILITY

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

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

We take a holistic approach to sustainability, ensuring that it is embedded throughout the organisation, from our Board-level Sustainability Committee, joined by all Board members, to our workforce around the world. We also seek to embed principles of sustainability in our interactions with all stakeholders, including customers, supply chain partners and our local communities.

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

Environment

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

Social

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

Governance

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

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

Our products contribute toward the following goals:

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

Introduction

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

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

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

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

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

SUSTAINABILITY: ENVIRONMENT

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

Strategy and targets

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

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

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

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

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

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

CASE STUDY

Go Green Teams

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

SUSTAINABILITY: ENVIRONMENT continued

Our roadmap to net zero

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

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

Streamlined Energy and Carbon Reporting (SECR)

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

Progress has been made on moving global sites to use renewable electricity. The new office in Tokyo consolidated two sites and added solar power, water-conservation and energy-saving measures, as well as having been constructed in part from recycled materials. The new site is a 4-star certified DBJ (Development Bank of Japan) green building. We also have an ongoing programme to improve energy efficiency at existing sites. Actions taken during the year have included continuing to replace fluorescent lighting with LED lighting, and optimising heating, ventilation and air-conditioning systems to make them more energy efficient.

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

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

	GHG emissions (tCO_2e)					
	2024			2023		
	UK	Global (exc. UK)	Group total	UK	Global (exc. UK)	Group total
Scope 1 fugitive emissions (tCO_2e)	1	1	2	–	49	49
Scope 1 combustion emissions (tCO_2e)	372	51	423	571	41	612
Total scope 1 (tCO_2e)	373	52	425	571	89	660
Scope 2 location-based (tCO_2e)	2,315	803	3,118	1,874	641	2,515
Scope 2 market-based (tCO_2e)	1,715	647	2,362	–	656	656
Total Scope 1 + 2 location-based (tCO_2e)	2,688	855	3,543	2,445	730	3,175
Total Scope 1 + 2 market-based (tCO_2e)	2,088	699	2,786	571	745	1,316
Upstream Scope 3 (tCO_2e)	–	–	64,857	–	–	59,199
Downstream Scope 3 (tCO_2e)	–	–	31,371	–	–	29,853
Total Scope 3 (tCO_2e)	–	–	96,228	–	–	89,052
Total Scope 1, 2 & 3 location-based (tCO_2e)	–	–	99,771	–	–	92,227
Total Scope 1, 2 & 3 market-based (tCO_2e)	–	–	99,014	–	–	90,368
Scope 1 + 2 location based GHG emissions intensity ratio (per Group turnover) £m	–	–	7.53	–	–	7.14
	Energy consumption (kWh)					
Total renewable fuels consumption (kWh)	0	0	0	0	0	0
Liquid fuel (diesel, petrol, fuel oil)	662,253	12,706	674,959	1,388,935	–	1,388,935
Gaseous fuel (natural gas)	1,091,919	261,036	1,352,955	1,240,159	223,210	1,463,369
Total non-renewable fuels consumption (kWh)	1,754,172	273,742	2,027,914	2,629,094	223,210	2,852,304
Total fuels consumption (kWh)	1,754,172	273,742	2,027,914	2,629,094	223,210	2,852,304
Consumption of purchased or acquired electricity renewable (kWh)	6,485,154	395,202	6,880,356	9,689,500	64,317	9,753,817
Consumption of purchased or acquired electricity non-renewable (kWh)	4,695,603	1,893,110	6,588,713	–	1,843,949	1,843,949
Consumption of self-generated non-fuel renewable energy (solar) (kWh)	–	255,139	255,139	–	–	–
Total electricity consumption (kWh)	11,180,757	2,543,450	13,724,207	9,689,500	1,908,266	11,597,766
Consumption of purchased or acquired heating, steam and cooling non-renewable (kWh)	–	252,243	252,243	–	153,520	153,520
Consumption of purchased or acquired heating, steam and cooling renewable (kWh)	–	64,967	64,967	–	66,852	66,852
Total renewable energy consumption (kWh)	6,485,154	715,307	7,200,461	9,689,500	131,169	9,820,669
Total non-renewable energy consumption (kWh)	6,449,775	2,419,094	8,868,869	2,629,094	2,220,679	4,849,773
Total energy consumption (kWh)	12,934,929	3,134,402	16,069,330	12,318,594	2,351,848	14,670,442
% renewable electricity from total electricity	58%	16%	50%	100%	3%	84%
Energy Intensity ratio (per Group turnover) £m	–	–	34,161	–	–	32,990

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

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

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

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

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

SUSTAINABILITY: ENVIRONMENT continued

Scope 3 emissions

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

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

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

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

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

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

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

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

Environmental legislation

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

Water and waste

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

Some of our operations are in regions with high or extremely high levels of water stress. However, water is not seen as a material risk due to the low volume we consume. In total the Group recorded 10,553 m^3 of water withdrawal.

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

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

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

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

SUSTAINABILITY: TCFD STATEMENT

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

Introduction

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

As a global manufacturer of high-technology products, mitigating, adapting and responding to the impacts of climate change is central to our strategy, both in terms of how we operate our business, and in terms of the key role our products and services play in the technology pathway to enable the transition from fossil fuels to a low-carbon economy. This year we have updated our climate-related risk and opportunity assessment, taking into account their impact under various timeframes and scenarios to gain a deeper understanding.

Compliance statement

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

TCFD pillar	Recommended disclosure	Disclosure location
Governance: Disclose the organisation's governance around climate-related risks and opportunities	**a.** Describe the Board's oversight of climate-related risks and opportunities.	Pages 41 and 42
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Pages 41 and 42
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	**a.** Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Pages 44 to 49
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Page 50
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Page 50
Risk management: Disclose how the organisation identifies, assesses, and manages climate-related risks	**a.** Describe the organisation's processes for identifying and assessing climate-related risks.	Pages 42 and 43
	b. Describe the organisation's processes for managing climate-related risks.	Page 43
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Page 43
Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	**a.** Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Page 50
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Pages 35 to 39
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Pages 35 to 39, 50

Governance

Board level

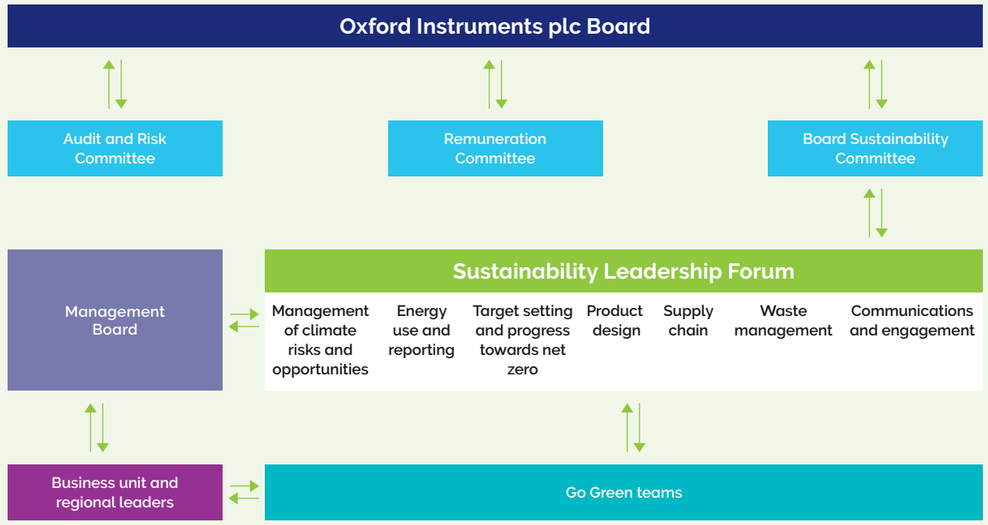
The Board of Directors has ultimate responsibility for the oversight of climate change-related issues and is supported by its Committees (primarily the Sustainability Committee, the Audit and Risk Committee and the Remuneration Committee), the Management Board, the Sustainability Leadership Forum, and the wider senior leadership team. Climate change-related considerations are embedded throughout our governance structure, and at every level across the organisation, as set out in the graphic and explained in more detail below. The Board engages regularly with a range of external advisers and internal subject matter experts on environmental legislation, decarbonisation and climate risk.

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

The Board, through its Sustainability Committee (comprising all the Non-Executive Directors), provides oversight and governance over environmental strategy, including monitoring progress to net zero targets through its review of emissions data, and assessing how these are being managed. The Sustainability Committee meets at least three times a year.

The Audit and Risk Committee provides oversight and governance in relation to climate change-related risks and opportunities, while the Remuneration Committee is responsible for setting and overseeing climate change-related remuneration incentives, together with any other sustainability-related incentives. The current climate-related executive remuneration objectives can be found on pages 142 and 143. The Sustainability Committee in turn provides strategic guidance and oversight to the management-level Sustainability Leadership Forum (SLF) primarily through the attendance of relevant SLF members at the Committee's meetings.

Climate-related governance framework



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

SUSTAINABILITY: TCFD STATEMENT continued

Management level

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

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

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

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

A key part of the SLF's remit, working in collaboration with the Management Board, is to foster two-way engagement with business units, regional leadership and Go Green teams to drive and accelerate Oxford Instruments' progress towards net zero and our management of climate risks and opportunities. This year our Go Green initiative (see page 35) has expanded to 14 global sites to help Oxford Instruments drive progress towards its 2030 net zero target for Scopes 1 and 2, and its 2045 overall net zero target through projects relating to energy, waste, water and travel.

Risk Management

Our process for identifying and assessing climate-related risks.

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

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

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

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

Financial Impact[2]

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

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

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

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

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

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

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

Strategy

Climate-related risks and opportunities

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

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

Transition risks and opportunities

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

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

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

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

SUSTAINABILITY: TCFD STATEMENT continued

Transition risks and opportunities

Transition risks identified

Significant risk/opportunity Report to Group

High risk/opportunity Report to Group

Moderate risk/opportunity Do not report to Group mitigation plan expected to be in place

Low risk/opportunity Do not report to Group

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

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

SUSTAINABILITY: TCFD STATEMENT continued

Transition risks and opportunities continued

Transition opportunities identified

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

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

SUSTAINABILITY: TCFD STATEMENT continued

Physical risks

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

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

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

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

Significant risk/opportunity Report to Group

High risk/opportunity Report to Group

Moderate risk/opportunity Do not report to Group mitigation plan expected to be in place

Low risk/opportunity Do not report to Group

Physical risks identified

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

SUSTAINABILITY: TCFD STATEMENT continued

Impact on strategy and financial planning

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

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

Resilience of the organisation's strategy to climate change

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

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

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

Metrics and targets

Climate-related metrics

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

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

Climate-related targets

As set out in the environment section, we are committed to reaching net zero carbon emissions (where we add no incremental greenhouse gases to the atmosphere) against Scopes 1, 2 and 3 by 2045. This year we are also pleased to announce further ambition on our Scope 1 and 2 net zero targets, with a new target to be net zero in Scopes 1 and 2 by 2030. In the coming months we are planning on setting ambitious Scope 3 targets and also to have our Scopes 1, 2 and 3 targets validated by the SBTi. We subsequently also plan to publish a net zero plan that will detail our costed actions to achieve these targets.

SUSTAINABILITY: SOCIAL

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

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

Our social sustainability agenda

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

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

Culture, values and engagement

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

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

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

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

Our ways of working

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

Our values

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

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

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

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

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

SUSTAINABILITY: SOCIAL continued

Equity, diversity and inclusion

We are committed to creating a diverse and inclusive culture. We use the term equity, rather than equality, as not everyone is starting from the same place, has the same challenges or requires the same level of support. Equity, therefore, refers to giving everyone what they need to be successful, and reflects our focus on equality of outcomes. At Oxford Instruments, we want to encourage everyone to achieve their potential by actively 'levelling the playing field' wherever needed. We seek to develop and sustain a supportive and collaborative working environment where difference is recognised, valued and celebrated. However, we also recognise that we operate in 17 countries around the world in which the legislative frameworks and cultural landscapes vary hugely. In each of the countries in which we operate, we aim to be ahead of the curve in our equity, diversity and inclusion targets, and our working practices, but will ensure that we are not in conflict with legislative frameworks.

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

We have identified several key areas of focus, including gender, ethnicity, disability and sensitive medical conditions, family responsibilities, sexual orientation and gender identity, pursuing a range of initiatives to recruit from a diverse pool of talent, and to support our existing workforce. We have joined Business in the Community (BITC) and the Business Disability Forum as part of our continual drive to improve our awareness and understanding of best practice in diversity and inclusion for businesses. In 2024, we signed up to the BITC Race at Work charter to underline our commitment to improving equity of opportunity in the workplace. We also engage in externally run schemes offering internships and career opportunities in our diversity and inclusion focus areas.

During the year, employees have launched a women's group and a neurodiversity group; these join existing impact groups focused on race and ethnicity and LGBTQ+ issues and have been enthusiastically adopted by both members and allies of each community. During the year we have successfully piloted new inclusive leadership training, with a wider roll out planned for 2024/25.

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

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

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

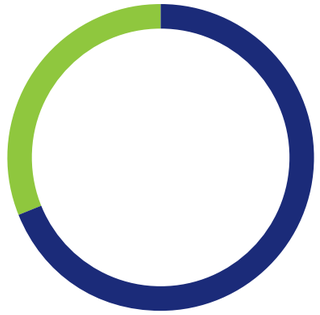
Our inclusive approach to recruitment includes the use of technology to ensure that the language used in job advertisements is free from gender bias. We operate a hybrid working policy which helps employees to balance work and personal commitments. We also offer support and, where appropriate, special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

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

We are committed to using this data to help to ensure that our processes and pay are fair and equitable with respect to race and ethnicity, as well as the characteristics on which we have had full data for several years. The Parker Review recommends that we devise and work towards a specified target for the percentage of our senior management team to be from ethnic minorities by the end of 2027. As an international company, we recognise the importance of ensuring we have strong ethnically diverse leadership role models and a diverse decision-making team that reflects our customer base and the communities in which we operate.

CEO Richard Tyson makes his Pride pledge

New employees in FY23/24 by gender



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

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

Gender split

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

Gender split by region

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

Targets:

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

Three cohorts undertook the Oxford Instruments Leadership Programme during the year

Team-building at the Foundations early careers programme

SUSTAINABILITY: SOCIAL continued

Health, safety and wellbeing

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

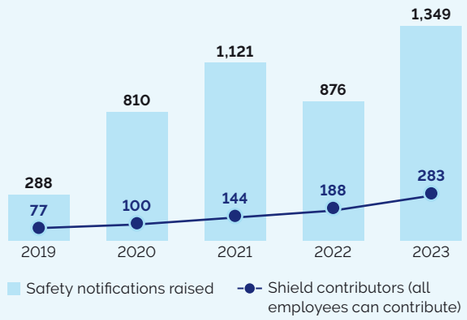
The Board is responsible for oversight of our approach to H&S, supported by the Sustainability Committee.

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

Overall, our management approach is based on the ongoing identification and control of risk. We focus on preventative measures to remove hazards before they can escalate into accidents or near misses.

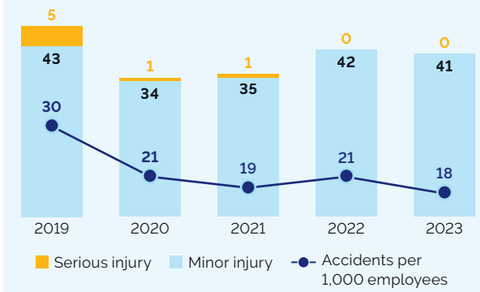
Recognising that our entire workforce has a role to play in creating a safe working environment, this year we have enhanced the Shield incident reporting system through which we record, manage and monitor accidents and safety observations, and to which all employees have access. The system has supported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

Increasing health and safety awareness



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

Health and safety five-year performance



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

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

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

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

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

Employee turnover rates

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

Employee numbers

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

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

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

Investing in our people

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

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

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

This year, three cohorts (35 employees) have undertaken our bespoke Oxford Instruments Leadership programme, which brings together high-potential candidates from across the Group and covers a wide range of topics including interviewing skills, self-development, developing others and managing remote teams. We have delivered Management Essentials training to 61 managers Group-wide, and relaunched programmes focused on Project Management Fundamentals and Project Leadership. We have also piloted a new Foundations programme for emerging talent, designed to give aspiring leaders a variety of tools and techniques to allow them to work effectively as they progress their career at Oxford Instruments.

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

Next-generation talent

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

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

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

Community impact

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

Our network of Go Green teams (see page 35) drives action to be more environmentally friendly, both as a business and as individuals.

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

SUSTAINABILITY: GOVERNANCE

Governance: Upholding high ethical standards

Inclusive, innovative, trusted and purposeful

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

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

Our governance sustainability agenda comprises eight key areas

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

1 Anti-bribery and anti-corruption

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

The key principles we expect everyone to follow include not offering or accepting bribes or improper payments; not improperly influencing any individual; and not participating in any kind of corrupt business activity, either directly or through a third party. To help our employees understand what is expected of them we have developed a comprehensive training course, refreshed this year, which all new joiners must complete to pass their probationary period, and which all employees must retake annually; we also maintain a detailed policy document, www.oxinst.com/investors-content/compliance/anti-bribery-and-corruption.

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

2 Sanctions, export control and customs

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

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

3 Inside information and share dealing

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

4 Supply chain responsible sourcing

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

In addition, as part of our supplier contracts, suppliers are required to warrant that they and their sub-contractors will comply with all applicable laws, statutes, regulations and codes relating to modern slavery, anti-bribery and anti-corruption, and Oxford Instruments' Supplier Quality Manual, which incorporates our Code of Conduct for Representatives and Suppliers.

We are committed to avoiding the use of controversial materials and proactively eliminating the use of so-called 'conflict minerals', i.e. minerals sourced from mines in the Democratic Republic of Congo and adjoining countries which support or fund conflict from products and the supply chain. Our conflict minerals policy covers all operations. We undertake due diligence on our key suppliers and expect them, in turn, to conduct due diligence on their own supply chain to help eliminate the use of conflict minerals.

Our online supplier portal allows us to store and audit our key supplier documents and has been extended and updated in 2024 to collect information on product environmental compliance, quality and sustainability.

5 Human rights and modern slavery

We are committed to preventing acts of modern slavery and human trafficking from occurring within our business and supply chain. We take a zero-tolerance approach to all forms of modern slavery, including servitude, forced bonded and compulsory labour, and human trafficking. We require our suppliers to guarantee the applicable national statutory minimum living wage.

Bespoke training is mandatory for relevant employees to help them recognise where there may be risks of modern slavery and human trafficking within our business and our supply chains.

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

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

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

6 Intellectual property and confidentiality

Our intellectual property (IP) is one of our most important assets; it is key to our success in the market and enables us to secure and maintain a competitive advantage. We have comprehensive policies and procedures in place to protect it, including templates, guidance and training for colleagues. We continue to protect our inventions, brand and designs through the use of registered IP rights. In the year we filed a number of new priority patent applications.

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

7 Data protection, data privacy and data security

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

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

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

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

8 Financial sustainability and tax transparency

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

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

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

FINANCE REVIEW

Robust growth and investment for the future

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

"We delivered a good constant currency financial performance with growth in revenue and adjusted operating profit. We continue to invest in resources and infrastructure across the business to support future growth. Our balance sheet remains strong to support organic and non-organic growth opportunities."

GAVIN HILL
Chief Financial Officer

www.oxinst.com

Summary

Oxford Instruments uses certain alternative performance measures to help it effectively monitor the performance of the Group as management believe that these represent a more consistent measure of underlying performance. Adjusted items exclude the amortisation and impairment of acquired intangible assets; transaction costs; other significant non-recurring items; and the mark-to-market movement of financial derivatives. All of these are included in the statutory figures. Note 2 on pages 163 to 165 provides further analysis of the adjusting items in reaching adjusted profit measures. Definitions of the Group's material alternative performance measures, along with reconciliation to their equivalent IFRS measure, are included within the Finance Review.

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

Reported orders decreased by 10.3% to £459.1m (2023: £511.6m), 7.0% down at constant currency. Underlying orders at constant currency fell by 2.5% after adjusting for £23.0m of prior year orders cancelled due to UK export licence rejections and our commercial decision to withdraw from the China quantum market. Orders were lower against a strong comparator period and a slowdown in life-science OEM orders. Nevertheless, our underlying book-to-bill was a positive 1.03. At the end of the year, the Group's order book was £301.5m (31 March 2023: £319.6m), down 5.7% on a reported basis and 3.5% at constant currency.

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

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

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

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

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

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

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

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

FINANCE REVIEW continued

Consolidated Statement of Income

The Group Consolidated Statement of Income is summarised below.

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

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

Orders and revenue

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

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

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

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

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

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

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

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

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

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

Geographic revenue growth

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

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

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

Gross profit

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

Adjusted operating profit and margin

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

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

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

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

FINANCE REVIEW continued

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

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

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

Divisional change (indicative and unaudited)

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

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

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

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

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

Statutory operating profit and margin

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

Adjusting items

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

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

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

Net movements on mark-to-market derivatives in respect of transactional currency exposures of the Group in future periods are disclosed in the Income Statement as foreign exchange and excluded from our calculation of adjusted profit before tax. In the year this amounted to a charge of £0.7m (2023: credit of £3.0m). The net asset movement for derivative financial instruments over the year reflects: (i) the crystallisation of forward contracts that were hedging the 23/24 financial year which are recognised in adjusted operating profit; and an uncrystallised increase in the mark-to-market valuation of forward contracts from a rise in the value of sterling at the balance sheet date against a blended rate achieved on forward contracts that will mature over the next 12 months.

Net finance income

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

Adjusted profit before tax and margin

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

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

Statutory profit before tax and margin

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

Taxation

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

FINANCE REVIEW continued

Earnings per share

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

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

Currency

The Group faces transactional and translational currency exposure, most notably against the US dollar, euro and Japanese yen. For the year, approximately 17% of Group revenue was denominated in sterling, 52% in US dollars, 20% in euros, 9% in Japanese yen and 2% in other currencies. Translational exposures arise on the consolidation of overseas company results into sterling. Transactional exposures arise where the currency of sale or purchase transactions differs from the functional currency in which each company prepares its local accounts.

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

£m (equivalent)	Revenue	Adjusted operating profit
Sterling	81.0	(91.5)
US dollar	243.3	115.3
Euro	93.5	31.5
Japanese yen	42.1	23.1
Chinese renminbi	5.2	0.9
Other	5.3	1.0
	470.4	**80.3**

The Group maintains a hedging programme against its net transactional exposure using internal projections of currency trading transactions expected to arise over a period extending from 12 to 24 months. As at 31 March 2024, the Group had currency hedges in place extending up to 18 months forward.

For the full year 2024/25, our assessment of the currency impact is, based on hedges currently in place and forecast currency rates, a headwind of £8.4m to revenue and £6.2m to profit. Forecast currency rates on unhedged positions for the full year are GBP:USD 1.28; GBP:EUR 1.17; GBP:JPY 200. The headwind to operating profit is due to stronger sterling currency rates on hedged transactional US dollar, euro and Japanese yen exposures against hedged currency rates achieved in 2023/24. In addition, we face stronger sterling currency rates on unhedged transactional and translational US dollar, euro and Japanese yen exposures against actual currency rates achieved in 2023/24. All currency impacts are prior to mitigating pricing and cost actions. Uncertain volume and timing of shipments and acceptances, currency mix and rate volatility may significantly affect full-year currency forecast effects.

Looking further ahead to the financial year 2025/26, based on the above currency assumptions, we would expect currency effects to have a neutral impact to revenue and operating profit.

Acquisition of First Light Imaging SAS

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

Acquisition of FemtoTools AG

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

Dividend

The Group's policy on the dividend takes into account changes to underlying earnings, dividend cover, movements in currency and demands on our cash. The Board remains confident in the long-term performance of the business and has proposed a final dividend of 15.9p (2023: 14.9p) per share. This results in a total dividend of 20.8p (2023: 19.5p) per share, growth of 6.7%. An interim dividend of 4.9p per share was paid on 12 January 2024. The final dividend will be paid, subject to shareholder approval, on 20 August 2024 to shareholders on the register as at 12 July 2024.

Consolidated Statement of Cash Flows

The Group Consolidated Statement of Cash Flows is summarised below.

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

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

FINANCE REVIEW continued

Cash from operations

Cash from operations of £59.4m (2023: £72.9m) represents 47% (2023: 58%) cash conversion. Cash conversion on a normalised basis was 64%, which excludes capital expenditure relating to our new semiconductor systems facility and facility expansion in Belfast. Cash conversion is defined as cash from operations before business reorganisation costs and pension scheme payments above charge to operating profit, less capitalised development expenditure, capital expenditure and payments made in respect of lease liabilities, divided by adjusted operating profit.

Reconciliation of cash generated from operations to adjusted operating cash flow	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Cash from operations	**59.4**	72.9
Add back/(Deduct):		
Pension scheme payments above charge to operating profit	**8.0**	11.7
Non-recurring costs	**2.2**	–
Capitalised development expenditure	**(0.7)**	(0.6)
Expenditure on tangible and intangible assets	**(26.5)**	(32.1)
Repayment of lease payables	**(4.8)**	(5.6)
Adjusted cash from operations	**37.6**	46.3
Cash conversion % (adjusted cash from operations/adjusted operating profit)	**47%**	58%
Cash conversion % (normalised[1])	**64%**	88%

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

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

Interest

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

Tax

Tax paid was £16.1m (2023: £5.7m). In the prior year the Group benefited from accelerated capital allowances on the new semiconductor facility currently under construction, partly contributing to cash tax being lower than the accounting charge.

Investment in Research and Development (R&D)

Total cash spend on R&D in the year was £39.2m, equivalent to 8.3% of sales (2023: £34.8m, 7.8% of sales). A reconciliation between the adjusted amounts charged to the Consolidated Statement of Income and the cash spent is given below:

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
R&D expense charged to the Consolidated Statement of Income	**39.1**	36.7
Depreciation of R&D-related fixed assets	**(0.2)**	(0.3)
Amounts capitalised as fixed assets	**0.2**	–
Amortisation and impairment of R&D costs capitalised as intangibles	**(0.6)**	(2.2)
Amounts capitalised as intangible assets	**0.7**	0.6
Total cash spent on R&D during the year	**39.2**	34.8

Net cash and funding

Net cash

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

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

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

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

FINANCE REVIEW continued

Return on capital employed (ROCE)

ROCE measures effective management of capital employed relative to the profitability of the business. ROCE is calculated as adjusted operating profit less amortisation of intangible assets divided by average capital employed. Capital employed is defined as assets (excluding cash, pension, tax and derivative assets) less liabilities (excluding tax, debt and derivative liabilities). Average capital employed is defined as the average of the closing balance at the current and prior year end. ROCE has fallen to 29.1% (2023: 35.2%), with the change principally reflecting an increase in assets from the acquisition of First Light Imaging SAS and the large investment in the new semiconductor systems facility in Bristol which has increased property, plant and equipment, as well as a higher level of inventories at the year end.

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

Return on invested capital (ROIC)

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

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

Funding

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

Debt covenants are net debt to EBITDA less than 3.0 times and EBITDA to interest greater than 4.0 times. As at 31 March 2024 the business had net cash.

Pensions

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

On an IAS 19 basis, the surplus arising from our defined benefit pension scheme obligations on 31 March 2024 was £16.1m (2023: £26.4m). The value of scheme assets fell to £239.7m (2023: £251.5m) due to a fall in value of the scheme's gilt holdings and other liability matching assets. Scheme liabilities decreased to £223.6m (£225.1m), principally due to a decrease in the inflation-linked assumptions.

Pension recovery payments above charge to operating profit total £8.0m (2023: £11.7m). In the comparative year, an advance payment of £4.0m was made to allow the Trustees to meet collateral calls to swap counterparties under the Liability Driven Investment scheme. These funds were not required and while the company has the right to recover this advance through making reduced payments in the future, it is not expected to do so.

The scheme's actuarial valuation review, rather than the accounting basis, determines our cash payments into the scheme. The cash contributions into the scheme are expected to continue until 2025, at which point we expect, based on current assumptions, for the scheme to achieve self-sufficiency. The scheme rules provide that in the event of a surplus remaining after settling contractual obligations to members, the Group may determine how the surplus is utilised.

Going concern

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

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

Forward-looking statements

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

GAVIN HILL

Chief Financial Officer

10 June 2024

RISK MANAGEMENT

Audit, **risk** and **internal control**

Approach to risk management

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

The Board has carried out a robust assessment of the principal risks facing the Group, including those which threaten its business model, future performance, solvency and liquidity. Details of all major risks identified, and the mitigating actions adopted, are reported to and reviewed by the Audit and Risk Committee throughout the year. On pages 73 to 78 we provide an overview of the major risks and uncertainties faced by the Group. All business units follow a standard process for risk identification and reporting. The process is further described on page 72. On a regular basis, each business unit reviews and updates its risk register which is then consolidated and assessed in the context of the wider Group and reported to the Chief Executive Officer. If a material risk changes or arises, a review of the adequacy of the mitigating actions taken is completed with the Chief Executive Officer.

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

Priorities during financial year ended 31 March 2024

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

Risk governance framework

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

Operational management

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

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

Internal audit and assurance function

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

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

Audit and Risk Committee

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

More information regarding the work of the Committee can be found in its report on pages 110 to 116.

Board

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

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

Internal control

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

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

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

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

- a formal schedule of matters reserved for the Board for decision and specific terms of reference for each of its Committees; other than these matters, the Board delegates to the Chief Executive Officer, who in turn reviews the delegation of authorities throughout the management structure;
- the Group's internal management beneath the Board is led by the Management Board. Day-to-day responsibility for the management of the Group is delegated to the Management Board. There are clearly defined lines of management responsibilities at all levels up to and including the Group Board, and the Group's accounting and reporting functions reflect this organisation;
- whilst financial executives within Group businesses largely report to their own operational head, there is also a well-established and acknowledged functional reporting relationship to the Chief Financial Officer;
- the Board reviews strategic issues and options both as part of the annual strategic planning process and on an ongoing basis throughout the year. In addition, the Executive Directors maintain a five-year planning model of the Group and its individual businesses;
- annual budgets are prepared for each of the Group's businesses which include monthly figures for turnover, profit, capital expenditure, cash flow and borrowings. The budgets are reviewed through the Group management structure and result in a Group financial budget which is considered and approved by the Board;
- the businesses prepare monthly management accounts which compare the actual operating result with both the budget and prior year. They also prepare rolling reforecasts for orders, turnover, operating profit and cash. These are reviewed by the Board at each of its scheduled meetings;
- the Board approves all acquisition and divestment proposals and there are established procedures for the planning, approval and monitoring of capital expenditure;
- for all major investments, the performance of at least the first 12 months against the original proposal is reviewed by the Board;
- internal audits are carried out through a system of regular reviews of the financial and non-financial internal controls at individual businesses. See the Audit and Risk Committee Report on pages 110 to 116, for more information;
- the Board and its Committees receive regular updates on trade compliance, sustainability, business ethics, health and safety, treasury, tax, insurance and litigation, amongst other topics;
- authorisation limits are set at appropriate levels throughout the Group; compliance with these limits is monitored by the Chief Financial Officer and the Group assurance function;
- there is a detailed and risk-based delegation of authority structure in place for sales contracts and managing commercial risks. Contracts with onerous terms and conditions (such as unlimited liability contracts) are subject to enhanced approval requirements;
- the International Trade Committee monitors, considers action and makes recommendations around the management of key risks relating to international trade, including sanctions, export controls and customs; and
- as regards the UK pension scheme, the Group nominates half of the Trustee Directors of the scheme's Corporate Trustee; involves as appropriate its own independent actuary to review actuarial assumptions; agrees the investment policy with the Trustee; works with the Trustee on its investment sub-committee to deal with day-to-day investment matters; ensures there is an independent actuarial valuation every three years; and agrees funding levels to provide adequate funding to meet the benefit payments to the members as they fall due.

RISK MANAGEMENT continued

Risk management process

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

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

Evaluation of risk
Careful consideration is given to:
i) the specific scenarios in which the risk could arise; and
ii) the various potential impacts which the risk could present.

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

Risk review
An embedded, cyclical process review:
i) determination of principal risks and uncertainties; and
ii) the effectiveness of the implemented mitigation mechanisms.

Emerging risks

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

It is recognised that emerging risks can also be principal risks. A detailed description of the principal risks and the activities to mitigate these is set out on pages 73 to 78.

The identification and evaluation of emerging risks is derived from the Group's quarterly risk reporting framework. The output from the business units' detailed risk registers is reviewed by the Group Head of Risk, Assurance and Trade Compliance and the Chief Financial Officer every quarter. Any new risks reported by the business units are specifically identified and discussed as part of this process. A formal review of emerging risks is conducted annually, with the outputs shared and discussed with the Audit and Risk Committee as part of its review of the Group risk register and principal risks and uncertainties.

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

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

Principal risks and uncertainties

Principal risks are reported and discussed at every meeting of the Audit and Risk Committee. We generally consider that principal risks are those which could have a significant adverse impact on the Group's business model, financial performance, liquidity or reputation. The Audit and Risk Committee also considers emerging risks, within the risk management framework. A formal review of emerging risks is conducted annually. Risks relating to the use of generative AI were identified but were not considered to represent a principal risk to the Group.

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

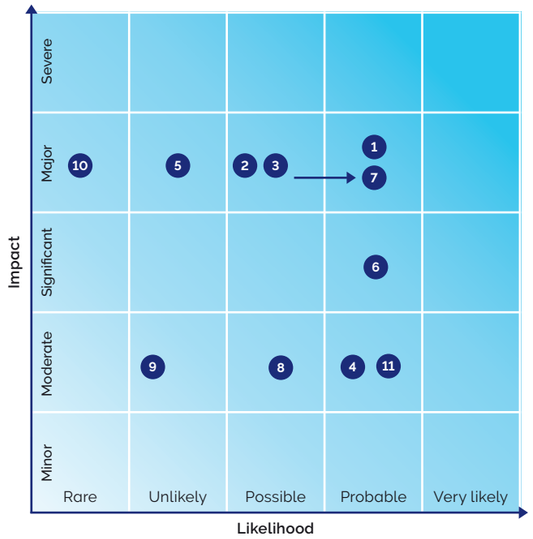
Principal risks and uncertainties matrix

Our principal risks and uncertainties are mapped onto a probability and impact matrix, so that we can meaningfully assess their relative importance. The arrows used in this matrix indicate the change in the risk by comparison to the prior year's assessment. Our methodology uses the Group's assessment of the residual risk, being the probability of the risk occurring and the potential impact it may have, taking account of any mitigating actions and controls that have been implemented.

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

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

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



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

1 Geopolitical

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

Risk

Changes in the geopolitical landscape, or an escalation in global trade tensions, may result in major obstacles to trade with specific customers or end users in key markets. Events such as conflicts and regime change can trigger changes in foreign policy objectives relating to sanctions, trade embargoes, export licensing and trade tariffs. Further, as a consequence of such restrictions, affected nations may seek to reduce reliance on imports in strategic technologies through the development of domestic competition and/or implement protectionist measures. This risk is particularly relevant to the export of certain technologies to China for end uses in both quantum computing and advanced semiconductor manufacturing. With manufacturing operations in the UK, the US, Germany and France, the Group is exposed to changes in the sanctions, embargoes and export controls imposed by those jurisdictions.

Possible impact

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

Control mechanisms

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

Mitigation

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

Change in the year: =

= Unchanged ↑ Increased ↓ Reduced

RISK MANAGEMENT continued

2 Operational transformation

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

Risk

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

Possible impact

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

Control mechanisms

- CEO and steering group oversight of operational excellence programme.

Mitigation

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

Change in the year: New

3 Supply chain

Context: The Group operates a global supply chain, sourcing from many suppliers across a wide range of categories. For certain technologies, there are limited alternative sources. Disruption may be triggered by global events such as conflict, natural disaster, or a pandemic.

Risk

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

Possible impact

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

Control mechanisms

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

Mitigation

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

Change in the year: =

4 Routes to market

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

Risk

- Vertical integration by OEMs.

Possible impact

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

Control mechanisms

- Customer insight to match product performance to customer needs.
- Positioning of the Oxford Instruments brand and marketing directly to end users.

Mitigation

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

Change in the year: =

5 New Product Introduction (NPI)

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

Risk

- Failure of the Group's R&D programme to produce commercially viable products.

Possible impact

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

Control mechanisms

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

Mitigation

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

Change in the year: =

= Unchanged ↑ Increased ↓ Reduced

RISK MANAGEMENT continued

6 Macroeconomic

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

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

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

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

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

Change in the year: =

7 Cyber/information technology

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

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

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

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

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

Change in the year: ↑

8 Legal and regulatory compliance

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

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

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

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

Mitigation
- Confirmation of 'Freedom to Operate' during new product development stage gate process.
- Compliance training, communications and monitoring programmes for key compliance risks.

Change in the year: =

9 People and capability

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

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

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

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

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

Change in the year: =

= Unchanged ↑ Increased ↓ Reduced

RISK MANAGEMENT continued

10 Business interruption

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

Risk

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

Possible impact

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

Control mechanisms

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

Mitigation

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

Change in the year: =

11 Climate change

Context: Climate change generates both risks and opportunities. Our response needs to address risks and optimise opportunities. More detail on our approach is set out in our Task Force on Climate-related Disclosures Statement on pages 40 to 50.

Risk

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

Possible impact

- Rises in production costs and product development costs to reduce CO_2 emissions linked to our products.
- Delayed production and/or installation leading to delayed revenue.
- Reduction in sales volumes if we fail to meet customers' environmental expectations/requirements.
- Reputational damage or loss of investment arising from failure to anticipate or address climate risk.
- Increased freight and packaging costs.

Control mechanisms

- Sustainability Committee and management-level Sustainability Leadership Forum.
- Climate-related risks and opportunities evaluation and reporting embedded in operating businesses.
- Strategic sourcing.
- Product compliance groups.

Mitigation

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

Change in the year: =

= Unchanged ↑ Increased ↓ Reduced

VIABILITY STATEMENT

The Board has assessed the viability of the Group over a three-year period, taking into consideration its current position and the potential impact of certain of its principal risks and uncertainties. This assessment concerns the three-year period from 1 April 2024 to 31 March 2027 (the 'Viability Assessment Period').

Whilst the Board has no reason to believe that the Group will not remain viable for a longer period, it is comfortable that three years is an appropriate assessment period and is consistent with the approach taken since the introduction of the requirement to prepare a viability statement in 2016, in line with the UK Corporate Governance Code.

Scenario testing

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

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

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

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

Potential impact of risk	Explanation
Loss of revenue due to lower volumes, leading to lost margin	The potential impact is estimated by applying the following sensitivities to revenue: Year 1 – use of detailed budget revenue (after Group contingency) Year 2 – no revenue growth for any business Year 3 – same as for Year 2

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

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

VIABILITY STATEMENT continued

RISK AREA
3. Legal and compliance, Cyber/Information technology, New Product Introduction, macroeconomic, people and capability

Potential impact of risk	Explanation
Additional non-recurring overhead costs	Additional non-recurring overheads have been applied, representing a contingency for the potential impact of a significant one-off charge totalling £15m. As timing is unpredictable, it has been spread evenly over the three years.

RISK AREA
4. Business interruption

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

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

Methodology

The Group starts the Viability Assessment Period with a positive net cash position and the criteria used to assess viability in aggregate were the same as the prior year. The Board believes that either maintaining a positive net cash position during the Viability Assessment Period or, alternatively, operating within agreed debt arrangements (particularly relevant if retained cash is used to fund acquisitions), would demonstrate the Group's liquidity to meet its liabilities as they fall due. Currently, the Group has committed credit facilities of approximately £200m. There are covenants associated with the facilities which principally require the Group to operate within a ratio of three times EBITDA to net debt. These covenants, therefore, could limit the headroom available from facilities and are factored into the viability assessment calculations where relevant.

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

The Forecast includes cash flow forecasts for each year of the Viability Assessment Period at Group level only. These start with the operating profit calculations (after sensitivities), and then generally apply the same assumptions as the baseline model to calculate movements in working capital, investing activities, tax, dividends paid, etc. to forecast the net cash flow in each year. The only exception is the application of additional working capital requirements set out in sensitivity 4 above.

Thus, the viability assessment uses the same model as the Forecasts to estimate annual movements in net cash and includes no adjustment for any mitigating actions that the Group might take in the event of adverse financial performance such as reduced capital expenditure, changes to dividend policy, reduction in bonuses, etc. This reflects a prudent approach to the viability assessment calculations.

The cumulative impact of the scenarios tested is to reduce revenue by £116m (7% of the Baseline total) and operating profit by roughly £96m compared to the Baseline in the three-year period covered by the assessment. However, the only elements of the cash flow forecasts that have been adjusted in the viability assessment relate to the movements in working capital and the tax payment. All other cash flows, including, but not limited to, capital expenditure, R&D expenditure and dividends, have not been adjusted in the viability assessment. The Baseline revenue for year 1 already includes a Group contingency.

Conclusion

In aggregate, over the three years of the Viability Assessment Period and subsequent to scenario testing, the calculations demonstrate that the Group would remain profitable and would continue to generate a positive operating cash flow. The outcomes show positive EBITDA and positive adjusted operating profit in all three years. Further, the calculations show that the Group would continue to generate a positive net cash flow in every year of the Viability Assessment Period, leading to additional headroom. Consequently, the Group would maintain a healthy net cash balance at the end of the Viability Assessment Period and at each balance sheet date during the period.

The forecast level of net cash, combined with banking facilities of approximately £200m, demonstrate that during the Viability Assessment Period, the Group's forecasts include substantial headroom. Consequently, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years.

The outcome of this assessment supports not only the Viability statement, but also the Going concern statement, as set out subsequently.

Going concern statement

The Group's business activities and factors that are considered likely to affect its performance and position in the future are set out in the Strategic Report on pages 10 to 82. The Finance Review on pages 58 to 69 discloses information relevant to the Group's financial position, its cash flows, borrowing facilities and liquidity. The Board has considered the Group's current financial position and future prospects and, as set out in the accounting policies note, has performed an assessment up to 30 June 2025, as well as an assessment of longer-term viability up to 31 March 2027 as noted in the viability statement. On this basis, the Directors conclude that there is a reasonable expectation that the Group will continue in operational existence for the foreseeable future and that there are no material uncertainties which may cast significant doubt over its ability to continue as a going concern. As a result, the Board considers it appropriate to continue to adopt the going concern basis of accounting. For further information, see the accounting policies on page 155.

Approval

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

RICHARD TYSON
Chief Executive Officer

10 June 2024

NON-FINANCIAL INFORMATION STATEMENT

The table below explains where relevant non-financial information can be found within this report, further to the Financial Reporting Directive requirements contained in Sections 414CA and 414CB of the Companies Act 2006. Where appropriate, details on where additional information on these matters can be found, have also been included.

Key policies and procedures	Information within this report	Additional information
Environment		
Health and Safety Policy Environmental Policy Supplier Due Diligence and Audit Procedures	Sustainability Report: pages 34 to 57 Sustainability Committee Report: pages 117 to 119 Task Force on Climate-related Financial Disclosures (TCFD) Statement: pages 40 to 50	www.oxinst.com/investors-content/sustainability www.oxinst.com/investors-content/compliance/environmental-policy www.oxinst.com/CBCE www.oxinst.com/corporate-content/supplier-and-partner-engagement
Employees		
Health and Safety Policy Working at Oxford Instruments Policy Leaving Oxford Instruments Policy IT Infrastructure and Use Policy Conflicts of Interest Policy Business Travel Policy Crisis Management Policy Reward and Recognition Policy Performance Management Policy Opportunity and Career Policy Share Dealing Policy	Engaging with our stakeholders: pages 20 and 21 Sustainability Report: pages 34 to 57 How we engage with our stakeholders: pages 90 to 96 Board Leadership and Company Purpose: page 89 Sustainability Committee Report: pages 117 to 119	www.oxinst.com/corporate-content/health-and-safety www.oxinst.com/CBCE www.oxinst.com/corporate-content/employees www.oxinst.com/investors-content/compliance/crisis-management-policy www.oxinst.com/corporate-content/diversity-and-inclusion www.oxinst.com/careers
Social matters		
Export Control Policy Privacy Policy Code of Conduct Group Sanctions Policy Group Export Controls	Sustainability Report: pages 34 to 57 Community engagement: page 92 and 93 Sustainability Committee Report: pages 117 to 119	www.oxinst.com/corporate-content/privacy www.oxinst.com/CBCE www.oxinst.com/investors-content/compliance/group-sanctions-policy www.oxinst.com/investors-content/compliance/group-export-controls-policy
Human rights		
Global Human Rights Policy Modern Slavery Statement Gender & Ethnicity Pay Gap Report Privacy Policy	Ethics – human rights: page 57	www.oxinst.com/corporate-content/human-rights-policy www.oxinst.com/corporate-content/modern-slavery www.oxinst.com/corporate-content/gender-pay-report www.oxinst.com/corporate-content/privacy
Anti-bribery and corruption		
Anti-bribery and Anti-corruption Policy Whistleblowing Policy Share Dealing Policy Supplier Code of Conduct Conflicts of Interest Policy Supplier Due Diligence and Audit Procedures	Ethics – anti-bribery and corruption: page 56 Supplier engagement: pages 92 and 93	www.oxinst.com/investors-content/compliance/anti-bribery-and-corruption www.oxinst.com/investors-content/compliance/business-malpractice-procedure www.oxinst.com/CBCE
Additional disclosures: – Business model – Principal risks – Non-financial KPIs		
Group Tax Strategy	Investment case: pages 16 and 17 Business Model: pages 18 and 19 Strategy: pages 22 and 23 KPIs: pages 24 and 25 Principal Risks: pages 72 to 78 Audit and Risk Committee Report: pages 110 to 116	www.oxinst.com/investors-content/compliance/group-tax-strategy

The Directors' Report is approved by the Board and signed on its behalf by

SARAH HARVEY
Company Secretary
10 June 2024

Governance